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Overcoming Liability of Foreignness within the Vegan Food Industry

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Abstract

The world has become more global due to technological changes and industrialization. Thus, the food industry that used to be local has moved towards globalization as well. However, the industry is still strongly influenced by local preferences which makes the internationalization for companies within the food sector difficult. The increased awareness for environmental issues derived from the food industry has resulted in a higher demand for plant-based food products. Thus, several new firms offering vegan food substitutes have entered the international market. Though it has become a fast-growing subsector, very few studies have been done within this area. Hence, this study seeks to address how providers of vegan food substitutes overcome liability of foreignness in their internationalization. This is completed by a multiple case study including three Nordic providers of vegan food substitutes. Additionally, two expert interviews were conducted. The study is qualitative and uses a deductive approach.

The result shows that these companies suffer mainly from liability of foreignness in terms of costs derived from geographical distances, lack of legitimacy and limited knowledge regarding regulatory frameworks. The companies mainly overcome these liabilities by own experiences that generate market knowledge, by recruiting external competence and by having local collaborations. This study contributes to the existing literature by enhancing the understanding of liabilities that providers of vegan food substitutes face when entering foreign markets.

Key words: Plant-based, Vegan food substitutes, Internationalization, Liability of Foreignness, Market knowledge, Network

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1. Introduction

1.1 Background

The Food Industry

During the past four decades the production, distribution and consumption of food have been transformed. What used to be a local industry has become more global due to technological changes and industrialization. Though millions of people are still struggling to obtain enough food to survive, for millions of others food has become a statement of lifestyle rather than survival. Rising incomes and economic growth have made it possible for these people to be more selective. Thus, what people choose to eat has become a far more complicated process containing a mix of taste, culture, religion, health concerns and ethical position (Dicken, 2015).

Increasing prosperity among people has stimulated the demand for greater choice of food products. This, combined with the marketing strategies of the transnational producers within the industry, have resulted in a highly segmented food market. This is partly reflected in the rapid growth and huge diversity of food products. However, simultaneously as the consumers desire for diversity, there is an increasing resistance to many of the products being sold through the major supermarkets as well as to the more traditional fast food providers (Dicken, 2015).

Sustainability and Environmental Concern

Consumers are becoming more aware of environmental issues and the impact derived from the agro-food industry. Thus, the pressure on re-localizing food production has increased. The concern among consumers also derives from fears about the safety of foods grown using different chemicals and ethically unacceptable methods. As a result, there has been a significant growth in the ethical consumer movement within the industry (Dicken, 2015).

However, sustainability and environmental issues are not only addressed by individuals and firms. The concern is far more complex and has required diplomatic and political effort in order to set and reach goals and agreements. The sustainable development goals, set by the UN, and the Paris agreement are two examples of governments working together in order to

tackle these challenges (Naturvårdsverket, 2018). This, as well as the consumer's demand, puts pressure on the agro-food industry to become more sustainable (V. Meadu et al. 2016).

Today, the production and consumption of food is highly dependent on fossil fuels and contribute to 19-29 % of all global anthropogenic greenhouse emissions. This is a total of 9,800-16,900 megatonnes of carbon dioxide equivalent in 2008 (Vermeulen et al. 2012). Approximately 15% of the total global emissions can be directly derived from the livestock. It is primarily methane and nitrous oxide from biological processes that account for these large emissions. The methane mainly comes from the animal's digestion process and the nitrous oxide from agricultural land. They differ from carbon dioxide as they are significantly stronger greenhouse gases (Jordbruksverket, 2018).

A Plant-Based Diet

Research shows that a plant-based diet has lower environmental impact. Apart from the environmental benefits that a plant-based diet gives, the consumption of plant-based food has important health benefits. Studies show, for example, that a high consumption of plant-based foods minimizes the risk of heart disease and certain cancers (World Cancer Research Fund and American Institute for Cancer Research, 2018; Hu, 2003) Consumers are recommended to limit their consumption of red meat to no more than 350-500g per week (World Cancer Research Fund and American Institute for Cancer Research, 2018). When it comes to dairy products, research shows that these are the top source of saturated fat, contributing to heart disease, type 2 diabetes and Alzheimer's disease. Studies also show a pattern of increased risk of breast, ovarian and prostate cancers linked to dairy (Physicians Committee for Responsible Medicine, 2014). Despite these recommendations, the global consumption of meat and dairy is increasing. One explanatory factor is rising incomes in the developing countries (M. Henchion et al. 2014).

However, it seems to be a trend among certain segments of the population, primarily in the Western countries, to eat more plant-based food. Eating vegan food, that is pure plant-based, is higher profile than ever. Vegan products have expanded from health food stores to major supermarkets and the product range has increased enormously (Ginsberg, 2011).

The awareness among consumers regarding health and environmental issues has not only pressured already existing companies within the industry to rethink and develop their business models and product ranges. It has also facilitated the creation of new ventures within this area

due to the shift in demand towards sustainable food alternatives such as vegan options (Röös et al. 2018).

1.2 Problem Discussion

The world population growth continues to increase and is expected to grow from 7,6 to 9,8 billion in 2050. To meet the food demand, it has been calculated that global food production needs to increase by 40% (Verschuuren, 2016). This poses a huge challenge for the sustainability of food production. In order to face these challenges new innovative solutions are crucial to meet the demand without compromising environmental sustainability and public health (Tilman et al. 2002).

However, internationalization within the food industry is complex due to strong influences from local factors. Consumers tend to be conservative when it comes to food habits. Additionally, producing food to cater for a global market requires huge capital investments, which favours large transnational food producers (Dicken, 2015). Hence, small- and medium sized companies within this sector do not only have to struggle with obstacles such as cultural differences, geographical distance and regulations when entering foreign markets, but also the consequence of being locked out of transnational agro-food production networks (ibid).

Despite these challenges, several new firms offering plant-based food substitutes have entered the international market. For instance, the trend in the U.S., Canada and Europe shows that plant-based beverage is increasing its market share on the behalf of dairy. The forecast on the market for vegan substitutes shows that the growth of these alternatives is of greater interest than the current market size (Sherrard, 2017). Although the global demand continues to increase, the competition on this market is high (Ginsberg, 2011).

Johanson and Vahlne (1977; 2009) argue that small-and medium sized companies, due to their limited network and market knowledge, face challenges when conducting business abroad. Since preferences vary between countries, this gives an advantage to domestic companies as they are more familiar with the home market and consumer needs. Alongside, the domestic firms are spared from making huge investments since they are operating on a local level (Zaheer, 1995).

Costs derived from unfamiliarity of the environment due to cultural, political and economic differences, and from having to coordinate across geographic distance, have long been a fundamental assumption by many scholars within internationalization theory (Buckley & Casson, 1976; Caves, 1982; Dunning, 1977; Hennart, 1982). The competitive disadvantage among foreign firms when conducting business abroad is referred to as liability of foreignness (LOF) (Zaheer, 1995).

Though the food industry has gone through a transformation by becoming global, the leftovers from what used to be a local industry still remain (Dicken, 2015). In line with Zaheer (1995), this implies that foreign companies within this industry should suffer more from liabilities compared to domestic firms. This theory is strengthened by The Uppsala Model (Johanson and Vahlne, 1977;2009) that explains the behaviour of companies when choosing which foreign markets to enter. It suggests that companies choose markets where they have established networks and LOF is lower.

Several other theories regarding internationalization strive to explain the pattern of companies' internationalization processes as well. In contrary to the Uppsala Model, other theories suggest that since the world has become more global due to technological development, companies no longer suffer from disadvantages of being foreign. This is used to explain why some companies become global directly (Rennie, 1993). However, companies within the food industry tend to follow a more traditional pattern in line with the Uppsala Model (Johanson and Vahlne, 1977). Lars Elfman, Creative Director at Oatly (personal communication, 2019-04-16) confirms this by comparing groceries with digital services. He states that the production and distribution of groceries is far more complex than providing a digital service for a global market, making it difficult to operate on a global market from day one as a food producer.

Many scholars within internationalization theory have addressed the limitations of being a foreign company on a foreign market. A few studies have applied internationalization theories on the food industry (Traill & Pitts, 1998; Eastham et al., 2007). However, the increasing trend of eating plant-based food has led to the emergence of new firms offering substitutes to animal products and resulted in a fast-growing subsector (Ginsberg, 2011). Despite this, to the best of our knowledge, very few studies have been done within the vegan food sector though it has become a significant part of the food industry. Thus, it appears to be a research gap within this

area which requires further empirical research in order to fully understand the behaviour of these firms in an international context.

1.3 Purpose and Research Question

The aim of this study is to contribute in filling the research gap identified above by studying how providers of vegan food substitutes manage to overcome obstacles of being foreign when entering markets that are strongly influenced by local preferences.

To fulfil the purpose, different companies within the industry will be examined in order to answer the following research question:

How do providers of vegan food substitutes manage to overcome the liability of foreignness in their internationalization?

1.4 Delimitations

For this thesis, a multiple case study approach was used which will be further discussed in the Methodology chapter. However, some delimitations must be underlined. The study is delimited to only include Nordic companies providing vegan food substitutes. Thus, this will affect the transferability of our study's findings to other firms and industries.

2. Methodology

This chapter aims to present and motivate the choice of methodology approach taken in this study. Research design, the selection of case companies, collected data and analysis, as well as the quality of research method are themes that will be discussed in this section.

2.1 Research Approach

To conduct this study an abductive research approach was used, which is a combination of a deductive and inductive approach. This means that the choice of theories and the empirical observations have not followed a certain order (Dubois & Gadde, 2002). Instead we continuously moved between established theoretical models and new concepts derived from the observations. Deductive reasoning was used initially where existing literature within international business theories was reviewed. This gave rise to the initial hypothesis and the development of interview questions for the data collection. However, when the first set of empirical data was gathered and analysed, new factors were identified which made the already chosen theories limited. Thus, the theoretical framework had to be revisited and literature was added to improve the quality of the study. As Dubois and Gadde (2002) note, theory and empirical observations cannot be understood without one another and as observations sometimes identify unexpected outcomes, the theoretical framework consequently requires adjustments.

2.2 Qualitative Research Method

When a research study is conducted, two different research methods may be used; qualitative or quantitative research (Bryman & Bell, 2015). In this study, the former mentioned was applied. A qualitative research is described as a research strategy where the focus when collecting and analysing data is on what is said in words rather than quantification. In opposite to quantitative research, a qualitative has an inductive view on the relation between theory and practice which means that the theory is derived from the collected data. The method emphasizes the understanding of the social environment by examining the interpretation of the world by its

participants. Further it describes social capacities as a result from individual interacting rather than occurrences separated from individuals (Bryman & Bell, 2015).

The type of research question a study intends to answer forms the basis for a specific research method. Within business research, questions starting with the word *what*, *how* or *why* are preferably carried out by taking a qualitative approach (Eriksson & Kovalainen, 2008). Accordingly, as this study aims to answer the research question '*How do providers of vegan food substitutes manage to overcome the liability of foreignness in their internationalization?*', a qualitative approach was taken. By using a qualitative research method, we believe to receive a deeper insight in order to answer the research question.

2.3 Case Studies

Eisenhardt (1989, p. 534) describes the case study as a “research strategy which focuses on understanding the dynamics present within single settings.” Case studies can be done on either single or multiple cases (Yin, 1984) and generate in-depth insights of the cases included (Yin, 2012). Thus, the insight in the studied cases possibly gives an increased knowledge about the context in whole (Dubois & Gadde, 2002; Yin, 2012).

The case study approach has occasionally been criticized not to follow a proper scientific method (Dubois & Gadde, 2002). Critics claim that case studies do not provide enough information for generalization since it becomes too situation specific (Yin, 1994). However, this is not the purpose of this study. We see this as an opportunity to understand the interaction between a phenomenon and its context.

Case study research is especially suitable for research questions beginning with the word *what*, *how*, or *why* (Yin, 2012) which is the case in this study and therefore considered to be the most appropriate method. The data gathering when conducting a case study usually involves several methods such as interviews, documents and observations (Eisenhardt, 1989). In accordance with Yin (2012) who states that multiple-case studies are more rewarding as it provides greater certainty in the empirical findings, we chose a multiply case approach. Further, this will enable the identification of similarities and differences between the cases which is not possible in a single case study. Following this advice, interviews were conducted with three companies

providing vegan food substitutes on foreign markets. To receive a more thoroughly picture of the internationalization of these firms, two interviews were conducted with experts in internationalization of plant-based food.

However, case studies are sometimes criticized for lacking credibility due to the series of steps in the research process, occasionally accusing the authors to see only what they are searching for (Yin, 2012). In order to avoid this, the data has been triangulated. Triangulation means using more than one research method and having several different sources of information (Webb et al. 1966). By studying secondary data before the interviews, questions could be asked to the respondent to verify what had been reviewed in articles, reports and webpages. By conducting interviews with more than one person in a majority of the selected companies, the respondents' answers could be compared to further increase the credibility.

2.4 Choice of Cases

In this study we used a non-probability sampling method. Non-probability sampling is namely divided into two different techniques; convenience sampling and purposive sampling. This means that subjective methods have been used to decide which elements to include in the sample (Etikan et al. 2016).

As there are many providers of vegan food substitutes on the international market, geographical proximity and availability at the limited time as well as easy accessibility have driven the study to take a convenience sampling approach. The limited numbers of firms within this business that were willing to participate have also affected the choice of sampling technique. This way of reasoning goes in line with how Etikan et al. (2016) define convenience sampling. However, using this technique is not flawless. Critics claim that in convenience sampling, the sample selected by the researcher might not be applicable to the research problem. Thus, this is followed by a risk where the collecting of poor quality data might affect the study negatively and limit the possibility for generalization (Etikan et al. 2016).

Despite the risks of convenience sampling, we determined that this technique was the most suitable for the study due to the situation. The limited time frame and the difficulties to find

participants to interview lead to the conclusion to include those firms willing to take part in the study.

In order to answer a research question, it is crucial that the gathered data contribute to a better understanding of the theories (Etikan et al. 2016). Therefore, a purposive sampling method has been used as well. This means that we have identified and selected to interview employees at the firms who are proficient and well-informed regarding the subject that this study examines. The idea behind this choice of sampling is to concentrate on those who can contribute and assist with relevant information (Etikan et al. 2016). This was also the reason behind adding expert interviews.

Purposive sampling consists different types of methods. In this study, interviews were conducted with candidates on different companies within the sector and with two experts. All respondents had slightly different positions and business backgrounds. Etikan et al. (2016) refer to this as maximum variation sampling (MVS), or heterogeneous sampling. Since the study uses a non-probability technique, Etikan et al. (2016) suggest that this method is useful to achieve a greater understanding.

2.4.1 Selection of Case Companies and Expert Interviews

Before approaching potential case companies two criteria were developed to make sure that they would be relevant for the study. The first criterion limited the selection to solely include providers of vegan food substitutes with operations in at least one foreign market. The second criterion was that the companies had to be detached from transnational food suppliers. The reason for this was to enable the possibility to compare the cases with each other, whereas a transnational supplier of a vegan brand has other prerequisites, in terms of network and capital, and might distort the findings of the study. A total of fifteen companies were asked to participate in this study but only three accepted.

The reason behind including expert interviews in this study is to obtain a holistic view of the internationalization within the plant-based sector. Hence, in the selection of experts, the criterion was that that the respondent had to possess knowledge regarding internationalization of plant-based products. Each case company and all respondents will be presented below.

Oatly

Oatly is a Swedish company providing dairy substitutes made on oats in several foreign markets. The high degree of internationalization was the main reason for selecting Oatly. Since the company has a policy of not having interviews with students it was difficult to find respondents for this study. Thus, two interviews were conducted. However, the candidates were persons with deep insight in the company's internationalization process. Creative Director Lars Elfman as he has been involved in the company since 2014 and is the main character behind the re-branding and marketing both in Sweden and on all Oatly's foreign markets, and Jens Sintéus as he works as Sales Manager Export and experienced several launches in Europe and South Korea.

Kaslink

In 2001 Kaslink started as a family business, manufacturing sauce bases in Finland. In 2006 they gradually transformed from a sauce factory into Finland's biggest private dairy. However, in 2017 they started manufacturing plant-based products which resulted in launching the oat-based dairy substitute Kaslink Aito. Today Kaslink Aito is available on the Finnish, Swedish and British market as well as in smaller eco stores around Europe. Although Kaslink do produce dairy products today, we consider the company relevant for this study as the aim is to convert the business to only provide plant-based products in the long term. The company has two consultants hired in Sweden, Helen Nielsen and Christoffer Roos. As both are fully responsible for Kaslink's international market activities, it was a natural choice to include them in the study. Nielsen worked as Export Manager at Oatly before starting at Kaslink and Roos is former Sales Director at Oatly.

Food For Progress

The company has two brands, Oumph! and Beat. As yet, only Oumph! is sold outside Sweden. Oumph! is a meat substitute made on soy protein. Since it is a relatively small firm with limited resources it was difficult to convince the company to participate in this study. However, we had the opportunity to conduct an interview with Marketing Director Henrik Åkerman over telephone. Due to the small size of the company, he is the only one at Food for Progress working with internationalization in practice. Thus, the interview contributed with highly relevant information for our study.

Expert Interview - Lars Franzén

Lars Franzén works as a CEO at Lantmännen's subsidiary "Lantmännen Functional Foods" which is a provider of plant-based ingredients. One of their main ingredients is oat protein, which is sold to, among others, international companies that provide plant-based products. Hence, he possesses experience and knowledge regarding internationalization within this sector.

Expert Interview - Michael Furu

Mikael Furu is a management consultant at Macklean consulting firm. The firm provides consultation within market research and internationalization strategies to companies within the food sector. During Furu's time at Macklean he has advised clients such as Lantmännen, KRAV and Food For Progress through their internationalization processes.

Company	Name	Position	Date	Type of interview	Interview length
Food For Progress	Henrik Åkerman	Marketing Director	19-04-12	Telephone	35 min
Oatly	Lars Elfman	Creative Director	19-04-16	Face- to-face	50 min
Oatly	Jens Sintéus	Export Manager	19-04-23	Face-to-face	60 min
Kaslink	Christoffer Roos	Sales Director	19-05-02	Telephone	55 min
Kaslink	Helen Nielsen	Sales Director	19-05-08	Telephone	60 min
Lantmännen	Lars Franzén	CEO	19-05-14	Telephone	30 min
Macklean	Mikael Furu	Consultant	19-05-16	Telephone	30 min

Table 1. Interview overview

2.5 Data Collection

2.5.1 Primary and Secondary Data

The collected data for this study contains both primary sources as well as secondary. The primary data consists of both interviews conducted by us, and information from one of the companies' webpage. Hence, the collected primary data goes in line with the purpose of the study. However, we are aware that the information provided by the companies themselves might be angled to their benefit. To increase the credibility the expert interviews were added and used when triangulating the gathered data.

Secondary data refers to already existing material within the research field, produced with another aim than this study has (Saunders et al. 2009). Thus, the data might be angled depending on the purpose of the author presenting the information. It is therefore of great importance to be aware of the risks. In order to increase the reliability, the secondary sources have been collected carefully from relevant reports and articles and triangulated by comparing them with other secondary sources as well as with the respondents' answers. However, secondary data has only been used to some extent as the main sources of information have been received from interviews.

2.5.2 Interview Design

The collected data in this study is primarily from interviews conducted with the included case companies. Interviews can either be very formal and structured or have a more informal setting where the respondent is allowed to speak freely. Thus, interviews are usually classified into three categories: structured, semi-structured and unstructured, and can be further categorized as standardized or non-standardized (Saunders et al. 2009). In this study, non-standardized, semi-structured interviews have been applied. Using this approach with set themes during the interviews ensured that the necessary topics were covered without excluding the possibility to add or delete questions during the interview depending on the respondent's answers. The questions guiding the interviews were formulated from key themes identified in the theoretical frameworks used in this study. The interview guides can be found in 8. *Appendix*.

All candidates worked with internationalization to some extent but with slightly different positions within the different companies. Hence, we were provided with information regarding

internationalization through both a marketing perspective as well as through a traditional internationalization point of view. Two interviews were conducted face-to-face and three were held over telephone. Two expert interviews were added in order to receive unbiased sources of information. All interviews were conducted one-to one allowing the respondents to ask for clarifications and develop more thoroughly answers. Some interviews have also been complemented with clarifications by email afterwards. With permission from all the respondents each interview was recorded which is advantageous according to Saunders et al. (2009). This made it possible for us to concentrate on listening during the interviews as well as to re-listen them afterwards and extract direct quotes. All interviews were transcribed which follows Bryman and Bell's (2015) recommendation.

2.6 Data Analysis

The data analysis has been carried out in parallel with the development of the theory. As new information was added through interviews, we had to review the chosen theories and therefrom exclude and include additional theory. After the interviews were transcribed and translated by us, the answers from the respondents at each company was combined and divided into the themes "International Markets", "Evaluating Markets", "Internationalization Obstacles", "Internationalization Strategy" and "International Marketing Strategy". These themes constituted the subsections of the empirical findings. Breaking down the findings under unique themes can be referred to as coding (Bryman & Bell, 2015). In the analysis section the empirical findings were compared with the existing literature and theories regarding internationalization processes and internationalization obstacles. After the coding was done, an analyse model was constructed where the themes were combined with the theoretical dimensions in order to facilitate the analysis.

2.7 Quality of Research

Qualitative research can be evaluated by two main criteria, *reliability* and *validity*.

2.7.1 Reliability

Reliability aims to describe the safety of the measurement (Saunders et al., 2009) and is built upon on the premise of “replicability and repeatability of the results” (Golafshani, 2003, p.598). The reliability of the measurement is explained by the extent to which a result is the same in repeated measurements, irrespective of time and space and who performs the measurements (Saunders et al., 2009). A qualitative research method is characterized by a relatively low control as it includes human respondents who are influenced by their subjective perceptions and understandings. Thus, it is difficult to measure the reliability of a qualitative study (Bryman & Bell, 2015). A qualitative study, based on semi-structured interviews with few respondents, makes it difficult to generalize the results for an entire population (Saunders et al., 2009.). Hence, we are aware that our study's reliability and generalizability could be considered limited.

According to Leung (2015) it is of great importance to be consistent when conducting interviews in order to increase the reliability as much as possible. To enable identifying similarities, from which comparison can be made, the same interview guide has been used for all case companies. There is a risk though that different interviewers interpret the respondents' answers differently, which affects the data analysis (Saunders et al., 2009). To avoid this kind of misunderstanding, both of us have been present at all interview sessions. However, the fact that five of the interviews were conducted over telephone might affect the quality of the study. Saunders et al. (2009) state that telephone interviews entail difficulties as it excludes the respondents body language and face expression. Furthermore, the interviews have been recorded and transcribed, which according to Silverman (2001) reinforces the research reliability. Also, the fact that the data has been triangulated, described in section 2.3 *Case Studies*, further increases the reliability (Yin, 2012).

2.7.2 Validity

In qualitative research validity is described in terms of the suitability of the tools and data used in a study (Leung, 2015). Validity can be divided into three categories: construct, internal and external validity (Yin, 2012). Construct validity concerns the data gathering where the sampling

must be appropriate. In this study we used multiple sources of information including three case companies to increase the construct validity. The internal validity, which is also referred to as credibility, deals with casualty in the analysis. This is mainly important in explanatory studies where the purpose is to clarify how or why an event results in another event (Bryman & Bell, 2015). As the authors of a study are the ones extracting what they consider appropriate information to answer their research question, the selected findings tend to be influenced by subjectivism. However, to ensure the credibility the authors must make sure that the presented data represents the reality of what is investigated (Saunders et al. 2009). Two practices are suggested to improve the internal validity: respondent validation and triangulation (Bryman & Bell, 2015). The second mention was carried out by including several sources of information (see 2.3 *Case Studies*).

The external validity, also called transferability, concerns the extent to which the research findings can be generalized (Bryman & Bell, 2015). This is especially difficult in case studies as the study only includes a limited number of participants. Therefore, it is impossible to suggest that the findings are relevant and applicable on other situations (Shenton, 2004). Thus, it is crucial to present the study's boundaries by clarifying as much information possible about the research process (ibdi). To increase the transferability, this study carried out a multiple case approach (see 2.3 *Case Studies*). Still, the transferability of this study could have been further increased if more than three case companies were included. However, this was kept in mind throughout the whole study. Yet, we believe that our findings could contribute with valuable information for other companies providing vegan food substitutes.

2.8 Research Ethics

Bryman & Bell (2015) discuss different aspects of ethical issues scholars have to take in consideration when conducting a research. According to Diener & Crandall (1978) there are four main principles that researchers should follow during a business research. These are; harm to participant, lack of informed consent, invasion of privacy and deception. In accordance with Diener & Crandall (1978) and Bryman & Bell (2015), all respondents were informed about the objectives and the themes of this study and were given the opportunity to decide whether or not they wanted to participate. The interviews were recorded with the respondents' permission and they were also informed about the possibility to be anonymous. During the interviews we

avoided asking too personal questions that could possibly make them feel uncomfortable and interfere with the respondents' private sphere.

3. Theoretical Framework

In this chapter the aim is to describe and discuss the theories used for analysing the gathered data presented in the empirical part.

3.1 Internationalization

Scholars in international business have defined internationalization as “*the process of increasing involvement in international operations*” (Welch & Luostarinen, 1988, p.36) and as “*the process of adapting firm's operations (strategy, structure, resources etc) to international environments*” (Calof and Beamish, 1995, p. 116). To receive a holistic view, the degree of internationalization can be observed through three dimensions: (1) the number of foreign markets entered and the geographical distance to those; (2) the amount of activities on foreign markets, e.g. sales, distribution, organization and production; (3) the degree of integration of these activities (Kutschker & Bäurle, 1997).

3.2 Liability of Foreignness

Scholars in international business have long discussed the costs that multinational companies face when doing business abroad (Hymer, 1976; Kindleberger, 1969). These costs are derived from unfamiliarity of the environment due to cultural, political and economic differences, and from having to coordinate across geographic distance. This has been a fundamental assumption in the development of theories regarding firms' internationalization and their liability of foreignness (Buckley & Casson, 1976; Caves, 1982; Dunning, 1977, Hennart, 1982).

Hymer (1976) and Kindleberger (1969) have broadly defined LOF as all additional costs a foreign firm faces that a domestic firm would not incur. The concept of LOF originally explained why a foreign investor needed to have a firm-specific advantage to overcome these liabilities (Hymer, 1976; Zaheer, 1995). Zaheer (1995) points out four sources which liability

of foreignness can be derived from: (1) costs directly associated with spatial distance, for instance costs of transportation and coordination; (2) firm-specific costs due to the lack of roots in a local environment; (3) costs resulting from the host country environment, such as the lack of legitimacy and economic nationalism; (4) costs from the home country environment, such as restrictions. Depending on which industry, firm, host country and home country, the relative importance of these costs and the choices firms make to deal with them, will vary (Zaheer, 1995).

In order to manage the disadvantages of being foreign on a market and compete with local firms, a company has to either bring its firm-specific advantages to the foreign subunit or mimic the advantages of successful local firms (Zaheer, 1995). Firm specific advantage can be derived from cost savings from economies of scale or scope (Porter, 1986), from exploiting location-based cost advantages (Dunning, 1977), or from resources such as brand name or differentiated products. It can also be derived from organizational capabilities (Bartlett & Ghoshal, 1989).

Zaheer (1995) suggests that, when a firm has its major source of firm-specific advantages in the organizational capabilities, the foreign subunits might benefit more from sticking with routines imported from home. This implies that firm-specific advantages embedded in imported organizational practices might be more effective in order to overcome the liability of foreignness for multinational subsidiaries in contrast to mimic local firms. On the other hand, industries in which the firm-specific advantage is embedded in technology, brand name or scale, mimicking could help subunit's performances (ibid).

Further, research from Rhee & Mehra (2006) has shown that LOF has a negative effect on a firm's organizational capabilities. However, they suggest that a firm should maintain high quality of strategic fit between operations, marketing and competitive strategies in order to overcome LOF. Within a mature industry LOF is higher as the product differentiation is high and there is limited room for product innovation. Thus, a company that operates in a foreign market has to pay close attention to the local environment in order to increase its local responsiveness and stay competitive (Powell & DiMaggio, 1991; Rosenzweig & Nohria, 1994).

Later research, however, question whether subsidiaries of multinational firms actually face extra-ordinary costs and disadvantages of being foreign in host-country environments. These

scholars have identified advantages of foreignness (AOF) in several activity domains, which include learning and adaptation (Cuervo-Cazurra & Genc, 2008), performance (Nachum, 2010), R&D capabilities (Un, 2011), talent recruitment (Yildiz & Fey, 2012) and innovation (Edman, 2015). They suggest that foreignness is followed not only by negative implications by highlighting the positive effects as well. Dissimilarity, distance and discrimination on a country-level are brought up as factors that might in fact have potentially positive implications for the multinational subsidiaries. These studies have been made in different countries and within different industries. For instance, Brannen (2004) uses Disneyland to demonstrate how their foreignness was an asset when establishing in Japan, and Siegel et al. (2011) showed how foreign firms in South Korea were advantaged by breaking social norms when hiring women managers.

Despite these conceptual arguments suggesting that foreignness may serve as an advantage for multinational subsidiaries, scholars within international business still agree that foreignness often entails liabilities (Edman, 2015).

3.3 The Establishment Chain

Research within internationalization theory do not only address how multinational firms overcome LOF, but also the process of when firms expand internationally. In a survey about the internationalization of Swedish companies, Johanson and Wiedersheim-Paul (1975) found a general establishment pattern in the companies' processes. It showed that companies began by expanding to the Nordic countries, followed by European markets and thereafter to markets outside Europe.

Johanson and Wiedersheim-Paul (1975) also identified different commitment stages when the firms entered foreign markets, which are referred to as the “establishment chain”. The chain can be divided into four different steps, where each step shows an increased market commitment which generates increased market knowledge. In the first part of the chain, the companies’ export sporadically. Thereafter export occurs through intermediaries, which provides the companies with information about the foreign market. Increased market knowledge enables companies to open their own sales subsidiaries, which further strengthens their market knowledge. In the last part of the chain, the companies open their own local

production units which can be seen as the highest degree of international involvement. The establishment process is illustrated in the model below (Johanson & Wiedersheim-Paul, 1975).



Figure 1: The establishment chain (Adapted from p. 307, Johanson & Wiedersheim-Paul, 1975)

However, the pattern that Johanson and Wiedersheim-Paul (1975) suggest that firms follow has received some critics. Ahlbrecht and Eckert (2013) agree that companies begin with low-intensity market entry modes and increase their commitment over time. However, they argue that only a few companies actually follow the establishment chain step by step. Further, they state that this pattern is more relevant for companies entering new markets early and loses relevance as foreign competition in the foreign market increases.

When developing the establishment chain, Johanson and Wiedersheim-Paul (1975) found a correlation between psychic distance and geographical distance. Psychic distance was defined as factors preventing the information flow between markets, such as linguistic and cultural differences, business practices and level of education. This suggests that companies would start in foreign markets that were close to them in terms of psychic distance. Other markets that were further away in psychic terms would be entered gradually as the firm gained more knowledge. However, the model also addresses the importance of market size as a factor that affects the market choice of a firm (Johanson & Wiedersheim-Paul, 1975).

Many scholars in this area are united by the idea that a firm's early internationalization activities are limited by psychic distance that separates the home- and foreign markets (Johanson & Wiedersheim-Paul, 1975; Nordström & Vahlne, 1994; Stöttinger & Schlegelmilch, 2000; Dow, 2000). However, the definition of psychic distance has been questioned. Measures done by Dow (2000) shows that cultural distance is a poor substitute for psychic distance when explaining firms' market selections in the early stage of internationalization. Accordingly, the definition of psychic distance has been developed further by Grein et al (2001). They define it as the differences between the home market and the host market in terms of consumer needs, distribution channels, market structures and substitute products.

Further, research shows that effects from psychic distance is stronger in the early foreign market entry. As companies acquire knowledge from operations on foreign markets, the uncertainties associated with exporting decreases which diminish the perceived psychic distance to new markets (Ellis, 2008).

3.4 The Uppsala Model

The findings by Johanson and Wiedersheim-Paul (1975) gave rise to The Uppsala model (Johanson & Vahlne, 1977) which describes a firm's internationalization as a knowledge process, characterized by incremental commitment to the foreign market it has entered. This goes in line with Penrose (1966) suggesting that the interaction between the development of knowledge and the progressively growing market commitment is the factor that constitutes the growth of the internationalization process over time. According to the Uppsala model (Johanson & Vahlne, 1977), absence and limited operation knowledge on foreign markets entail obstacles when developing international operations. Hence, these factors create psychic distance between the domestic and the foreign market (ibid).

3.4.1 The Knowledge Process

Firms can overcome psychic distance by experiences that generate knowledge about the new market (Johanson & Vahlne, 1977). Blomstermo et al. (2002) claim that this kind of knowledge is the most crucial resource in a firm's internationalization and further state that the collaboration between the company and its suppliers and consumers is an important factor for receiving this knowledge.

The knowledge process described in the original Uppsala model (Johanson & Vahlne, 1977) explains four interconnected aspects; market commitment, market knowledge, commitment decisions and current activities. Market knowledge and market commitment can be seen as state aspects, which explain the firm's current degree of internationalization. The state aspects have an impact on the change aspects, which are the commitment decisions and current activities. These explain how the firm's internationalization takes place and the changes during the process. The model assumes that the firms' perceived risks and opportunities are affected by the

companies' state, which expresses a dynamic between the companies' state and change. This is illustrated in the model below (Johanson & Vahlne, 1977).

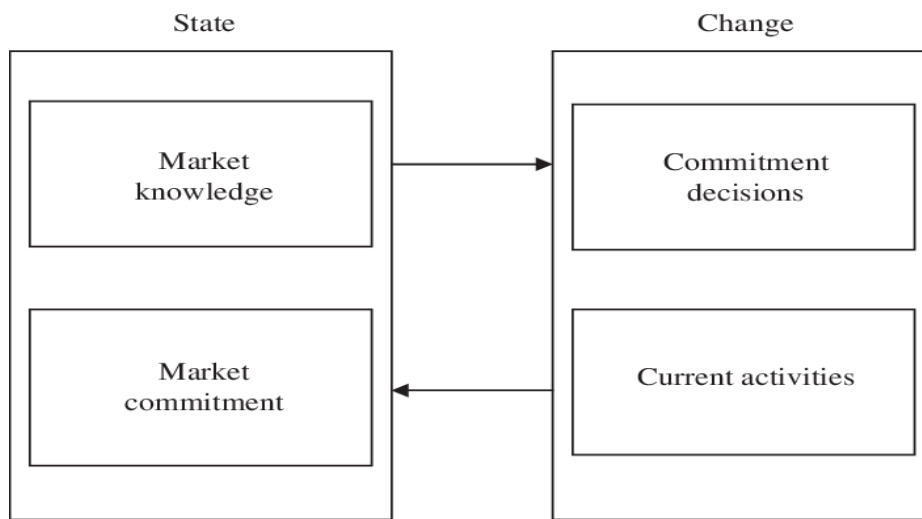


Figure 2: The Uppsala model (Johanson & Vahlne, 1977, p. 26).

The state aspects affect the dynamic aspects and vice versa, hence the model can be seen as a circular and ongoing process.

3.4.2 Critics of the Uppsala Model

The original Uppsala model has been criticized for being too deterministic and general. It portrays firms' development as predetermined and ignores external influences (Reid, 1983; Rosson 1987). Andersen (1993) argues that the model's theoretical connection in relation to empirical studies does not correspond to reality in several aspects. Critics also argue that the model is too voluntaristic since the firm's internationalization is limited and affected by circumstances beyond its control (Blomstermo, et al., 2002).

Forsgren (1989) and Nordström (1991) state that the Uppsala model as well as other entry mode theories (Hilmersson, 2011) need further explanatory factors in order to fully understand firms' internationalization processes. There are many factors involved in such a process, why it could be considered misleading to use a static theory to explain the reality (Hilmersson, 2011).

Nordström's (1991) research on internationalization of Swedish firms showed that an average of these started by entering West Germany, the U.K. and the U.S. before neighbouring countries like Denmark, Finland and Norway. Thus, this implies that firms might enter distant markets in

terms of psychic distance at an early stage. In line with Porter (1980), this could be explained by the fact that the world generally has moved towards homogenization, which is said to lower psychic distance between countries. Hence, the uncertainty among companies when entering foreign markets decreases (ibid).

In contrary to the Uppsala model (Johanson & Vahlne, 1977), Zahra et al. (2005) state that firms' internationalization is typically rapid and opportunity driven. The development of information technologies and the responsiveness to employ people with foreign experiences makes it easier for companies to generate knowledge about foreign markets. Also, the fact that there are numbers of consulting firms offering information and knowledge about market potential, distribution systems, competitors, local buying standards, possible entry modes etc. simplifies the knowledge gathering for companies (Nordström, 1991).

3.5 Liability of Outsidership

The economic and regulatory environments have changed dramatically since the Uppsala model was first published in 1977 (Johanson & Vahlne, 2009). Subsequent research on international business in terms of marketing and purchasing have resulted in a business network view of the environment faced by an internationalizing firm (Johanson & Vahlne, 2009). Further research on business network shows that markets are built upon networks of relationships in which firms are linked together in several complex and invisible patterns (Coviello & Munro, 1995,1997; Martin et al. 1998; Welch & Welch, 1996; Ellis, 2010). Thus, it is necessary for a successful internationalization that a firm is a part of relevant network(s), referred to as *insidership*. Further, this implies that *liability of outsidership* might occur for firms lacking these networks. Outsidership is considered to be more critical than psychic distance as companies are suggested to acquire knowledge primarily through interaction within the network. (Johanson & Vahlne, 2009.)

Companies that have an outsider position may suffer a limited information flow. Hence, the network is an important source of information about the surrounding environment. By interacting with local actors, a firm can become a part of the local network (Hilmersson, 2013). Since it can be difficult for a company to have prior knowledge of an unexplored market, the network is of great importance for establishment plans and market choices. (Blomstermo, et al.,

2002; Johanson & Vahlne, 2009). Galkina and Chetty (2015) state that since small- and medium sized firms tend to have limited resources, their internationalization processes are rarely strategic. Instead they suggest that SMF's choose markets where actors with similar interests are identified in order to access that network.

Though the network is considered to be an important part of firms' internationalization processes, Eberhard & Craig (2013) points out a few downsides. They argue that the network-based view omits the fact that it is time consuming and costly. Accordingly, being locked into a network might have negative impact on firms as the possibility to expand outside the network and discover new partners and business opportunities might be delimited (ibid).

3.6 Analyse Model

To facilitate the investigation of how a provider of vegan food substitutes overcome liability of foreignness, the below model was constructed. The model consists of the previously explained theoretical dimensions combined and illustrates the connection between theory and practice.



Figure 3: Analyse Model

In order to answer the research question the interview guide was formed by the theoretical framework in this study. The findings were categorized into five different themes. The first theme “International Markets” was inspired by the establishment chain (Johanson & Widersheim-Paul, 1975) and is used to receive an understanding for the companies’ earlier establishment pattern. Following the Uppsala model (Johanson & Vahlne, 1977), in which companies choose markets where the psychic distance is low, the theme “Evaluating Markets” enables a deeper insight in the reason behind the companies’ market choices. These two themes explain which markets the companies enter. They also explain *why* and *how* these decisions are made. This gives an indication of *if* and *why* companies choose to enter neighbouring markets and can further explain if there is a correlation with the companies’ perceived internationalization obstacles. The third theme “Internationalization Obstacles” presents the actual barriers that the companies’ experience on international markets and if these constitute factors that create LOF in accordance with Zaheer (1995).

The fourth theme “Internationalization Strategy” is directly connected to how the companies overcome LOF. According to the establishment chain (Johanson & Widersheim-Paul, 1975) and the Uppsala model (Johanson & Vahlne, 1977), earlier experiences, including perceived obstacles, from foreign markets increase a company’s knowledge. The knowledge enables the possibility to form an internationalization strategy. In the internationalization strategy, however, the network on a foreign market is considered important to enable the implementation of the strategy.

However, after the interviews were conducted, the theme “International Marketing Strategy” appeared to be an important factor for these companies in order to create brand awareness and overcome LOF.

4. Empirical Findings

4.1 Oatly

Oatly is a Swedish company providing dairy substitutes made on Swedish oats. The company was originally founded in 1994 and is based on research from Lund University, using an enzyme technology which turns fiber rich oats into nutritional liquid food. The headquarter is in Malmö and the production and product development is originally situated in Landskrona (Oatly, n d).

4.1.1 International Markets

Starting in Sweden, the Oatly brand is today available in more than 20 countries throughout Europe and Asia. The company has sales offices in twelve countries and production facilities in two countries, soon to be three (Elfman, 2019-04-16; Sintéus, 2019-04-23).

The first foreign market Oatly entered was the U.K. This was in the 1990's and happened by a coincidence. The initial market activity was export to health food stores, however, today Oatly has its own sales office there. After entering the U.K., the neighbouring countries were entered, also by export. These markets were followed by France and Germany and as Oatly strengthen its position on these markets, the company successively moved towards markets further away from the home country, including the U.S. and China. In all cases Oatly has entered markets by exporting. Further, sales offices have been established on those markets considered most important to be present at (Sintéus, 2019-04-23).

4.1.2 Evaluating a Market

When evaluating a market several aspects are taken in consideration including the size of the category for plant based, cow milk and meat as well as which direction the trend is moving within these categories. Additional aspects are market size, geographical distance, income level, the general sales of oats as well as other crops, the health trend, and which segment of the population that has the most saying. Oatly also overlooks social involvement within the population in questions regarding vegetarian-and vegan food as well as sustainability. This is later backed up with soft facts where the company aims to find answers to why the current

situation has incurred. This forms the basis for what approach the company chooses to adopt on that specific market (Sintéus, 2019-04-23).

Lars Elfman, Creative Director, and Jens Sintéus, Export Manager, both consider Oatly's market choices as systematic. Sintéus further develops this statement by pointing out the initial strategic planning before entering a market but also highlights the importance of flexibility in order to be effective. However, he declares that the initial contact with the U.K. deviates from systematics, depending on Oatly being such a small firm at that stage. As the opportunity occurred, this was a possibility to launch their products abroad (ibid).

Further, both Elfman and Sintéus state that networks are of great importance when evaluating a market. If a good opportunity occurs, or if the company has well established contacts on a specific market, it could affect how the prioritising is done. Relevant contacts are considered essential in order to enter new markets and to enable the communication regardless of cultural and linguistic differences. Thus, factors such as culture and language do affect both the market choice and the international expansion speed (ibid). Elfman argues that it feels more natural to start expanding by entering markets where the culture and language is similar to the home market.

4.1.3 Internationalization Obstacles

According to Elfman, the financial costs of logistics due to geographical distance is of great matter within this sector. In contrary to the service sector where for instance an application can be duplicated billions of times reaching a huge audience at once, food production is rather expensive and time consuming. Thus, the main difficulty for Oatly has been to meet the increasing demand on foreign markets as the initial production facility is situated in Sweden. The company has therefore occasionally been out of stock which has forced them to slow down the international expansion, focusing on providing their current markets instead (ibid).

Sintéus also states that the limited capacity has been a main issue when entering new markets, explaining the setbacks when Oatly products have been listed in stores abroad without being able to deliver at the final stage. There is no specific short-term solution when these circumstances occur (ibid). According to Elfman such a situation forces the company to prioritize between the markets whereas smaller markets in terms of sales must wait. The long-

term solution, however, has been to open new factories in order to stay competitive, one in the U.S., and one upcoming in Holland (ibid).

Despite the capacity, lack of knowledge regarding culture, language and regulations might be an obstacle in the internationalization according to Helen Nielsen, former Export Manager at Oatly. For instance, when Oatly listed the imat fraiche, a substitute for creme fraiche, in Denmark they had to call back the product as it contained ingredients requiring authorities' permission before it could be sold on the Danish market (ibid).

4.1.4 Internationalization Strategy

During Oatly's internationalization process, different strategies have been used depending on the market that was entered (Elfman, 2019-04-16; Sintéus, 2019-04-23). One important factor has been the matureness of the market as it affects how well the products are received. This in turn determined what approach the company chose to use in order to attract consumers (Sintéus, 2019-04-23).

However, Oatly mainly uses two different approaches when entering foreign markets. One is referred to as "the Barista Strategy" and the other one as "Dairy Plus" (Sintéus, 2019-04-23). When entering a foreign market by using the barista strategy, Oatly picks out the most influential cafes and enter the market through these, letting them introduce the company's flagship brand "ikaffe" (which is their one product that emulates the properties of milk best) to the cafe crowd. This approach was for instance how Oatly entered the American market. The company initially picked out cities where the potential was considered high. By entering through smaller cafe chains like Intelligencia and Stumptown on these markets, Oatly had the possibility to process the deficiencies. By letting the baristas at these cafes try out ikaffe, Oatly managed to build up a rumour about the brand within the cafe community. As the rumour was spread, a buzz was created around Oatly and within a few months ikaffe was available on thousands of cafes around the U.S. Therefrom the consumers captured an interest for Oatly and the increased demand lead to launching a range of Oatly products in big retail stores such as Target and Whole Foods Market (Elfman, 2019-04-16). According to Sintéus this strategy is a great way for Oatly to increase its market knowledge and to create brand awareness among consumers.

The second strategy focuses on making it as easy as possible for consumers to change from animal products to plant-based products. For instance, by having chilled oat milk or oatgurt with different fat contents just as regular milk and yogurt, or by mimicking package size of the substituted product as these are different between markets. In order to enter stores without initially using the barista strategy, either contacts are established directly with retailers or through distributors depending on how fragmented the market is. However, on all markets where Oatly is operating, either one or both the barista strategy and dairy plus have been implemented (Sintéus, 2019-04-23). Sintéus states that even if a strategy is set for a market, unforeseen possibilities might change the pattern of the company's establishment process.

4.1.5 International Marketing Strategy

According to both Elfman and Sintéus having target groups is not a part of Oatly's marketing strategy. In the early phase of Oatly's era, the target group was mainly lactose intolerants. Accordingly, Oatly was rebranded and a new objective was set up for the company in 2014. Instead of targeting lactose intolerants, the company has in sight to convert all people from dairy to plant-based options. Thus, in this specific area Oatly does not do any background research regarding which segments of the population that consumes their products. However, the company is aware that the vegan society is early adopters and important to reach in order to create buzz around the brand (Elfman, 2019-04-16).

The rebranding of Oatly and the changed marketing strategy have resulted in an approach where the company uses provocative texts in their advertisement instead of picturing food. The choice to discard target groups has resulted in the same marketing tonality being used on all markets where Oatly is operating (Elfman, 2019-04-16). Additionally, Elfman highlights the importance of sticking out rather than mimicking others, pointing at both the marketing but also the fact that Oatly was one of the first providers of plant-based dairy substitutes made on oats.

Though the marketing tonality has been the same on all markets, the approach has differed. When Oatly entered the U.S. market the focus was on explaining why consumers should change from almond milk to oat milk. As almond milk had a large market share on the American market, Oatly pointed at the sustainable benefits of oats in comparison to almond. Thus, discussing the health benefits and sustainable aspects of oats in contrary to cow milk has not been relevant in this specific market as the consumers were considered quite aware already.

Further, one year after Oatly's entry on the American market, giant domestic companies such as Quaker Oats added oat milk to their product range (Elfman, 2019-04-16). Elfman states that the competition has increased but supposes that Oatly had an advantage of being first. However, increased competition on a market is considered positive as it shows awareness among the consumers and a willingness for change (Sintéus, 2019-04-23).

In contrary to the U.S., Elfman describes Oatly's marketing approach in the U.K., Finland, Holland and Germany as more aggressive. In the U.K., Oatly recently had a campaign called "ditch milk" simultaneously as the company attended The London Coffee Festival. In Finland, Holland and Germany the campaign "it's like milk but made for humans" has been implemented. Using these approaches require a tradition of milk drinking (Elfman, 2019-04-16). As this is not the case in China, Elfman believes that the company will have to develop a new marketing strategy for this specific market. Since there is no Chinese character for plant-based milk, the company strategically developed one as a first step before increasing their market involvement. By this action the aim is to receive a market leading position and increase the awareness among the population before developing the distribution channels and marketing further (ibid).

4.2 Kaslink

Kaslink is a Finnish family business providing plant-based products alongside with dairy products, sauces and water. The company was established in 2001. However, in 2017 the oat-based substitute for dairy, "Kaslink Aito", was added to the product range. The company has both its head office and production situated in Korva, Finland.

4.2.1 International Markets

The Finnish brand Kaslink Aito is available in several markets throughout Europe. Sweden was the first foreign market that was entered, and the brand was recently listed at the three major retailers: ICA, Coop and Axfood. After entering the Swedish market, the company expanded to the U.K., Holland and Germany (Nielsen, 2019-05-08). However, as the brand is relatively new, the company only has small scale sales on these markets. The current market activity on all foreign markets is export (Roos, 2019-05-02).

4.2.2 Evaluating a Market

Christoffer Roos, Sales Director, states that it is natural for a Nordic company to firstly enter other Nordic markets. Thus, it is reasonable that a Finnish company starts by entering Sweden, Denmark and Norway, followed by other European countries such as the U.K., Holland and Germany. The reason behind this is the market knowledge companies usually possess regarding close markets (ibid). However, both he and Nielsen, also Sales Director, state that other factors such as market size, market matureness, market competition, cow milk consumption, lactose intolerance and distribution are highly relevant when evaluating a new market. The company's financial resources are also of great matter when choosing which market to enter. For instance, expanding to large markets such as the U.K. and Germany requires large investments due to geographical distance and market size (ibid).

Both Roos and Nielsen consider that Kaslink follows systematics when choosing which foreign markets to enter. However, both highlights the fact that coincidences do occur which affects the market choice. Contacts and networks are brought up as factors that might affect the company to deviate from initial plans (Roos, 2019-05-02).

4.2.3 Internationalization Obstacles

Roos argues that it is a disadvantage to not be a Swedish food company in Sweden, and further claims that a Swedish company has higher legitimacy in Sweden. However, as long as a Nordic company operates on the Nordic markets the disadvantages are rather marginal because of the reputation of high food safety and quality among these countries. This reputation is favourable on other foreign markets as well. In China, for instance, consumers preferably choose to buy food products from Nordic producers (ibid).

Other negative aspects when operating on foreign markets are the additional costs from taxes and freight due to laws and regulations. For instance, Belgium has a tax on non-dairy, with an exception for soymilk as Alpro Soya has their head office situated there. Further aspects that entails costs are administration and logistics. Differences in how the retail system is formed among different markets also cause obstacles when new markets are entered. A market that is fragmented is more complex as it requires that the company establish contacts with several different retailers. Furthermore, geographical distance and linguistic differences entail

liabilities for Kaslink to establish good relations with actors on foreign markets (Nielsen, 2019-05-08).

Additionally, Nielsen points out differences in consumers' purchasing behaviour as factors that differ between countries. For instance, Swedish consumers are used to buying yoghurt in 1 litre packages whereas on several other markets, consumers are used to packages with 500 millilitres. Thus, Kaslink has adapted the package size on these markets in order to emulate the domestic alternatives to meet the consumer habits (ibid).

However, the main obstacle in the company's internationalization according to Roos and Nielsen, has been the lack of market knowledge. In order to overcome this, Kaslink has recruited them as consultants due to their experience from working with the main competitor Oatly (ibid).

4.2.4 Internationalization Strategy

Kaslink's main competence is to produce qualitative plant-based products. The knowledge regarding sales, marketing and export has been limited. The company has therefore strategically decided to bring external competence into the firm in order to expand internationally (Roos, 2019-05-02). Both Christoffer Roos and Helen Nielsen have great experience within the food sector. Roos states that he has worked within sales in several large corporations such as Unilever, Nestlé, Danone and Oatly, and has therefore developed good relations with Swedish retailers such as ICA, Coop and Axfood. Nielsen has worked within sales and marketing, the last four years with non-dairy. She started at Oatly and was responsible for the export to the European markets (Nielsen, 2019-05-08). Today, both Roos and Nielsen are hired as consultants for Kaslink Aito, responsible for sales and export outside Finland. Roos is mainly responsible for the Swedish market whereas Nielsen manages the export to other markets in Europe (Nielsen, 2019-05-02; Roos, 2019-05-08).

According to Roos, the choice to enter the Swedish market first was a strategic decision. The market competition within non-dairy on the Swedish market is high. As this is the home-market for Oatly, which is a leading actor within non-dairy, the company's aim is to increase their market share on the behalf of Oatly (ibid). Roos argues that if such an action succeeds it will increase Kaslink's leverage on other markets.

Although Kaslink Aito's market share still is relatively low in Sweden, the company has started approaching other European markets simultaneously. By starting in Germany, Holland and the U.K. the aim is to incrementally continue further south. The foreign markets are entered through different strategies. One is to provide the market via a distributor and the second is to establish direct contact with retailers (Nielsen, 2019-05-08). These strategies are implemented by Nielsen on the European markets. Hence, the Swedish market is an exception as Roos is hired as a consultant and manages the direct contact with retailers there (ibid).

Just as Oatly, Kaslink also uses the barista strategy to some extent. Another strategy, however, has been to enter through eco stores. This has been done mainly in Germany since the market for ecological products is widespread (Nielsen, 2019-05-08). Nielsen also confirms that Kaslink had knowledge about Oatly having difficulties providing the German market, which became an incentive for the company to enter there. However, depending on which market the products are sold on, Kaslink has realized the need to adapt the package size in order to mimic dairy alternatives. The purpose of this is to stay competitive (ibid).

4.2.5 International Marketing Strategy

Kaslink aims to attract women in the ages twenty to fifty as well as lactose intolerants in general (Nielsen, 2019-05-08; Roos, 2019-05-02). Women are more aware of sustainability and health according to Roos, which is why these are the company's main target group. As these target groups are the same among the different markets where Kaslink has sales, the branding strategy does not differ between the markets (ibid).

The main argument Kaslink uses to attract consumers is that Finnish oats has the highest quality worldwide. Further, the product innovation is of great importance. Compared to Oatly, Kaslink offers gluten free products and has a whipped oat-cream. This strategy facilitates the company's expansion as the competition is low within these specific product categories. Providing unique products is essential in order to stick out and reach consumers (Roos, 2019-05-02) and a great way to build brand awareness (Nielsen, 2019-05-08). When the products are listed in stores, Nielsen emphasizes the importance of locally adapting the marketing activities. This could be for instance by arranging activities with the local stores, to collaborate with bloggers or have local advertising (ibid).

4.3 Food For Progress

Food For Progress was established in 2011. The company has two vegan brands in their product line whereas Oumph! is the most internationally famous. The product is a frozen soya-based alternative to meat. Food For Progress has its head office in Mjölby and the production is situated in Stora Levene, both in Sweden.

4.3.1 International Markets

Food For Progress is currently operating on seven foreign markets. The company has chiefly its highest growth in the brand Oumph!, which is sold through thousands of stores and restaurants mainly in Europe. Oumph! was first launched in Sweden followed by Norway, Denmark, Finland and Iceland. Shortly after launching Oumph! in the Nordic countries, Food For Progress entered the U.K. market alongside with Ireland. All the markets were entered by export. In the recent past, Food For Progress has received great interest for Oumph! in Asia. Hence, the company recently started small scale sales through export in Singapore (Åkerman, 2019-04-12)

4.3.2 Evaluating a market

Henrik Åkerman, Marketing Director at Food For Progress, states that the company has identified twenty different countries as potentially new markets on which to launch Oumph!. Before entering a new market, the market is quantified by analysing the market potential and market access. Factors that affect the market potential are primarily market size, demographics and the progress of the plant-based trend. The market access aims to analyse the entering possibility given the competitive situation, geographical proximity, logistics, certificates and regulations (ibid).

Further, Åkerman argues that animal ethics, sustainability and health issues are driving forces that has created and developed the plant-based trend. Theses driving forces vary between the different markets. To be able to analyse the plant-based trend in each individual country, it is important to have knowledge about these forces. For example, sustainability is the headmost driving force in Sweden and Norway. While in Denmark, the U.K. and Ireland, health is the strongest driving force (ibid)

However, Åkerman states that contacts are of great importance in the market choice. Finding relevant partners is considered crucial to create the best conditions when entering a foreign market. Åkerman further notes that a partner with an understanding of the Oumph! concept as well as developing a brand is vital in order to receive access to relevant networks. By entering such a network this opens for business with actors within food service and retail (ibid).

According to Åkerman, it was a deliberate decision to first enter the Nordic countries and thereafter expand to the U.K. and Ireland. Hence, he states that the market choice is systematic although the internationalization could have been done in a different pace if the company had other prerequisites.

4.3.3 Internationalization Obstacles

Åkerman states that there are market differences between the home market and the foreign markets. These disparities mainly concern culture, language, consumer preferences, regulations and certificates. For instance, Finnish consumers preferably buy domestic plant-based brands as these are well established and well known among the consumers. Thus, it has been difficult for the company to compete with Finnish actors providing plant-based substitutes (ibid).

The company does not experience any major differences in taste preferences. However, there are significant differences between food traditions and the consumers purchasing behaviour. For example, in Sweden, a large proportion of plant-based food is sold frozen whereas in Finland and the U.K. the tradition is to sell plant-based food fresh. This creates challenges for the company on these markets (Åkerman, 2019-04-12).

There are also big differences in regulatory frameworks that create legal challenges for the company. For instance, Food For Progress considers Canada as a potential market. However, as there are regulations which require plant-based products to be enriched with vitamin B12, Oumph! cannot be launched there for the time being (Åkerman, 2019-04-12). Åkerman also notes that there are differences in what food certificates that are considered important in different countries. He gives an example of Singapore and states that since a large proportion of the population is Muslim, the consumers require Halal certificates on food products.

Although the company is experiencing obstacles to some extent, Åkerman finally claims that the company does not suffer any major disadvantages of being foreign. In contrary he believes that Food For Progress is advantaged by being a Swedish company as the country has a high reputation in food safety and plant-based food (ibid).

4.3.4 Internationalization Strategy

When Oumph! was launched in Sweden, the company made a strategic decision to start the internationalization at once. The plan was to launch the existing product range in all Nordic countries immediately, and thereafter develop the product line in order to increase growth (Åkerman, 2019-04-12). According to Åkerman, entering the Nordic countries was relatively simple as these markets are small and only a few central actors had to be involved.

When entering these countries, the company developed collaborations directly with retailers, without any involvement of intermediaries. However, local sales partners were later involved in order to manage the distribution effectively (Åkerman, 2019-04-12). Åkerman states that there is no reason to establish local sales offices or to have Oumph! Category Managers in each country. Collaborating with local sales partners is considered enough. In all Nordic countries, except Iceland, this is managed by one company that helps Food For Progress implementing sales by establishing contact with restaurants and stores. The sales and distribution on the Icelandic market, however, is carried through by local agents and in the U.K. the company hired four consultants responsible for local sales, logistics and administration (ibid).

Food For Progress mainly uses two strategies when entering foreign markets. One is to establish collaboration with restaurants such as Busaba in the U.K. and MAX Burgers in Sweden, Norway and Denmark. Another strategy is to enter through grocery stores. Thus, the company has chosen to cooperate with large retailers, such as Tesco and Whole Foods Markets in the U.K., Kiwi in Norway and Føtex in Denmark (Åkerman, 2019-04-12).

4.3.5 International Marketing Strategy

Food For Progress has mainly three target groups: vegans, vegetarians and flexitarians. Vegans and vegetarians are considered important as these groups create a reputation and buzz around

the brand. However, the company consider them as an already convinced target group. Since the company aims to create a change in food production and to decrease meat consumption, the main target group on all markets is flexitarians, that is people eating a mix of plant-based and animal food. The fact that flexitarians constitute a larger segment increases the possibility of higher sales (Åkerman, 2019-04-12).

In order to attract flexitarians, the company's intention is to create a brand that does not exclude consumers or polarise the industry. The company have therefore made a strategic marketing decision not to highlight aspects such as animal ethics, sustainability or health issues. Instead, the focus is to communicate plant-based food that looks tasty. In contrary to other providers of plant-based substitutes, Food For Progress has chosen a different approach in their branding with Oumph!. In the package design for plant-based products, companies traditionally use light colours and images of leaves to express sustainability and health. However, Food For Progress aims to stick out and attract a broader audience. This is reflected in the design as it has dark colours and is inspired by food trucks and punk. All products are developed to have a universal taste. This enables launching the same product range on all markets (Åkerman, 2019-04-12).

Åkerman states that Oumph! is a new food product innovation which gives the company first-mover advantage. He believes that these factors constitute the core of the brand which makes it unique. He finally argues that there is no reason to locally adapt neither their product range nor their marketing approach. Hence, the same marketing strategy has been used on all markets (ibid).

4.4 Expert Interviews

4.4.1 Evaluating a Market

When plant-based companies evaluate a foreign market there are different factors taken in consideration (Furu, 2019-05-16). Michael Furu, consultant at Macklean, states that there are two dimensions of the evaluation, one is market potential and the other one is market access. When the market potential is evaluated, the most important factors are market size and the size of the category for plant-based products, alongside with the size of the company's target group on that specific market. The market access is evaluated by analysing market barriers such as competition, regulations, market fragmentation and geographical proximity (ibid). This is

confirmed by Franzén, CEO at Lantmännen Functional Foods, who states that geographical proximity is important in order to overcome high transportation costs.

However, Furu states that an important part of the evaluation is to look over the driving forces behind the plant-based trend. He exemplifies this by comparing Sweden and India. The driving forces for eating plant-based in Sweden is mainly derived from awareness regarding health and sustainability, whereas the Indian population have this as a part of their religion. The fact that the segment for plant-based food is enormous in India compared to Sweden does not necessarily make the Indian market attractive (ibid).

Further, Furu argues that similar preferences, language and culture are factors that companies are affected by when evaluating new markets. Although the aim among these companies is to act systematically, Furu states that many companies are opportunity driven and flexible in what markets they choose to enter. However, he states that the companies also act proactive and execute through analysis before entering foreign markets.

Accordingly, he states that the network is important in the market choice as it facilitates the market entry. Thus, companies usually enter neighbouring markets as they possess contacts there (ibid). Furu argues that the reason behind this is the fact that the culture and language similarities facilitate the companies' possibility to establish relations.

4.4.2 Internationalization Obstacles

According to Furu, there is huge trend of buying locally produced food. This constitutes an obstacle for exporting food producers within this sector as their consumers tend to be more aware of sustainability and health. However, as this subsector is relatively new, the range of vegan food products has historically been limited on the international market. Therefore, the local aspect has not been highly prioritized by the consumers of plant-based products (ibid). However, as more companies have noted the potential within this area and entered the market, the increased supply has enabled the possibility to require locally produced plant-based products. In order to stay competitive against local producers a company can establish local production (Furu, 2019-05-18). Furu states that Oatly's production facility in the U.S. has been one way to meet the demand for locally produced food even though there have been other driving forces behind the decision as well.

Despite the increased demand for local food products, Furu states that companies with origin in the Nordic countries have an advantage due to the reputation of high food safety. High food safety is an important factor among consumers in several countries, such as China (ibid). Further, he states that many Swedish providers of vegan substitutes impose on the fact that they are Swedish.

Further obstacles that these companies have to tackle are costs derived from geographical distance, laws and regulations (Franzén, 2019-05-14; Furu, 2019-05-16). Within the food industry the legal aspect is of great matter. A company has to possess knowledge regarding obligatory certificates, prohibited ingredients and the configuration of the ingredients list as these differ among countries (Furu, 2019-05-16). Furu states that the lack of knowledge regarding these factors inhibits a firm's internationalization speed. Furthermore, he states that these are obstacles all companies within the food sector have to address. However, regulations within animal food products are stricter and providers of plant-based food have an advantage in this specific matter (ibid).

According to Franzén, the taste preferences due to food tradition have not been a major issue for these companies yet. However, he states that providers of plant-based products are mostly operating in the Western countries and that preferences, within this category, among these markets are similar. However, within other food categories such as bread, the differences in consumer preferences varies a lot (ibid). Further, he states that as these companies enter markets outside Europe and North America, preferences will become more essential and constitute an obstacle. Though the taste preferences are similar between the markets these companies are operating on today, the consumer's purchasing behaviour differ. The tradition to buy products frozen or fresh is one example (Furu, 2019-05-16). Furu states that this is one further challenge that the companies must address when establishing on foreign markets.

4.4.3 Internationalization Strategy

Furu states that companies use different strategies when internationalizing their businesses. However, he highlights the importance of having a clear plan behind the strategy. He points out that there are different ways for how export can be managed by companies. The two main approaches are "the sprinkler market entry strategy" and "the waterfall market entry strategy". The former mentioned is to enter several foreign markets at once and try to establish the

company by product promotion simultaneously as building a client base. The other strategy is to focus on one single foreign market where the company puts all its effort in order to strengthen its market position (ibid). Further, Franzén argues that many of these companies provide niche products which requires a niched strategy. He points at Oatly and its barista strategy as one example of using a niched channel in order to enter a market.

Furthermore, Furu argues that innovation behind a product is essential in order to stay competitive in the long run. Furu states that the main innovations within the food industry in the recent past have been done within plant-based food. This has resulted in high quality products and has increased the companies' competitiveness on the foreign markets (ibid). However, he states that providers of plant-based substitutes mainly compete with companies that provide animal food products. Further he claims that the companies within the plant-based sector could be seen more as complements to each other rather than competitors, both on the home-market and on the international market.

Accordingly, Furu states that the key behind a successful internationalization is that a company is present on the local market. Presence on a foreign market can be managed through a local partner or by having internal employees there. However, the most important is that these people possess high knowledge regarding the market (ibid). It is a very common way to enter a foreign market by collaborating with local actors, for instance distributors or agents. As these possess contacts and knowledge regarding what channels that the market can be entered through, this facilitates the possibility for the company to become a part of a relevant network. The network in this specific matter refers to companies within food service and retail (Furu, 2019-05-16).

Furu states that it is common that providers of vegan substitutes enter through food service. He suggests that this is a good first step in order to build brand awareness and have the market familiar with the company's products. As food service is a large sector including restaurants, cafes and caterers both within the private and the public sector, it is an important market for these companies. However, in order to increase sales further, it is important that the firms' products in a rather early stage become available to the consumers at retailers. By being listed in stores such as Tesco and Whole Foods Market, the possibility to increase sales entails economies of scale. Entering foreign markets by retailers has been the traditional approach within the food sector. However, many of the providers of plant-based substitutes have realized the potential in entering through food service (ibid).

According to Furu, a common strategy among these firms is to start the internationalization by expanding to the neighbouring markets. One reason behind this is that companies experience these markets as safer due to similarities in consumer preferences (ibid). Furu states that the actors within retail and food service in a neighbouring country have more knowledge about the neighbouring companies. For instance, he suggests that when Food For Progress launched Oumph! at Peppes Pizza in Norway, Food For Progress was advantaged by the fact that Swedish MAX Burgers had Oumph! in their assortment. The fact that Peppes Pizza was familiar with MAX Burgers, gave Food For Progress an increased legitimacy (ibid). Further, Furu argues that if Food For Progress would have tried to enter through food service in Belgium, they would not have been benefited from the collaboration with MAX Burgers. Simply because the Belgic market is not familiar with MAX Burgers to the same extent as the Norwegian market.

4.4.4 International Marketing Strategy

According to Furu, the marketing is important for all companies in order to succeed with the internationalization. The most essential part is how the company chooses to portray itself (ibid). He states that there is a trend within marketing where providers of vegan substitutes highlight the aspects of their products that are not connected to veganism, sustainability and health. The main concept is that the products are sapid and vegan without actually pointing out that it is vegan (ibid). However, it is important to receive attention from the vegan society initially. Since this group is considered to be early adopters, receiving their attention and trust is a strategic move in order to create buzz around the brand. However, the target groups among providers of vegan substitutes are very broad and does not differ between countries. Thus, the trend to not market the products as vegan, sustainable and healthy is to reach a larger segment (Furu, 2019-05-16).

Franzén argues that more and more companies build their brand upon the fact that it is a viant of its own and not a substitute for animal products. He further suggests that it is a disadvantage to market plant-based products by rejecting animal products in the marketing. Instead he states that a company that wants to stay competitive in the long term has to build its arguments upon the actual product that they are providing.

As the industry for plant-based substitutes is relatively new, Franzén argues that it is of great importance for these companies to be first within this category on foreign markets. Accessing

foreign markets and start the international expansion at an early stage could facilitate the possibility to build brand awareness and strengthen the company's market position (ibid). Thus, he states that it is crucial to be first as many transnational food suppliers are becoming aware of the potential within this category.

5. Analysis

5.1 International Markets

In accordance with the establishment chain (Johanson & Wiedersheim-Paul 1975), Food For Progress began by expanding to the Nordic countries followed by European markets. The company has moved further by establishing small scale sales in Singapore. Oatly deviates from this pattern as the first foreign market the company entered was the U.K. This indicates that the internationalization might be opportunity driven to some extent (Zahra et al. 2005). Though, observing Oatly's further expansion the process seems to follow the general establishment pattern explained by Johanson and Wiedersheim-Paul (1975), starting in neighbouring countries followed by markets further away. In the case of Kaslink, the company first entered the Swedish market and then Europe without entering the other Nordic markets. This shows that the company does not follow the traditional pattern according to Johanson and Wiedersheim-Paul (1975).

5.2 Evaluating a Market

Furu, consultant at Macklean, states that providers of vegan substitutes, like other companies within the food sector, evaluate markets by analysing market potential and market access. The first dimension includes market size and the size of the category for plant-based products whereas the other dimension refers to market barriers. These dimensions are used by all companies in this study to some extent. Thus, factors such cultural and linguistic differences seem to be secondary when markets are evaluated.

5.2.1 The General Establishment Pattern

The general establishment pattern among these companies shows that the international expansion seems to start in the neighbouring countries as the Uppsala model (Johanson & Vahlne, 1977) and the establishment chain (Johanson & Widersheim-Paul, 1975) suggest. As the neighbouring markets, for the companies in this study, are rather small, this indicates that the companies do not prioritize market size in the early phase of the internationalization.

Both the establishment chain (Johanson & Widersheim-Paul, 1975) and the Uppsala model (Johanson & Vahlne, 1977) propose that firms enter markets where the psychic distance is low. Johanson and Widersheim-Paul (1975) define psychic distance in terms of cultural and linguistic differences, level of education and business practices, while Johanson and Vahlne (1977) suggest that psychic distances is derived from absence and limited operation knowledge on foreign markets.

The companies in this study mention that geographical distance is one of the considered factors when a new market is evaluated. Christoffer Roos, at Kaslink, suggests that companies usually possess market knowledge regarding close markets and therefore start the expansion to these. Lars Elfman, at Oatly, argues that it feels more natural to start expanding to markets where the culture and language is similar to the home country. This indicates that the companies do experience psychic distance but in different ways. What Roos states goes in line with Johanson and Vahlne's (1977) definition of psychic distance, while Elfman's statement is in accordance with Johanson and Widersheim-Paul (1975). Hence, psychic distance could be one explanatory factor for why the usual pattern is to start by entering a neighbouring market.

Additionally, expanding to a geographically distant market requires larger investments according to Helen Nielsen at Kaslink. This entails a factor of LOF according to Zaheer (1995) which could be a further reason for why a company in the starting phase of the internationalization chooses to enter a neighbouring market.

5.2.2 The Network

Furu states that one reason behind why companies start by entering markets close to the home country is the fact that they usually possess contacts there. Zahra et al. (2005) state that firms' internationalization typically is opportunity driven while Galinka and Chetty (2015) suggest

that a firm with limited resources rarely act strategic during their internationalization process. In line with Furu's explanation of why firms enter markets close to home though one primary factor during the market evaluation is market size, this indicates that these firms deviate from systematics as opportunities occur through contacts. Further, Furu states that there is an increased likelihood that companies possess contacts in neighbouring countries which could be one reason for opportunities to occur there.

However, the companies state that the markets are chosen systematically as the Uppsala model (Johanson & Vahlne, 1977) suggests. Although, the companies agree that relevant contacts are of great importance and might affect the market choice in another direction than initially planned. Oatly and Kaslink argue that if the company has networks on a specific foreign market, opportunities might occur which affect the prioritising. This is mainly in the early stages of the internationalization. Again, this implies that the international expansion of small-and medium sized firms is opportunity driven as Zahra et al. (2005) suggest. Additionally, Henrik Åkerman at Food For Progress states that relevant partners are crucial to create the best conditions on a market. Thus, insidership in a network could be considered essential for a successful internationalization as Johanson and Vahlne (2009) argue.

5.2.3 The Driving Forces

Further, Furu, Sintéus and Åkerman state that the size of the category for plant-based products in itself does not contribute with much information about the market potential. To receive a holistic view, it is of great matter to have knowledge about the driving forces behind why consumers choose to eat plant-based products. Furu exemplifies this by comparing Sweden with India. If one would only look at numbers, India would be a more attractive market due to size and the share of the population that has a plant-based diet. However, this market is not considered to have high potential among these firms (ibid).

The cultural differences between Sweden and India are reflected in the driving forces for why people eat plant-based food. As the companies within this study originates from the Nordic countries, the psychic distance in terms of culture is high in accordance with Johanson and Widersheim-Paul (1975). The companies within this study mainly have experience from operating on markets in the Western countries where the driving forces are very much alike even though they differ slightly between the markets. This indicates that the companies possess

experience-based knowledge from these markets. The Uppsala model (Johanson & Vahle, 1977) argues that knowledge decreases the psychic distance. However, as none of these companies have any experience from the Indian market the psychic distance can be considered high.

5.3 Internationalization Obstacles

5.3.1 The Increased Demand for Local Food

Locally produced food has increased in popularity among consumers. As all these companies have export to foreign markets where they lack roots in the local environment, this entails firm-specific costs in accordance with Zaheer (1995). However, as the Nordic countries have a reputation of high food safety and quality, this entails legitimacy which decreases LOF for the companies within this study. On some markets, however, the trend to buy locally produced food is stronger, for instance in the U.S. Thus, establishing a production facility there could be considered a strategic decision by Oatly to overcome LOF. However, Furu states that as the range of vegan substitutes historically has been limited, consumers of these products have not prioritized the local aspect.

5.3.2 Costs from Transportation and Logistics

Oatly states that there are other driving forces behind establishing a production facility in the U.S. The difficulties to cater for a global market require a high production capacity which has been a main issue in Oatly's international expansion. Hence, the factory in the U.S. (and the upcoming one in Holland) has been crucial in order to stay competitive on the international market and overcome LOF. To have production situated on a foreign market also eliminates the geographical distance which Zaheer (1995) highlights as a disadvantage of foreignness. Neither Food For Progress nor Kaslink have established production facilities abroad yet. Both companies are relatively new within the industry and have low market commitment on their foreign markets. Therefore, they still suffer from LOF in terms of costs derived from transportation and logistics.

5.3.3 Being Outside the Network

Linguistic differences are also a common feature that entails liabilities for these firms. Further, geographical distance and linguistic differences complicate the communication with local actors. Nielsen states that these factors entail difficulties to enter a local network. She further argues that the network is important as it provides the company with information about the local environment. Being outside the network therefore limits the company's market knowledge as the information flow is limited which goes in line with Hilmersson (2013). The importance of insidership in order to obtain market knowledge is crucial for a firm's internationalization (Johanson & Vahlne, 2009). This has been managed by Kaslink as well as the other companies through hiring consultants or by collaborating with local partners with former experiences and networks.

5.3.4 Lack of Knowledge

Differences in purchasing behaviour among foreign markets is addressed as a challenge by all three companies. Adapting products to meet the consumer preferences by providing the products frozen or fresh, having different fat contents or having certificated products, is a cost resulting from the host country environment in accordance with Zaheer (1995). The differences in consumer needs between the home and host market is also a factor that creates psychic distance according to Grein et al. (2001).

In addition to this, the companies need to have knowledge regarding regulatory frameworks as these differ among countries. This as well is considered a factor that entails LOF (Zaheer, 1995). However, Furu states that the regulations regarding animal food products are stricter than for plant-based food. Thus, LOF for a foreign provider of plant-based product should reasonably be lower than for a provider of animal products.

Both differences in purchasing behaviour and regulatory frameworks require market knowledge. In order to obtain knowledge regarding specific markets, the companies have received this through collaborations with local actors, recruitments and market experiences. This implies that a combination of insidership and experience-based knowledge, addressed by Johanson and Vahlne (2009;1977), is essential to overcome psychic distance and LOF.

5.4 Internationalization Strategy

5.4.1 Market Commitment

The establishment chain (3.3 *Entry Modes, Figure 1*) illustrates that companies start by exporting sporadically which was the case when Oatly first entered the U.K. However, as the company has become international and received higher market knowledge on each market, the commitment stages have increased stepwise in line with the establishment chain (Johanson & Wiedersheim-Paul, 1975). This is shown in both the U.S., where a production facility is established, and in Holland where one is upcoming. However, on both markets, the company entered by exporting. Further sales offices were established before starting production, showing a correlation between market knowledge and market commitment as both the establishment chain and the Uppsala model (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) suggest.

When Food For Progress first expanded to the Nordic countries through export, this was managed by the company itself. Further, collaborations were developed with intermediaries and the sales and distribution were implemented by these as the second step in the establishment chain illustrates. Åkerman states that there is no reason to establish own sales offices abroad. However, the company is relatively new on the foreign markets which implies that the market knowledge is limited and therefore the market commitment low as both the establishment chain (Johanson & Wiedersheim-Paul, 1975) and the Uppsala model (Johanson & Vahlne 1977) suggest.

In opposite to both Oatly and Food For Progress, Kaslink entered the Swedish market by hiring experienced consultants directly in line with the second step in the establishment chain (Johanson & Wiedersheim-Paul, 1975). These consultants provide the company with market information, and the export to all foreign markets is managed through them. As both these consultants possess knowledge regarding all Kaslink's markets from earlier experiences, it implies that the company could enter distant markets in psychic terms at an early stage. This goes partly in line with Nordström (1991) who suggests that firms start by entering markets further away as it is easy to employ people with foreign experience.

5.4.2 Exporting Strategies

Furu mentions two approaches that these companies usually use when they start exporting, the sprinkler strategy and the waterfall strategy. However, the observed companies in this study seem to implement the sprinkler approach as markets are entered simultaneously. Although, the companies might start by exporting to one market at a time, further commitment has been secondary. Instead export to further markets has been prioritized. The Uppsala model (Johanson & Vahlne, 1977) suggests that the perceived risk is affected by a company's current degree of internationalization. Hence, in the early stage of the internationalization, companies have low market knowledge and experience a higher degree of uncertainty (ibid). Thus, the effects from psychic distance is stronger (Ellis, 2008). The sprinkler approach can therefore be seen as a strategy to spread the risk. Accordingly, when the risk is spread among different foreign markets the degree of uncertainty decreases. As the companies acquire knowledge regarding the markets, the companies increase their commitment. In accordance with Ellis (2008), this indicates that when the companies obtain more knowledge the uncertainty associated with exporting decreases, which diminish psychic distance.

Further, entering several markets simultaneously increases the feasibility to obtain higher sales which could further result in economies of scale. Zaheer (1995) suggests that this is a firm-specific advantage which decreases LOF on the host market.

5.4.3 Interaction with Local Actors

The observed companies use different internationalization strategies depending on the market. As a foreign company on a foreign market has limited market knowledge and brand awareness among the consumers, these companies seem to overcome these challenges by entering through food service. Both Oatly and Kaslink use "the barista strategy" and Food For Progress has collaborations with restaurants. Franzén, explains the reason behind such a strategy by suggesting that these companies offer niched products which requires niched channels. Sintéus, at Oatly, states that collaborating with cafes is a great way to increase the company's market knowledge and create brand awareness. Furu confirms this by suggesting that entering a market through food service is a good first step to have the market familiar with the company's products.

Zaheer (1995) argues that a firm's lack of legitimacy on the host market entails LOF. Further, Johanson and Vahlne (1977) propose that absence on the foreign market entails limited market knowledge and creates psychic distance. These companies use a niche strategy in line with Franzén's suggestion by interacting with cafes and restaurants. Thus, the companies obtain market knowledge and receive legitimacy which decreases psychic distance and LOF due to the cafes' and restaurants' reputation among their consumers. The fact that all three companies within this study mention the importance of collaboration with local actors in order to receive increased legitimacy among consumers, confirms that the companies overcome LOF through these interactions.

Furu states that collaboration is a common way for firms to enter relevant networks in order to penetrate a foreign market. Blomstermo et al. (2002) claim that collaboration between a company and its customers is an important factor for learning and increasing knowledge. Further, Hilmersson (2013) suggests that by interacting with local actors a firm can become a part of a local network and receive important information about the surrounding environment. What both Blomstermo et al. (2002) and Hilmersson (2013) suggest goes in line with how these companies operate. Additionally, these collaborations could be seen as knowledge processes explained by Johanson and Vahlne (1977), implying that these companies overcome psychic distance by experiences.

However, being outside a network could explain why Oatly's entry on the Chinese market has been cautious. Oatly seems to have a narrow network on the Chinese market which limits the market knowledge and further affects the market commitment. Accordingly, the dynamics between networks, market knowledge and market commitment discussed by Johanson and Vahlne (1977;2009) could be applicable on Oatly in China.

To enter a market through food service requires legitimacy not only among the end consumers. The companies within food service on a foreign market have to consider the provider as trustworthy in order to collaborate with them and offer their products to their consumers. Furu states that actors within retail and food service in neighbouring countries have more knowledge about the companies on the neighbouring markets. Thus, LOF for the foreign company is lower due to the legitimacy it possesses on the neighbouring market. Further, this shows the importance of legitimacy in order to decrease LOF which goes in line with Zaheer (1995).

Despite having collaborations within food service, all three companies aim to have their products listed at large retailers. According to Furu, this gives the companies access to a larger segment and enables increased sales. As both Kaslink and Food For Progress has hired consultants on foreign markets, and Oatly has subsidiaries, this constitutes fixed costs that domestic firms do not possess. Therefore, by increasing sales, cost savings can be attained (Furu). This goes in line with Zaheer (1995) who states that economies of scale is a firm-specific advantage and a strategy to overcome LOF.

5.4.4 Presence on the Local Market

In order to succeed on the Swedish market, which is the home market for Oatly, Kaslink strategically recruited two consultants with former experience from working with Oatly and with good relations with Swedish retailers. Johanson and Widersheim-Paul (1975) suggest that psychic distance is low in neighbouring countries and that this facilitates the situation for a company when entering a neighbouring market. However, Kaslink states that it has been difficult to obtain legitimacy on the Swedish market due to the competitive situation which implies that they suffer from LOF in line with Zaheer (1995). Johanson and Vahlne (2009) suggest that outsidership is more critical than psychic distance. Hence, insidership has been crucial for Kaslink in order to receive access to the Swedish market and to overcome LOF.

Furthermore, the consultants' knowledge about Oatly's limitations in providing the German market, in combination with their former established contacts seem to have facilitated Kaslink's international expansion to Germany. Again, this implies that knowledge and networks are of great importance just as Johanson and Vahlne (1977; 2009) suggest. However, Nielsen states that it is more difficult to manage the operation activities on other European markets as both the consultants are situated in Sweden. Furu states that being present on a local market is necessary in order to obtain knowledge and succeed with the internationalization. His statement goes in line with Johanson and Vahlne (1977) regarding the dynamics between a company's state and change aspects. This could be one explanatory factor behind why Kaslink's internationalization pace has been slower on other European markets.

To be present on a foreign market can also be managed through local sales partners or by having sales offices. Food For Progress has consultants in the U.K., and local sales partners on each Nordic market. Oatly has consultants, local sales partners and own sales offices on different

markets. Both Food For Progress and Oatly, in comparison to Kaslink, have moved further in their internationalization which could be explained by the fact that they have a higher degree of international presence and therefore managed to overcome LOF.

5.4.5 Innovation and Differentiation

Zaheer (1995) suggests that a company has to either have a firm-specific advantage or mimic the advantage of a local firm in order to overcome LOF. However, the companies claim that they are advantaged by having unique products. In accordance with Bartlett and Ghoshal (1989) a differentiated product is a firm-specific advantage. Although the companies seem to have firm-specific advantages in having differentiated products, both Kaslink and Oatly confirms that package sizes of the substituted products are mimicked on some markets to fit in. Oatly also imitates dairy in having different fat contents on those markets where consumers are used to this concept. This indicates that even though the companies possess firm-specific advantages, they also mimic local companies to some extent in order to meet the consumer needs. According to Grein et al. (2001) differences in consumer needs constitute a factor for psychic distance. Thus, these companies decrease the distance by mimicking.

Further, to benefit from innovation and product differentiation, it requires that the industry is not fully mature. Thus, within a mature industry a firm is limited by the already developed product range and will suffer more from LOF (Powell & DiMaggio, 1991; Rosenzweig & Nohria, 1994). Furu states that innovation within the food industry in the recent past has mainly occurred within plant-based products. He further claims that providers of plant-based substitutes mainly compete with companies providing animal products instead of with each other. This implies that the general competition within this sector is low. The companies in this study all provide products that are differentiated through innovation. This suggests that there is still room for product innovation within the plant-based industry and that these companies have taken advantage of this. Thus, the industry could be considered immature and that LOF within the plant-based sector is rather low.

5.5 International Marketing Strategy

5.5.1 Target Groups

Kaslink and Food For Progress both confirm that the companies' target groups are the same on all markets. Oatly claims that the company does not have any target groups at all. This goes in line with Porter's (1980) statement suggesting that the world has moved towards homogenization which implies that psychic distance between countries has decreased. Further, this indicates that the companies do not have to adapt the taste of their products to specific markets. As the consumers of these products seem to be homogenous among markets, the companies do not have to spend resources on learning and adapting to local taste preferences. Although, the companies offer niched products, they succeed to attract broad target groups. By reaching a large segment and not having to do any major adaptations of the products to each market, increased sale is enabled, and cost savings can be done. In accordance with Zaheer (1995), this implies that the companies overcome LOF by economies of scale. However, the companies in this study mainly operate on markets within the Western countries. Thus, the homogenization among consumers might be limited to these markets.

5.5.2 Marketing Plant-Based Products

In order to attract a large segment, both Food For Progress and Oatly highlight the importance of sticking out in their marketing. Food For Progress states that the company's marketing does not follow the traditional way of marketing plant-based substitutes. By not mentioning the ethical and health related aspects like other vegan companies tend to do, in combination with an "edgy" packaging design, Oumph! manages to create uniqueness. Furu, states that this way of marketing, without addressing ethics and health, is a trend among providers of plant-based substitutes. Oatly as well uses a non-traditional marketing compared to others within the food industry. Instead of advertising by picturing food, the company only applies provocative texts on the packages and in their advertisements. Franzén argues that it is a disadvantage to market plant-based products by rejecting animal products. However, Oatly has built its marketing upon this strategy and therefore managed to stick out and succeed internationally.

Although the companies' aim is to reach a broad audience, the vegan society has been of great importance to create buzz in the initial stage when launching new products according to Oatly and Food For Progress. For both these companies, the marketing has been a strategic tool to

create a famous brand name. Brand name is considered a firm-specific advantage according to Bartlett and Ghoshal (1989) and a way to overcome LOF (Zaheer, 1995).

Both Oatly and Kaslink locally adapt their marketing activities. Elfman and Nielsen state that market knowledge is an important factor when the companies decide which marketing channels to use. The knowledge regarding which local marketing channels to use, such as newspapers, tv channels, influencers, festivals and local events is crucial in order to receive attention and create brand awareness. As the companies obtain knowledge in this specific matter they seem to increase their investments in local marketing activities which implies higher market commitment in line with the Uppsala model (Johanson & Vahlne, 1977).

5.5.3 First-Mover Advantage

First-mover advantage is considered to be a factor of success according to Food For Progress and Oatly as it facilitates the marketing and the possibility to attract more consumers due to low competition. This is confirmed by Franzén and indicates that a company can overcome LOF by being first on a market. Additionally, low competition can also be derived from the degree of maturity within an industry. Companies within an immature industry suffer less from LOF (Powell & DiMaggio, 1991; Rozenweig & Nohria, 1994). Since the industry for plant-based products is rather immature, this implies that the companies suffer less from LOF.

First-mover advantage is not something Zaheer (1995) points out as a strategy to overcome LOF. Zaheer (1995) actually states that being first might in fact entail higher entry costs for a foreign firm as the market is unaware of the product. However, low competition enables the possibility to strengthen a firm's market position. In Oatly's case, American domestic companies have followed Oatly by adding oat milk to their product ranges. Yet, Oatly has increased its market commitment by establishing production on the U.S. market. Thus, the competition from domestic firms has not affected Oatly which implies that the advantage of being first helped them overcome LOF.

5.6 Summarizing the Findings

Our findings show that when these firms start their international expansion, the first markets that are entered are the neighbouring countries. Though the companies evaluate markets before conducting business abroad, and market size is emphasized as an important aspect in the evaluation, the companies in this study have mainly started in the neighbouring markets, which, for these Nordic companies, are rather small. There are several explanatory factors for this behaviour. Firstly, the geographical proximity decreases the costs of transportation and coordination. Secondly, the companies appear to have higher legitimacy in the neighbouring countries. Both the neighbouring market is more familiar with a foreign company from a neighbouring country, and the foreign company have more knowledge about its neighbour which decreases psychic distance.

Additionally, there appears to be an increased likelihood that a company possesses contacts on a close market. This facilitates the possibility to enter the market and to become a part of the local network. Having established contacts on a market also increases the likelihood for opportunities to occur there which drives the companies' early establishment to close markets. For a company with a low degree of internationalization these contacts are essential in order to begin the internationalization. Thus, companies with limited international experience are more opportunity driven and it is more likely that they start their internationalization by entering neighbouring markets. A company with a higher degree of internationalization appears to be less opportunity driven due to its resources in terms of knowledge, network and capital. When the companies are new on a market, they appear to be more dependent on external competence to overcome LOF. This is managed through collaborations with local partners or by hiring consultants. However, as a company obtains own experiences and expands its network the dependence appears to decrease.

The companies mainly have experiences from operating in Western countries. Though there are market differences, these are relatively small due to the similarities in culture. The driving forces behind having a plant-based diet are slightly different but not as much compared to the non-Western countries. This is reflected in the companies' broad target groups that are same

among markets. This indicates that the companies choose markets where they are more familiar with the culture and where the psychic distance is low.

The companies experience disadvantages on foreign markets derived from costs due to geographical distance, outsidership and lack of knowledge as well as lacking legitimacy. This is reflected in the companies' internationalization strategies. The companies' internationalization have started by exporting to several markets in order to spread the risk. As the companies obtained more market knowledge through this activity, the market commitment has incrementally increased. A company with a higher degree of international experience is more likely to establish a sales office or production facility on the foreign market to decrease the geographical distance. Further, collaborating with local actors such as food service companies and retailers or by hiring local consultants appears to be a common strategy. By doing this the companies become a part of the local network, receive market knowledge, increase their legitimacy and enable higher sales.

Another important matter in order to stay competitive on the foreign markets has been to have differentiated and unique products. However, this is mainly possible as the industry for plant-based substitutes is rather immature which allows the companies to benefit from first-mover advantage. Additionally, the marketing has been of great matter to create brand awareness and receive legitimacy among consumers on foreign markets.

6. Conclusion

6.1 Conclusion

The purpose of this study was to examine how providers of vegan substitutes manage to overcome the obstacles of being foreign when entering markets that are strongly influenced by local preferences. In order to investigate this, we have explored and examined what obstacles companies within this sector experience and how they manage to overcome these. The companies' experiences regarding internationalization were compared with existing literature

within the field of internationalization and research on internationalization obstacles derived from foreignness.

The research question which was to be answered was:

How do providers of vegan food substitutes manage to overcome the liability of foreignness in their internationalization?

The result of this study shows that the examined companies experience liabilities of foreignness to some extent. In line with Zaheer (1995), costs derived from transportation and logistics due to geographical distance are factors that the companies mention as disadvantages when operating on foreign markets. How a company overcomes these liabilities seem to differ depending on the international experience it possesses. A firm with a high degree of international experience seems to overcome these costs by establishing sales offices or production on the host markets, whereas a firm with limited international experience does not elude these costs. However, the general establishment pattern in the early internationalization shows that companies start by expanding to markets close to the home country as both the establishment chain and the Uppsala model suggest (Johanson & Widersheim-Paul, 1975; Johanson & Vahlne, 1977). Thus, this appears to be a strategy in order to diminish costs derived from geographical distance for smaller firms. However, there appears to be a correlation between market choice and psychic distance as well since the companies mainly operate in Western countries. Instead of entering non-Western markets, the companies enter markets where the psychic distance is lower. Hence, it appears to be a common feature to avoid LOF in terms of psychic distance rather than overcoming it.

Further, geographical distance also entails fixed costs for these firms in terms of coordination. In order to decrease these costs, the companies in this study have had their products listed at large retailers on those markets where they have higher market commitment. This enables the possibility to increase sales which entails economies of scale. Economies of scale is a firm-specific advantage according to Zaheer (1995) and a way to overcome LOF.

Further liabilities that the examined companies experience on foreign markets are derived from lacking knowledge regarding regulatory frameworks and the lack of legitimacy which goes in

line with Zaheer's (1995) definition of LOF. In order to overcome these liabilities, the companies emphasize the importance of market knowledge. The knowledge appears to be obtained either through own experiences or by acquiring external competence. How the knowledge is received seems to depend on the firm's degree of internationalization. At an early stage, the companies appear to be more dependent on external competence and the knowledge they possess. By hiring consultants and interacting with local actors a company also becomes a part of the local network. The network appears to be crucial for these companies in order to obtain legitimacy as it provides them with information about the local environment. The likelihood for an internationally unexperienced company to have established contacts on a close market is higher which also explains why companies choose to enter neighbouring markets in the early stage of their internationalization. Their limited market knowledge constitutes a factor of LOF, which they overcome by collaborations. The common feature among these providers of vegan substitutes is that the local actors are companies within food service.

Further, the companies state that they are advantaged by having unique products. Bartlett and Ghoshal (1989) suggest that resources such as brand name and differentiated products can be considered firm-specific advantages. Zaheer (1995) argues that a firm-specific advantage helps a firm overcoming liability of foreignness. Accordingly, since the companies argue that their products are unique due to the innovation behind, this indicates that they already overcame LOF in this specific matter. However, the fact that the sector for plant-based substitutes is rather new suggests that there is still room for innovation and differentiation, and that LOF is lower due to the immaturity of the industry. Thus, companies within the vegan food sector are likely to suffer less from LOF than other companies within the food industry.

Finally, the marketing strategy appears to be an important tool for these companies to succeed internationally. By creating a well-known brand name and brand awareness among consumers on a foreign market a company obtains higher legitimacy which decreases LOF. The marketing also facilitates a company's possibility to reach a larger segment and to increase its sales which in turn results in economies of scale and diminishes LOF.

6.2 Implications for Practice

As stressed in this study, the vegan food industry is rather immature and there is still room for product innovation and differentiation. However, this is a fast-growing sector where more and more companies are realising the potential. Hence, it is of great importance for companies to enter the market for vegan food substitutes while the competition is still relatively low.

To have a successful internationalization and overcome the costs derived from foreignness it is necessary to reach a broad audience in order to increase sales. Thus, an implication for practitioners is to have non-excluding marketing. Further implication is to collaborate with local companies within food service in order to access the market and receive knowledge and legitimacy.

6.3 Limitations and Further Research

This study has had some limitations necessary to take into account. Firstly, as mentioned in *Section 1.4 Delimitations*, the study is limited to solely include Nordic companies within the plant-based sector which affects the transferability of the study. Thus, there is a need for additional studies within this area on similar companies but with different origin, size and degree of internationalization. Further, this is a qualitative study which includes a limited number of case companies. This impedes the generalizability of the findings to be applicable for the entire population. Hence, similar studies with a higher number of case companies, and with an increased number of interviews would increase the generalizability. Furthermore, the study has had its limitations in terms of time and resources.

The findings from this study underline the importance of collaboration, innovation and marketing within the vegan food sector today. However, the market for vegan substitutes is a rather immature market and further research would be interesting in order to receive a holistic view of the future development within the industry. As for today, the companies within this study are mainly operating in Western countries. It would therefore be of great interest to do further research on companies within this sector that operate on cross-cultural markets.

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8. Appendix

8.1. Interview Guide - Case Companies

- Tell us about yourself, your professional background and your position at the company
- Which foreign markets does the company operate on?
 - What are the market activities there?
- What factors are evaluated before the company enters a foreign market?
- Is the market choice systematic or random?
- Have networks been important for the company's possibility to expand to foreign markets?
 - In what way?
- What does the process look like when the company enters a foreign market?
 - Why?
- Does the company have any collaborations with local partners?
- Does the company suffer from any disadvantages on foreign markets compared to the domestic firms?
- What obstacles have the company experienced when expanding to foreign markets?
 - How has the company managed these?
- Does the company have any advantages on the foreign markets?
- Does the company mimic domestic firms to some extent?

- What makes the company unique?
- Does the company have an international marketing strategy?
 - Is it different to market a vegan food substitute compared to other food products?

8.2 Interview Guide - Expert Interviews

- Tell us about yourself, your professional background and your position at the company
- Which are the most common markets that providers of vegan food substitutes choose to start their international expansion to?
 - Why?
- How do providers of vegan food substitutes evaluate a market? What factors are considered important?
- Do you consider that providers of vegan food substitutes act systematically or randomly in their market choice?
- Does the network have any significance for the market choice and the opportunity to expand internationally?
- How do providers of vegan food substitutes establish on a foreign market? What are the different entry mode options?
- What competencies are important for these companies to succeed in their internationalization?
- Is it common for providers of vegan food substitutes to collaborate with do partners?
 - Why?

- Do you consider that providers of vegan food substitutes have disadvantages on foreign markets?
- Is there any specific obstacle that providers of vegan food substitutes on foreign markets have to address?
 - How do the companies overcome these?
- Do you consider that providers of vegan food substitutes have any advantages on foreign markets?
- Do you have any general thoughts about marketing vegan products?
- What are the biggest differences of being a company that provides vegan substitutes compared to other food companies on foreign markets?