Business strategy to enter the LATAM market: a case study at West Coast Supply Group

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STATEMENT OF INTEGRITY

I hereby declare having conducted this academic work with integrity. I confirm that I have not used plagiarism or any form of undue use of information or falsification of results along the process leading to its elaboration.

I further declare that I have fully acknowledged the Code of Ethical Conduct of the University of Minho.

Abstract

The phenomenon of globalization is increasing, thereby impacting the way business is conducted. Follow this tendency, the grey market is gaining more relevance and thus shaping the contemporary international market landscape. The trading companies operating on the grey market must consider that the nature of their business requires continuous research and efforts to acquire new clients to ensure the company's sustainability. Therefore, it is essential to explore new markets, and capitalize on emerging opportunities.

This report is the result of a six-months internship at West Coast Supply Group, a Dutch trading company, on the trading team of the Sports&Fashion department. The internship started on the first semester of the master's degree in international business, starting in October 2022 and ending in March 2023. During the investigation it was possible to be in close contact to the whole project and thus monitor all the processes and gather all relevant information.

The purpose of this investigation is to analyze the business strategy of WSCG to enter the Latin American market. This investigation provides deeper insights into this market, facilitating a more thorough comprehension of WCSG's business strategy in the LATAM market and validate its resultant potential to expand its operations to this region.

The results of this internship report provide insights on the limitations hindering the start of new partnerships with selected LATAM countries. These findings can serve as valuable inputs for guiding strategic decision-making processes, such as market prioritization and resource allocation.

In conclusion, this internship report highlights the promising future for business relations between Europe and LATAM. With the increasing relevance of the grey market, the potential ratification of the EU-Mercosur agreement, and the mutual interest in expanding trade, there are many opportunities for collaboration.

Keywords: Business Strategy, EU-Mercosur Agreement, European Trading Companies, LATAM, WCSG

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Abbreviation index

B2B – Business to business
B2C – Business to consumer
Covid-19 – Coronavirus disease 2019 (SARS-CoV-2)
EU – European Union
FDI – Foreign Direct Investment
FMCG – Fast Moving Consumer Goods
GATT – General Agreement on Tariffs and Trade
GDP – Gross domestic product
IMF – The International Monetary Fund
IP – Intellectual property
IPR – intellectual property right
LATAM – Latin America
Mercosur – Southern Common Market
OTC – Over the counter
R&D – Research and Development
S&F – Sports & Fashion
SIA – Sustainable Impact Assessment
TRIP Agreement – Trade Related Aspects of Intellectual Property Rights
US – United States (of America)
WCSG – West Coast Supply Group
WIPO – World Intellectual Property Organization
WTO – World Trade Organization

1. Introduction

As part of the master's program in International Business at the School of Economics and Management of the University of Minho, a curricular internship was completed, leading to the development of this internship report.

In the contemporary global business landscape, the great phenomenon of globalization is gaining even more attention and importance. The dynamics of trade and commerce are continuously evolving, driven by a set of factors ranging from economic policies to technological advancements. We live in a sort of global village, which allows us to have a greater integration and worldwide opportunities.

This evolution has brought forth both opportunities and challenges for enterprises seeking to expand their operations, particularly within emerging markets. Therefore, several companies are seeking to establish stronger global connections to gain competitive edges and outpace its rivals. The most recent pandemic, the COVID-19, has further exacerbated the complexities of global trade, leading to disruptions in supply chains, fluctuating consumer demand, and economic volatility. As businesses contend with the consequences of these disruptions, there arises a pressing need for adaptive strategies that can mitigate risks while capitalizing on emerging opportunities.

The trading market is therefore becoming even more competitive, and most companies are trying to overcome the recent challenges, as it happens on the wholesale industry. The wholesale industry is characterized by its pivotal role in facilitating the distribution of goods across various sectors, it operates within a highly competitive environment influenced by factors such as pricing strategies, supply chain efficiency, and market demand.

As the market for wholesale companies is becoming more competitive it is important on this industry to keep gaining access to other markets and thus increasing their set of competitive advantages. The landscape of international trade agreements plays a vital role in shaping the dynamics of cross-border commerce. Particularly pertinent to this case study is the ongoing agreement between the EU and Mercosur, which is anticipated to have a significant impact on global trade dynamics of these two regions. This agreement, not yet finalized, seeks to foster economic cooperation, and facilitate trade between member states. Understanding the implications of this agreement on market access, tariffs, and regulatory frameworks is imperative for wholesale enterprises seeking to capitalize on international trade opportunities. Consequently, the LATAM market has been seen as a promising market for expanding European businesses. As the existent literature is lacking on providing specific insights on the potential of European wholesale companies to expand their operations to the Latin American market as well as the industry's need for a constant renewal of its partnerships and explore new markets, it was considered relevant to conduct this investigation to supplement and enrich the existent literature. Certainly, it is important to note that the EU-Mercosur agreement has not yet been finalized. Therefore, this investigation will solely be based on facts prior to the completion of this agreement.

1.1 Contextualization

The internship took place at West Coast Supply Group, commencing in October 2022 and concluding in March 2023. West Coast Supply Group is a wholesale company, based in Leiden, a small city in The Netherlands. This company is a multinational distributor of premium fast moving consumer goods (FMCG) since 1975 (West Coast Supply Group, n.d.). The company has more than 40 years of experience in the trade of A-brand products (West Coast Supply Group, n.d.). It covers a wide variety of goods, just to name a few, the company deals with sports and fashion goods, alcoholic beverages, home care and beauty products.

WCSG operates in the grey market, engaging in parallel trading. This practice, also known as parallel imports or the grey market, has gained increasing relevance nowadays (Li et al., 2016; Heath, 1997; Rai, 2012). On the contrary, of what most people think, it deals with authentic goods (Li et al., 2016; Rai, 2012) and thus comply with the market laws and regulations (Heath, 1997; Rai, 2012). Its scope encompasses a diverse array of products, spanning from fashion to pharmaceuticals (Katsoulacos et al., 2020).

Parallel trading implies the movement of good worldwide. Companies operating in this sector must consistently seek out optimal deals within the market. In the case of the company under study, it became essential to evaluate different markets to increase the companies' profits. As Latin America is a very diversified region regarding economy, development, geography, culture, and political models (Kline et al., 2018; Meade, 2022), it has emerged on WCSG's radar as a potential region for conducting business.

Now with the spread of globalization, LATAM region is gradually increasing its involvement in the global market economy (Kline et al., 2018). Currently both Europe and Asia are becoming more interested in doing business with Latin America (Kline et al., 2018), particularly in the case of Europe, motivated by an ongoing agreement known as the EU-Mercosur Agreement. This agreement presents a significant opportunity for further exploration and exploitation of the vast LATAM market (Delft, 2023). If the agreement is ratified, it could potentially be the most important EU's trade agreement, in terms of population covered (717 million in 2022) and estimated profits from the decrease of tariff fees - over €4 billion (Grieger, 2023).

Hence, the target market for this internship report is the Latin American region, with a specific emphasis on Brazil, Uruguay, Panama, and Paraguay. These countries were chosen following initial market assessments. The selection process took into consideration several factors, including the number of potential prospects, feedback received from other WCSG departments operating in Latin America, and the response rates observed during initial outreach process. This strategic decision was driven by the recognition that attempting to cover all countries within the region would be impractical and dilute the effectiveness of the research.

The findings presented on this report were obtained mainly via direct observation, as the investigator was in direct contact with the project under study. So, it was possible to be directly on the "field", capable of observing all the variables under study as well as all processes and information involved. The main task on this internship was to be involved on a business development project, which involved ongoing research and prospecting for new opportunities on several markets, including the Latin American, and thus assess the potential deals with these regions.

1.2 Theme justification

An opportunity arose for collaboration with WCSG, resulting in the provision of a structured internship within the S&F team. This team is subdivided into supply chain specialists and traders, with the internship specifically allocated to the trader's team.

Considering the company's position in the wholesale industry, there is always a compelling need to explore new markets to enhance the company's competitive edge. Typically, the wholesale company endeavors to expand its resources, partnerships, and clients, aiming to emerge as a key player in the trade of parallel goods. Consequently, a proposal was made to initiate a new project aimed at exploring the LATAM market. After some research, it was determined that rather than targeting the entirety of the LATAM market, the focus would be narrowed down to specific countries. The countries selected were Brazil, Panama, Uruguay, and Paraguay.

From the conjunction of all variables mentioned above, it was decided that this internship report would assess the potential of this European wholesale company to seal deals with the selected LATAM countries.

1.3 Purpose of the Internship Report

At WCSG, a wholesale company, there is a constant necessity of continuing to expand its businesses, by adding new partners and achieving the best profitability. Therefore, in close collaboration with the S&F team it was decided to start a new project on the LATAM market.

The primary objective of the project was to gain deeper insights into this market and identify potential prospects for future collaboration. As a result, this internship report is expected to facilitate a more thorough comprehension of WCSG's business strategy in the LATAM market and validate its resultant potential to expand its operations to this region. Nevertheless, the scope of this report extends beyond the already mentioned goals, thereby, the primary objectives are the following:

- To analyze the business strategy that was implemented by WCSG to reach out Latin America clients and access the viability of establishing partnerships in this region.
- To provide the company with updated market knowledge about Latin America
- To emphasize the pivotal role of customer acquisition within the wholesale industry, which will be illustrated through the lifecycle of wholesale clients.
- To integrate our findings into the existing literature regarding the performance and viability of European trading companies in the Latin America market, thereby facilitating better evaluations of this region by similar enterprises.

1.4 Report Structure

The present report is constituted of six parts. The initial section of this report encompasses an introduction, providing context on the internship background and the reasoning behind the chosen theme. Subsequently, the internship goals are outlined, followed by an overview of the report's structure.

Afterwards, on the second part, there will be the framework of this internship report, which is based on the existent literature. This section will outline key topics intended to deepen comprehension of the issue under study. The focal points within this section will include the concepts of Grey Market/parallel trade, an overview providing market insights regarding the selected countries, and a comprehensive examination of the history, recent developments, and prospective goals of the EU-Mercosur agreement. On the third section it will be presented the methodology used to proceed with this investigation, focusing, specially, on the research purpose, research paradigm and data collection method.

The following section will cover the WCSG case, encompassing the presentation of the company, its historical background, its portfolio, as well as an overview of the tasks undertaken during the internship. Additionally, it will include an analysis of the company's strategy in entering the LATAM market, detailing its criteria, approach, target sample, and objectives. Also, on this section it will be outlined the importance of the life cycle of trading companies. On this same section it will be encompassed the data gathered during the project. Including an analysis of the countries selected as well as the reasoning behind this choice.

Besides that, it contains an evaluation of the selected countries based on direct observation and the quantitative data already mentioned.

Then, the next section will encompass the results obtained on this study. It will focus on the valuable insights that were retrieved from this research on the LATAM region. Furthermore, it will be outlined the future trajectory of European trading companies intending to extend their operations to the LATAM market.

The last section presents the conclusion and final considerations on this report. Furthermore, it will encompass the limitations identified throughout the study and pose questions for future investigation.

2. Thematic Framework

2.1 Grey market and trading companies

The world is heading to a decrease of barriers regarding international trade (Heath, 1997; Rai, 2012), the efficiency of global logistics networks is getting better, and the e-businesses are emerging and gaining each day more relevancy (Li et al., 2016), so, phenomenon like parallel imports or also called grey market is becoming even more relevant nowadays (Li et al., 2016; Heath, 1997; Rai, 2012). This phenomenon is shaping the trade market as it spreads worldwide and gain more importance in the way that international trade is conducted (Li et al., 2016).

For starters it should be noticed that grey market is completely different from black market, since the last refers to non-genuine products and all the products commercialized under a grey market context are genuine-brand products (Li et al., 2016; Rai, 2012) that follow the laws of the market (Heath, 1997; Rai, 2012). Parallel imports are goods that are legally produced, sold, and then exported to another country (Conley, 2007; Heath, 1997). The concept can be defined as genuine branded goods that are bought from one market (e.g., economic region or country) and then imported into another market without the authorization of the intellectual property right (IPR) owner in that market/region (Rai, 2012; Knox et al., 2002; Shukla et al., 2016).

Parallel imports can be classified into passive and active (Conley, 2007). The most common is the parallel passive imports, which means that the goods are purchased in a foreign market and then imported into the domestic market (Conley, 2007). On the other hand, Conley (2007) states that active parallel imports take place when a foreign licensee exploits the IPR's of a product and enters into a domestic market causing direct competition for the official domestic licensees.

This phenomenon englobes any unauthorized importation and marketing, made by someone rather than the official manufacturer or the authorized distributor, of genuine goods (Grigoriadis, 2014; Rai, 2012). The parallel traders can acquire the goods from some layer of the authorized channel, meaning, directly from the manufacturer, or from some authorized distributors or even via authorized retailers (Rai, 2012). Parallel trade can occur under different ways, such as reimportation, 'non-genuine parallel importation', and parallel importation in the strict sense of the term (Grigoriadis, 2014).

Parallel reimportation takes place when the manufacturer or an authorized distributor sells the same product in different markets with different prices, and then these products are reimported and distributed in the exporting market by an independent trader (Grigoriadis, 2014). 'Non-genuine parallel importation' refers to goods that are imported into a country by an independent trader in direct competition to the similar goods manufactured in that same country (Grigoriadis, 2014). Lastly, Grigoriadis (2014) defines the 'parallel importation in the strict sense of the term' as the goods that are imported into a market, by an independent trader in direct competition to similar products from the same manufacturer.

Parallel trade occurs in a wide variety of industries, ranging from luxury or branded goods to pharmaceutical products (Katsoulacos et al., 2020). This phenomenon is often characterized as enigmatic in the international trade world (Heath, 1997; Rai, 2012). This happens because, as stated above, parallel imports or "grey goods" follow strictly the laws of international trade (Heath, 1997; Rai, 2012) but on the contrary the distribution channels used by the parallel traders are still a very "grey" matter (Heath, 1997). The main feature that distinguishes regular goods from grey goods is the distribution channel used to reach the final client (Rai, 2012), and to add on that parallel imports are not recorded (Maskus & Chen, 2004).

There are several reasons for the rise of parallel imports, but it can be said that the main cause is due to price differentiation/ differences in different markets (Ichino, 2014; Grigoriadis, 2014; Li et al., 2016; Maskus & Chen, 2004). It is commonly said that the flow of parallel goods goes from a market with low retail price to another where the retail price is higher, however Maskus & Chen (2004) state that the contrary might happen as well, since the most important criteria asserting the profitability of such transaction is the wholesale price, which is set by the manufacturer.

Either way, companies can take advantage of the price differences between two markets (Li et al., 2016). This means that an independent trader, who is either an authorized wholesaler or someone that bought the goods from an authorized wholesaler (Maskus & Chen, 2004), has to take into consideration the price differences between markets, having in mind that the transaction costs should be added (Grigoriadis, 2014), for instant, this trader can buy a product in a market where the retail price is low and then sell it in another market where the retail prices is higher, generating more profit, if the difference in price is big enough to cover the transaction costs and still generate some profit or at least to match the retail price in the market where the goods will be exported to.

In general, this price differentiation is mostly originated by different demands in several markets and different exchange currency rates (Li et al., 2016). It does not happen very often, but it can also be taken into consideration the fact that sometimes are the manufacturers that integrate parallel trade (Grigoriadis, 2014). The manufacturer can provide parallel traders with some goods just to put pressure on the official/authorized distributors for reducing their profit margins, so in a sense this works as a mean of defense against the official distributors (Grigoriadis, 2014).

In the existing literature there is an unsolved debate about the advantages and disadvantages of parallel trade (Ichino, 2014). Parallel trade is considered a mechanism against price collusion and parallel exports represent an opportunity to entering in foreign markets (Maskus & Chen, 2004). Generally, it is said that the free flow of parallel goods is not prejudicial for the manufactures, since these goods do not end up on the same market where the official manufacturer is already working on (Grigoriadis, 2014; Shukla & Diwan, 2016).

The growth of parallel trading activities, in this situation, means an increase in the volume of sales, therefore it is considered beneficial for the manufacturers (Grigoriadis, 2014). On the contrary, if the parallel goods are imported into markets where the manufacture is already working on, it means a reduction of the manufacture and official distributors profits (Grigoriadis, 2014). This last situation represents a case of intra-brand competition which normally results in a general decrease of prices (Grigoriadis, 2014).

However, it should be taken into consideration the fact that the increase in the volume of sales caused by parallel trade activities may be balanced by the reduction of prices caused by the intra-brand competition (Grigoriadis, 2014). On the other hand, looking at the pharmaceutical industry, where Research and development (R&D) and innovation play an important role, the decrease of profits can lead to negative long-term effects, since the companies do not have spare money to invest in this area (Grigoriadis, 2014; Katsoulacos & Benetatou, 2020).

Despite of this, Ichino (2014) defends that under specific conditions parallel trade can both benefit consumers and manufactures. Ichino (2014) takes into consideration two different concepts, parallel trade, and piracy. In the end Ichino (2014) concludes that independent of the existence of piracy, parallel trade sometimes benefits both the companies and the consumers, while in the presence of piracy parallel trade is preferred by consumers and less attractive to the companies.

Many companies stablish a price discrimination policy having in mind the differences in demand in each market as well as the costs (Katsoulacos & Benetatou, 2020). Nevertheless, to fight the intra-brand competition manufactures may resort to a uniform price policy instead of continuing with the price discrimination policy (Grigoriadis, 2014; Ichino, 214; Knox & Richardson, 2002). When companies follow a price discrimination policy it allows them to serve different markets, adjusting the prices to the demand and cost condition of the market (Grigoriadis, 2014).

However, if they change their strategy to a uniformization of prices they can decide that certain markets are no longer profitable to explore, leaving some consumers with no access to their products at the previous prices that were settled according to the market conditions (Grigoriadis, 2014; Katsoulacos & Benetatou, 2020). Therefore, taking into consideration a global welfare perspective, the price uniformization regime is likely to be more beneficial to countries where the retail prices are higher than to countries with low retail prices (Knox & Richardson, 2002).

Overall, there is still an open debate to assert whether parallel trade has positive or negative effects on the consumers welfare (Katsoulacos & Benetatou, 2020). Grigoriadis (2014) and Katsoulacos & Benetatou (2020) stated that most proponents of parallel trade point out the intra-brand competition as a method to increase consumers welfare, since it allows consumers to have access to cheaper goods. Katsoulacos & Benetatou (2020) also mention that there are many empirical studies proving that parallel trade has no effect on domestic markets since most of the profits of parallel trade are redistributed among the parallel importers.

On the other hand, it is also mentioned as a probable reason for this outcome the fact that the parallel importers clients have enough market power to not pass the reduced prices to the final client, and this way increasing their profits (Katsoulacos & Benetatou, 2020). To sum up the work of Katsoulacos & Benetatou (2020), it can be said that the effect of parallel trade in consumer welfare cannot be defined in a general way, therefore each case must be taken into consideration, having in mind the specific economic conditions in which parallel trade occurs.

As it was stated above parallel trade is a legal flow of genuine goods, hence goods protected by IPR's, from one market to another without the authorization of the IPR owner (Rai, 2012; Knox et al., 2002; Shukla et al., 2016). These IPR's come from patents which are a set of exclusive rights given by the government in order to protect the owner during a fixed period (Rai, 2012). Therefore, in this condition the owner has *the right to exclude others from making, using, marketing, selling, offering for sale, or importing an invention for a specified period* (Rai, 2012). In general, parallel imports represent the dilemma of free flow of international trade and protection IPR (Rai, 2012).

Parallel trade occurs as a consequence of the doctrine of exhaustion (Heath, 1997; Rai, 2012). This doctrine is simply characterized by the way it limits the IPR's owner to control the goods after the first sale, which is authorized by the IP owner, meaning that after the first sale the IPR's of the owner are exhausted (Maskus & Chen, 2004; Rai, 2012; Zappalaglio, 2015). In other words, the exhaustion doctrine determines when the IPR's of the owner end (Heath, 1997; Rai, 2012).

This doctrine prevents the IP owner of create a monopoly, hence having perpetual control over the sale of the goods (Rai, 2012). Rai (2012) provides an example to better illustrate this situation, which is the following, from the moment that someone buys a can of Coca Cola from an authorized distributor, the Coca Cola Company' right in its trademark is exhausted. This means that the buyer can resell, give or redistributor the can without infringing IPR's, however it is important to note that the buyer cannot produce its own Coca Cola cans (Rai, 2012). Nevertheless, there are certain limitations to this doctrine, this principle is not taken into practice if the patent owner imposes lawful restrictions regarding the sale of the goods (Rai, 2012).

The exhaustion doctrine operates under a national, regional, or international basis (Rai, 2012; Zappalaglio, 2015). A national exhaustion regime allows the IP owner to prevent importation from a foreign country/market, where the IP owner products are already being sold via an authorized distribution (Maskus & Chen, 2004; Rai, 2012; Shukla & Diwan, 2016).

On the contrary, if the rights are exhausted internationally, it means that the IP owner loses the exclusive privilege after the first distribution, hence allowing parallel imports from foreign countries (Maskus & Chen, 2004; Rai, 2012; Shukla & Diwan, 2016). Finally, the regional exhaustion is commonly called a hybrid system between the two previously mentioned (Rai, 2012). This perspective allows parallel trade within a certain group of countries; however, it bans parallel imports from other regions outside of the group (Maskus & Chen, 2004; Rai, 2012).

The most important international treaty addressing the matter of IPR's is the TRIP's Agreement, even though no exact position was defined as the best way to proceed having in consideration the free flow of trade, mostly advocated by GATT, and the IPR issue (Heath, 1997; Rai, 2012). During this Agreement it was not possible to achieve a unanimous answer among the Members States, since neither the concepts of the exhaustion doctrine were entirely satisfactory (Rai, 2012). Therefore, the TRIP's Agreement allows the Member States of WTO to decide which exhaustion regimes they prefer to adopt (Rai, 2012; Shukla & Diwan, 2016).

There is still an open argument assert whether the TRIP's Agreement should be ratified, in accordance with two different paths (Maskus & Chen, 2004). Some people advocate the banishment of parallel imports as a way of protecting IPR owners and help them to control international distribution (Maskus & Chen, 2004). On the contrary, others ask for a uniform rule of international exhaustion in order to integrate markets and as a mechanism to prevent abusive price discrimination and collusion (Maskus & Chen, 2004).

2.2 Target Market: Latin America

2.2.1 Overview

The concept of Latin America is used to refer to all south and center American and Caribbean countries, and Mexico (Kline et al., 2018). Latin America is a very diversified region regarding economy, development, geography, culture, and political models (Kline et al., 2018; Meade, 2022). This land is home for approximately 650 million of people (Meade, 2022) and it is characterized by a lot of social and economic discrepancies, it is a place with high levels of poverty, malnutrition, a lot of diseases and the worst distribution of income on Earth (Kline et al., 2018). However, some of the largest and more stable countries are trying to reverse this situation, as well as some of the small countries (Kline et al., 2018).

Democracy is now the preferred form of government in Latin America (Kline et al., 2018). In the late 20th and early 21st centuries there were elected left and center-left presidents to decrease the levels of poverty, inequality, lack of education and violence, in a movement called the *Pink Tide* (Meade, 2022). Although there were some improvements, democracy still faces instability, corruption, and innumerous social problems (Kline et al., 2018; Meade, 2022).

In fact, there is a link between governance indicators such as corruption and other macroeconomic variables such as inflation, trade openness, population growth, among other that influence the economic growth of a country (Azam, 2022). Azam (2022) states that political stability and government effectiveness will encourage economic growth and thus the social welfare of the population, while corruption has the opposite effect.

Globalization has been having a significant impact on Latin America, these countries are becoming part of the global market economy (Kline et al., 2018). Despite of globalization, the growth of exports, imports, and GDP in Latin America is still generally low, when compared to other regions (Fernandes et al., 2022). On average the exports growth in Latin America from 2000 to 2018 was 4 percent while in East Asia and the Pacific region it reached 7.6 percent, and in Europe and Central Asia it reached 7 percent, over the same period (Fernandes et al., 2022).

Fernandes (2022) states that both exports and imports represent a positive influence on income growth of a country. On average the Latin America countries exports contributed to only 28 percent of the countries' GDP in the year of 2018, which contrasts with the more than 50 percent in East Asia, Pacific, Europe, and Central Asia (Fernandes et al., 2022). On the other hand, the average percentage of imports of goods and services is slightly better, in the year of 2018 it represented 35 percent of the GDP (Fernandes et al., 2022).

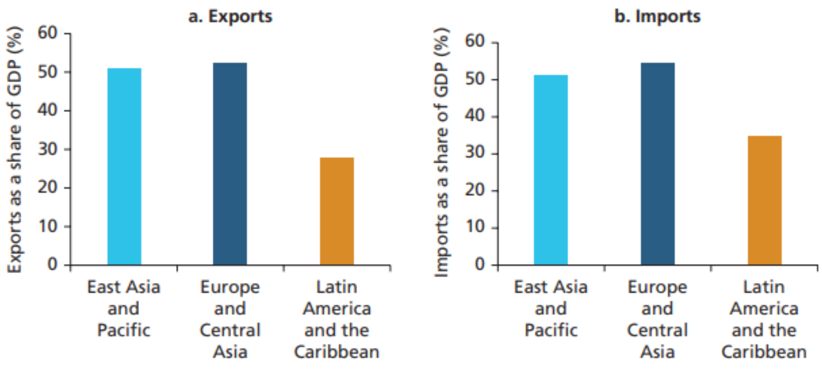

Figure 1 - Trade in goods and services as a percentage of GDP in Latin America and the Caribbean and comparator regions, 2018. Source: Fernandes et al. (2022)

Latin America should diversify the assortment of exports, since this region is mainly focused on exporting agriculture raw materials, metals and fuel, with a significantly lower emphasis on manufactured goods (Fernandes et al., 2022). In general, this region is most specialized in food, agriculture, and mining exports, with an average of 55 percent of goods exported in 2018 (Fernandes et al., 2022). In comparison, during the same period, Europe and Central Asian countries had an average of 22 percent and East Asian and Pacific countries had an average of 29 percent (Fernandes et al., 2022). To sump, the lack of imports and the poor diversification of exports in Latin America are preventing this region to growth economically (Fernandes et al., 2022).

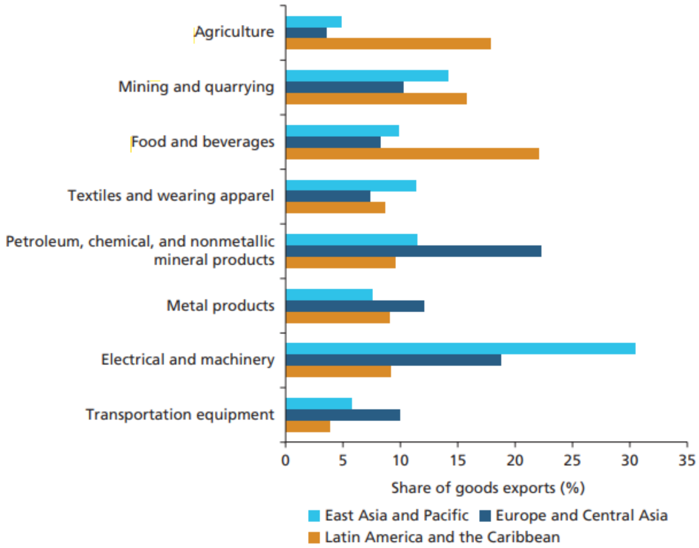

Figure 2 - Shares of selected sectors in total goods exports, Latin America and the Caribbean and comparator regions, 2018. Source: Fernandes et al. (2022)

From a long time ago, there was always a link beyond geographic reasons between Latin American countries and the US (Kline et al., 2018; Meade, 2022), but currently both Europe and Asia are becoming more interested in doing business with Latin America (Kline et al., 2018). Therefore, it is said (Kline et al., 2018) that the development of Latin America is a mix of US, Europe, and historical Latin America approaches.

However, there is still a long ride to improve social, political, and economic conditions on Latin America, in fact Azam (2022) states that this region needs to improve the governance methods, fight corruption and political instability in order to grow and decrease, specially, poverty but also other social and economic problems.

The recent health crisis caused a negative impact on trade in Latin America (ECLAC, 2021) and it showed a huge extra regional dependence (Sotomayor & Cordova, 2022). Regarding goods imported, the number fell by 15% (−4% by volume and −10% by price), causing a contraction of 6.8% of regional GDP (ECLAC, 2021). Despite of that the region has been growing slowly (ECLAC, 2021; Sotomayor & Cordova, 2022), and in 2021 the regional exports were 21 percent, and the regional imports were 30 percent (ECLAC, 2021). During this pandemic, the most affected sectors were mining and clothing, over 650 companies ceased their exporting activities (ECLAC, 2021). However, already in 2021 could be noticed a recovering in either export or import goods at most of Latin America countries (ECLAC, 2021).

2.2.2 Brazil

Looking in more detail for LATAM countries, Brazil is the largest in this region, as also in the world, regarding territorial size and population (Doré & Teixeira, 2022). The country is marked by inconsistent periods of economic growth (Doré & Teixeira, 2022). Regarding international trade, the country was marked by low levels of trade openness, which has been increasing, although not substantially until this century (Doré & Teixeira, 2022), that is why it continues to be underlined as one of the countries in LATAM with lowest trade openness (Fernandes et al., 2022).

Despite the degree of openness there is also another key factor determining the international trade in this country, the tariffs that are applied on import goods (Doré & Teixeira, 2022). These import tariffs, which have been decreasing, were aligned with protectionist policies, applied to decrease the consumption of import goods as well as to boost the local economy (Doré & Teixeira, 2022). This lack of imported inputs has a strong impact on the transference of knowledge from advanced economies (Doré & Teixeira, 2022; Fernandes et al., 2022), therefore, these protectionist policies made it even harder for Brazil to compete with these economies (Doré & Teixeira, 2022).

Brazil is since a long time characterized by high levels of corruption which led to politic and economic instability, preventing economic growth (Doré & Teixeira, 2022). The country continues to enforce laws against this corruption, but the effects have been very inconsistent (The PRS Group, 2022). The Brazilian currency - Real - is expected to weaken only slightly during 2023 (Rzechorzek & Trahan, 2023).

The average household spending for Brazilian people is anticipated to slowdown in 2023 (Trahan, 2023). The household debt expanded during 2022, most people resorted to credits to satisfy their consumption needs, mainly caused by inflation (Trahan, 2023). The peak of inflation on the apparel industry was reached between January and October 2022 as it can be seen below.

Figure 3 - Apparel inflation on LATAM. Source: Trahan (2023)

However, the inflation is expected to decrease from 9.3% in 2022 to 4.9% in 2023, which will represent an increase on consumer power for Brazilian people (Trahan, 2023). Brazil relies heavily on e-commerce platforms, being the largest B2C e-commerce market in this region (ECLAC, 2021). This way of doing business represented more than a third of digital sales in Brazil in 2020 (ECLAC, 2021).

Today it is considered one of the countries with the most diverse external networks in LATAM (Sotomayor & Cordova, 2022). However, the export and imports shares of GDP in this country are one of the lowest in LATAM (Fernandes et al., 2022). Fernandes et al. (2022) points out that it may happen due to the fact that this country maintains a larger domestic market, against Mexico with the highest trade openness in LATAM. Therefore, Brazil is highlighted, amongst LATAM countries, as one of the countries with the lowest trade between 2000-2018 (Fernandes et al., 2022).

The Brazilian market can be particularly challenging with regard of doing businesses (The PRS Group, 2022; Rzechorzek & Trahan, 2023). There is a complex regulatory environment - 'Brazil ranked 141 out of 141 economies for burden of regulation in the World Economic Forum's 2019 Global Competitiveness Report' (The PRS Group, 2022). Some US Companies point out high tariffs, uncertain customs system, high and unpredictable tax burdens, and a complicated legal system as the major obstacles when doing business with Brazil (The PRS Group, 2022).

2.2.3 Uruguay

Uruguay is a country in South America, and its boarders are the Atlantic Ocean, Brazil, and Argentina (Youngblood-Coleman, 2022). As well as its neighbors, Uruguay is part of the South American common market – Mercosur (Lanzilotta et al., 2023; Youngblood-Coleman, 2022).

Uruguay has a small and open economy, which leaves the country exposed to international and regional shocks (IHS Markit, 2022; Lanzilotta et al., 2023), due to the country's location, there is a high dependence with Brazil and Argentina (IHS Markit, 2022; Youngblood-Coleman, 2022). These economies are described as high and volatile (Lanzilotta et al., 2023).

Therefore, this instability and high dependence of Uruguay for its regional trading partners is pushing the country to seek new commercial possibilities (S&P Global, 2023). In fact, Lacalle Pou, current president of Uruguay, is seeking for free trade agreements with China (S&P Global, 2023). Furthermore, Uruguay has sealed trade agreements with Mexico, United States of America, and Europe (S&P Global, 2023).

The country's economy is based on the agriculture sector, services, and light manufacturing (Youngblood-Coleman, 2022). However, Uruguay relies heavily on agriculture exports (Youngblood-Coleman, 2022), the export of meat (mainly beef) has the major impact on the country's exporting performance (S&P Global, 2023).

Uruguay is considered to be one of the most political stable countries in South of America (IHS Markit, 2022). The corruption levels are among the lowest in South American countries (IHS Markit, 2022; S&P Global, 2023). Lacalle Pou is looking to attract more foreign investment (S&P Global, 2023), which is encouraged in almost all areas of business (IHS Markit, 2022).

Overall, the security risks remain low and in recent years it showed a tendency to decline (IHS Markit, 2022; S&P Global, 2023). However, there are often protests from public workers against government policy (IHS Markit, 2022), and due to the decrease of freshwater reserves derived from droughts (S&P Global, 2023), but these are generally peaceful, unlikely to cause significant disruption (IHS Markit, 2022).

President Luis Lacalle Pou made a good management of the Covid-19 health crisis (IHS Markit, 2022; S&P Global, 2023), Uruguay's swift response to this crisis helped to keep the situation under control, especially when compared to other countries in the same region (Youngblood-Coleman, 2022). Despite of the damage control, in periods of high uncertainty both consumers and businesses become more caution and conscious of their spending, leading to a decrease in economic activity and recession (Lanzilotta et al., 2023).

Inflation is expected to continue high, which will have an impact on private sector consumption for the remaining of 2023 (S&P Global, 2023). Besides that, the country's currency, Uruguayan Peso, shows a tendency to depreciate in 2024 (S&P Global, 2023).

2.2.4 Paraguay

Paraguay is located in the central south America, surrounded by Brazil, Bolivia, and Argentina (The PRS Group, 2022). The country's economy it is not very complex, as it relies heavily on the primary sector, namely on the agricultural sector (González et al., 2019; Youngblood-Coleman, 2022). These kinds of activities are characterized by having a low return in terms of economic and social benefits (González et al., 2019). Therefore, it can be said that Paraguayan economy is not diversified which is pointed out by González et al. (2019) as a key factor for not having high levels of economic and social development.

Paraguay is marked by political instability, corruption, poor infrastructures, lack of structural reforms, and all of these led to years of economic stagnation (Youngblood-Coleman, 2022). Among the south American countries, Paraguay is only outranked by Venezuela as the country with the highest levels of corruption in this region (Youngblood-Coleman, 2022).

However, in 2018 que country's economy was growing and even considered the "star economy" of South America by the press (Youngblood-Coleman, 2022). More recently, between 2021 – 2022 the economy suffered due to the droughts that caused a massive impact on the agricultural sector (The PRS Group, Paraguay Country Report, 2022). Both policymakers and farmers already expressed their concern regarding the low levels of water on Panama and Paraguay's rivers, which may lead to an impediment to moving products to other markets (The PRS Group, 2022).

The number of exports decreased from 14.99 ($US billions) in 2017 to 13.60 ($US billions) in 2021. In the same way, the imports also decreased from 12.89 ($US billions) in 2017 to 10.12 ($US billions) in 2021. Soybeans and beef production are the most exported goods in Paraguay, representing half of all the exports in the country (Ashbourne et al., 2023). The droughts in 2021-2022 caused a decrease of nearly 70% of soybeans crop, compared to the previous year (Ashbourne et al., 2023; The PRS Group, 2022). It is expected that the elevate prices for both goods will increase, leading the country to produce more in 2023, this way rebounding to 96.8% growth, compared to 46.4% in 2022 (Ashbourne et al., 2023).

Due to the recent war in Europe, between Ukraine and Russia, the inflation on fuel and food was felt by the country's economy (The PRS Group, 2022). Nevertheless, there are good projections for 2023 Paraguayan economy, the agricultural exports are expected to increase, and it is expected a 2.6% growth in private consumption, compared to 1.4% in 2022 (Ashbourne et al., 2023).

On the National Development Plan (PND) it is pointed out that Paraguay aims to reach an average growth rate of 6.8% of its GDP by 2030 (González et al., 2019). According to the IMF, Paraguay will be ahead of the other south American countries in 2023 with a 4.5% GDP expansion, and an expected 3.5% growth next year (Thurston, 2023).

2.2.5 Panama

Panama is located in the LATAM region, and it is considered to have the highest income and trade growth in this region (Espitia et al., 2022). The country has the largest shares of exports and even higher shares of imports (Espitia et al., 2022). Panama takes advantages of its geographic location, and it works as a regional logistics hub for fuels and biofuels (The PRS Group, 2022).

The Panama Canal plays a huge role on Panama's exporting sector, and the revenues from this stimulate the imports of consumption goods (IHS Markit, 2023). Also due to proximity, the country has a strong relationship with US, the US dollar is widely used in Panama it is expected to continue like that (IHS Markit, 2023). This means a dependency on the US Federal Reserve for its monetary policy, which leaves the country in a very complicated position to deal with external inflationary pressures (IHS Markit, 2023).

The country is still marked by corruption (IHS Markit, 2023), in fact it has been implemented measures against it in order to bring financial disclosure, transparency laws and more proximity to the international standards (Arcia & González, 2022; Khayami et al., 2022; The PRS Group, 2022). In 2021, the President Cortizo signed a financial transparency and anti-money laundering law (Ley 254) (IHS Markit, 2023; Khayami et al., 2022), although Panama continued to be on the Financial Action Task Force's 'grey list' and the EU's 'blacklist' for tax havens as of October 2021 (Khayami et al., 2022). Many analysts say that Panama must improve its international image to attract more FDI (IHS Markit, 2023; The PRS Group, 2022).

Overall, the environment for doing business is Panama is quite friendly, it is possible for foreigners to participate in almost all sectors (Arcia & González, 2022; IHS Markit, 2023), being the main problematic hurdles for doing business in Panama, the corruption, the long judicial procedures and the lack of protection of IPR (IHS Markit, 2023).

Although, Panama was one of the first LATAM countries to sign the World Intellectual Property Organization (WIPO) treaty on copyrights, the authorities can apprehend goods suspected of being counterfeit, but still the implementation of this treaty is not always effective (IHS Markit, 2023). Regarding taxes, they represent a very stable variant, in fact there are related incentives applied to almost all industries, and the country counts with an export- free zone – Colon Free Trade Zone (Zona Libre de Colon) (IHS Markit, 2023), which is the second largest Free Zone in the worlds, right after Hong Kong (Arcia & González, 2022).

2.3 International Trade in Latin America: Trade Agreements

The best solution to overcome social and economic problems in Latin America is to increase trade and be more involved in global value chains (Fernandes et al., 2022). Therefore, Latin America has been discussing the implementation of more trade agreements to keep up with their economic growth and to have more trading advantages (Sánchez-Albornoz & Timini, 2021).

This region has been signing an increasing number of trade agreements since 1990 and most of these Agreements were signed with partner countries outside of this region (Espitia et al., 2022). However, the five country members of the MERCOSUR Agreement did not, so far, signed other Agreements with another region (Espitia et al., 2022).

To start off this regional integration would reduce tariffs and enable free circulation of goods and services (Sotomayor & Cordova, 2022). In a more detailed explanation these Agreements often include policies such as: antidumping, export taxes, countervailing measures, customs and trade facilitation, TBT, SPS measures, tariff reductions on industrial and agricultural goods, and services trade areas covered by the WTO (Espitia et al., 2022).

The number of extra regional agreements in Latin America has increased from 5 in 2000 to 50 in 2017, while in that same year this region had thirty-two intraregional agreements (Espitia et al., 2022). The main difference between these two types of Agreements is that the intraregional agreements target shallow regional integration whilst the extra regional agreements focus on deep and essential provisions (Espitia et al., 2022).

Espitia et al. (2022) states that Latin America should deepen the Trade Agreements already implemented rather than sign new ones. By deepening these Agreements, the region can become more integrated in the global value chain and thus increase substantially in trade and welfare (Espitia et al., 2022; Sánchez-Albornoz & Timini, 2021).

Anyhow both intraregional and extra regional agreements represent a process of economic integration and are supposed, on average, to have a positive influence on Latin American trade (Sánchez-Albornoz & Timini, 2021). In fact, Sánchez-Albornoz & Timini (2021) say that trade agreements have a positive impact on bilateral trade among members, in their investigation, these trade agreements led to a percentage increase in trade.

Sánchez-Albornoz & Timini (2021) state that the positive effect of bilateral trade agreements is not influenced by 'geography'/ countries of the agreement. Regarding intra-regional trade agreements, Sánchez-Albornoz & Timini (2021) mention that these agreements generate, on average, a 55 percent increase in trade flow. On the annual report prepared by the Division of International Trade and Integration of the Economic Commission for Latin America and the Caribbean (ECLAC) (2021) it is stated that considering the past pandemic crisis with all the disruption on the global supply chains, Latin America should focus on increasing intra-regional agreements in order to deepen regional economic integration, mainly to achieve more autonomy, similar to what happen on Asian and Europeans countries (Sotomayor & Cordova, 2022).

Despite of that the intra-regional trade in this area is more focused on manufactures than extra regional trade which is more specialized in natural resources, this way, by deepening the intra – regional trade this region can reduced its specialization on primary and extractive sectors and improve its manufacture capabilities (Sotomayor & Cordova, 2022). Sotomayor & Cordova (2022) suggest the promotion of domestic policies, where the local producers and domestic labor would be linked with the global corporations; to use more regionally focused supply chains and to implement non-tariff barriers in order to deepen intra-regional integration.

Overall, there are two streams of thoughts, the ones that defend extra-regional integration and the ones that support the deepening of intra-regional integration.

2.3.1 EU - Mercosur Agreement

The global economy has been passing through a process of intensification of the global commercial transactions (De Araújo Silva, 2022). This intensification led to an increase of commercial agreements between several economies, as strategic decisions to follow up on globalization (De Araújo Silva, 2022).

The common south market, known as Mercosur, was created in 1991, and it was constituted by Brazil, Argentina, Paraguay, and Uruguay (Bianculli, 2020; De Araújo Silva, 2022; Grieger, 2023). The Mercosur was inspired on the European integration model (Caetano, 2022).

The initial period following the establishment of this agreement was mainly characterized by an alignment between domestic policies and regional goals, particularly for the two largest members – Argentina and Brazil (Bianculli, 2020). As significant asymmetries prevail among Mercosur countries, mainly caused by substantial differences in the size and structure of their economies (Grieger, 2023). Argentina and Brazil have relatively low participation in global trade, as evidenced by their low trade-to-GDP ratios (Grieger, 2023). In contrast, Paraguay, and Uruguay, owing to their smaller markets, have demonstrated a greater reliance on both international and regional trade (Grieger, 2023).

The creation of this common market was an important milestone for the region, signifying a commitment to regional integration through a strategic approach of trade liberalization (Bianculli, 2020). In fact, Mercosur was considered one of the regional projects that achieved remarkable success and accomplishment, after the European Union (Bianculli, 2020).

The Latin American and Caribbean countries were the EU's fifth largest trading partner, according to 2022 merchandise trade data (Grieger, 2023). As result of historical, cultural, and economic connections, both LATAM and EU maintain close contact (Caetano, 2022; Grieger, 2023). However, on the last decades, Asian markets gained more relevance and are playing an important role on global economies, therefore, the EU lost some market share in LATAM, mainly to China (Grieger, 2023).

Not only the emerging of Asian markets is pointed out as the main reason for the decrease of market share between EU and LATAM (Caetano, 2022; Grieger, 2023); the financial crisis in 2008 (Caetano, 2022; Grieger, 2023; Mata Diz, 2022), the creation of the Pacific alliance in 2011 and the slow growth and general instability of LATAM region were also pointed as major setbacks (Grieger, 2023).

According to the graphic below we can see that China is highlighted as the best trading partner for digital technology, infrastructure, trade, and investment, while the US is perceived as the best trading partner for fight against drug trafficking and on health and vaccines (Grieger, 2023). Looking for the areas were EU shine, we can emphasize areas such as environment, fight against poverty and inequality, culture, and education, and strengthening democracy (Grieger, 2023). Overall, the EU seems to be the most favorable region (48%) for LATAM countries deals (Grieger, 2023).

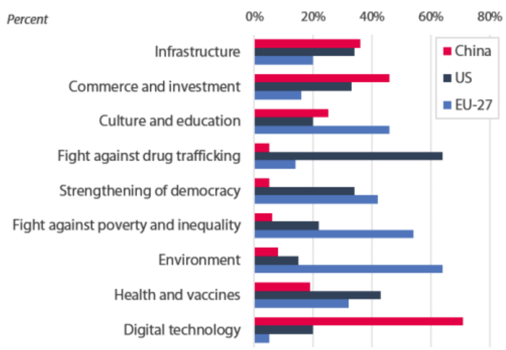

Figure 4 - Best partners for Latin America in selected fields. Source: Grieger (2023)

The European Union and Mercosur are key players on the area of international trade, each wielding considerable influence (Mata Diz, 2022). Due to their significant influence and market attractiveness, the two regions initiated discussions in the 1990s regarding a potential agreement (Mata Diz, 2022). The EU-Mercosur Agreement has passed through different stages, there have been ongoing discussions during the past years (Grieger, 2023; Mata Diz, 2022).

More recently, in 2019 an 'agreement in principle' on the trade pillar was reached (Caetano, 2022; Grieger, 2023; Mata Diz, 2022), and then on 2020 it was published a report on sustainable impact assessment (SIA) (Grieger, 2023). After that, the European Commission released its position paper on the SIA in March 2021 (Grieger, 2023).

The Mercosur – EU agreement will provide a great opportunity to further explore and take advantages of such great market (Delft, 2023). It is also pointed out that this would be an incentive to boost the intra-regional trade for the Mercosur members (Delft, 2023). If the agreement is ratified, it could represent the most important EU's trade agreement, in terms of population covered (717 million in 2022) and estimated profits from the decrease of tariff fees - over €4 billion (Grieger, 2023).

In terms of products, if the Mercosur agreement goes forward the country members will be committed to achieve a complete liberalization for 91% of its tariff lines within a 15-year timeframe (Caetano, 2022). From the mentioned percentage, 6% would be immediately liberalized upon the agreement's enforcement, while another 25% is targeted for liberalization over a span of 4 to 8 years (Caetano, 2022). The remaining 60% would be focused on the most sensitive products positioned toward the end of the stipulated timeframe (Caetano, 2022). On the other side, the European Union would be committed to liberalize 92% of its tariffs, from which 85% would enter into force upon the start of agreement, and the remaining percentage would be implemented throughout the course of a maximum of 10 years (Caetano, 2022).

Despite of the bright side, there were pointed also negative aspects on this agreement (Grieger, 2023). Some EU member countries with significant agricultural interest groups within the EU are concerned about the fact that by increasing importation of agricultural goods from Mercosur they could be outpaced by the competitive agriculture products from South America (Caetano, 2022) as well as the fear that such an increase could contribute to unsustainable development (Grieger, 2023).

Regarding the unsustainable development, their concerns include the use of pesticides and growth-promoting hormones, which are prohibited in the EU (Grieger, 2023). Furthermore, they contend that such practices may expedite the deforestation of the Amazon for expanding agricultural lands and pose a threat to the human rights of Indigenous peoples residing in these areas (Grieger, 2023). It is also emphasized that Mercosur companies could face greater competition from European companies, generally with greater relative capital and technology, which may lead to potential market displacement for Mercosur entities. (Caetano, 2022).

The negotiations were perceived to be challenging, given the divergence in interests, objectives, and expectations between both blocs. (Mata Diz, 2022). From one side, Mercosur wants to have access to the European Agricultural markets, while the EU aims for the liberalization of trade in services and government procurement, with a specific focus on Brazil (Mata Diz, 2022). Additionally, it seeks the acceptance of new intellectual property rights and to facilitate foreign direct investments (Mata Diz, 2022).

It is also unclear whether the Mercosur countries are ready to accept the EU's rules on sustainability (Grieger, 2023; Mata Diz, 2022), as all the financial cost for the strict environmental standards will not be support by EU (Mata Diz, 2022). Overall, the non-trade-related related issues, like the standards on sustainability, seem to be more sensitive and difficult to achieve an agreement between the two parties (Mata Diz, 2022).

The European Parliament stated in its resolution of 16 February 2023 that their strategy should encompass the ratification of the pending bilateral agreement with Mercosur, which can only be done upon the fulfillment of pre-ratification commitments addressing climate change, deforestation, and other pertinent concerns (Grieger, 2023).

A draft of the EU-Mercosur joint instrument on sustainability was leaked in early 2023 (Grieger, 2023). On this draft there were new commitments such as a 50 % reduction in deforestation by 2025 (Grieger, 2023). The draft was criticized by some European stakeholders and classified as a 'blatant greenwashing', also on the Mercosur side, it was considered to be difficult to achieve and unbalanced (Grieger, 2023).

Having a look at the current situation between the EU and Mercosur it can be pointed out that the Mercosur exports to EU increased by almost €20 billion, experiencing significant growth rates, particularly for base metals, wood, transport equipment, and mineral fuels (Grieger, 2023). Exports from the EU to Mercosur increased by €11 billion, primarily driven by growth in the export of chemicals, machinery and appliances, and transport equipment (Grieger, 2023). The most substantial rise in agri-food exports from Mercosur occurred in vegetable products, increasing from €6.2 billion in 2019 to €13.4 billion in 2022 (Grieger, 2023). Similarly, there was notable growth in foodstuffs, beverages, and tobacco, rising from €7.5 billion in 2019 to €11.3 billion in 2022 (Grieger, 2023). In 2021, EU exports of services to Mercosur were approximately double the value of EU imports from Mercosur (Grieger, 2023).

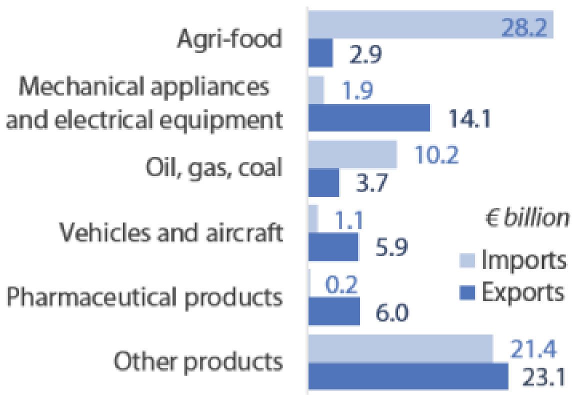

Figure 5 - EU trade in goods with Mercosur - Main products (2022). Source: Grieger (2023)

3 Methodology

On this chapter it will be approached the methodology used to achieve the results of this investigation. Starting with an explanation of the reasons and goals that led to this investigation. Afterwards, it is explained the investigation paradigm that was selected and the reason it was considered to be the best fit to proceed with this study. Following this, it will be expounded the methodology approach and data collection used on this investigation as well as the reasoning for this decision.

3.1 Research Purpose

The opportunity to collaborate with West Coast Supply group, a company that operates internationally, and the chance to initiate a project to expand the company's business to the Latin America market were the perfect conditions to start to explore this area of business among the existing literature. After research on the areas approached in this investigation, it was concluded that studies approaching wholesale companies doing business with LATAM countries were scarce at the moment. Therefore, the goal of this study goes beyond answering the questions raised on this case study, since it is also intended to amplify and add additional information on the subject under study.

In a succinct manner, the purpose of this internship report is to assess the potential for West Coast Supply Group, a European wholesale company, to expand its business to Latin American countries, such as Brazil, Panama, Uruguay, and Paraguay. It will be expounded the entire process of starting to interact with possible prospects from the above countries, as well as the outcome; thus, going from the initial research process until the meeting with the possible clients.

From close collaboration with the members of the Sports&Fashion team, it is expected to understand better how wholesale companies work, especially the reasoning behind the operational flow of their business cycle, which is also an aspect not well analyze in the existing literature. Besides that, it is expected to comprehend the way that this wholesale company recruits new clients, all steps and guidelines used during the process.

3.2 Research Paradigm

The paradigm chosen to be used on this internship report is the phenomenological paradigm with a qualitative approach. This paradigm is normally associated with a with a qualitative, subjective, humanistic, and interpretative research. The phenomenological paradigm focuses on comprehending human behavior through the investigator's own frame of reference. Researchers have the opportunity to cultivate new theories that elucidate the phenomenon or elucidate various aspects derived from the data collected.

This paradigm allows to minimize the distance between the investigator and what is being investigated. The investigator will be directly on the "field," meaning on the institution under study, and part of the process of investigation. Therefore, this study is mainly subjective as the researcher utilizes perceptions and information gathered to conduct data analysis, potentially reflecting their individual experiences and comprehension of the phenomenon.

This paradigm is very often used on case studies, which allows to obtain contemporary data from a real context (Meirinhos & Osório, 2010; Yin, 2005). A case study intends to analyze intensively one on more cases (Meirinhos & Osório, 2010), so, it represents a detailed analysis of certain phenomenon (Santos et al., 2019).

General speaking, the phenomenological paradigm doesn't allow a generalization, as it is focused on a specific environment, with an unrepresentative sample, however it is possible to generalize from one situation to another. Thus, the logic for this research is mainly inductive, as it is intended to analyze specific situations and transpose these results to general knowledge.

A qualitative approach was selected as the investigation method, as it is intended to collect qualitative date of relatively small dimension, this way the data collected will show greater depth subjectivity (Santos et al., 2019). The qualitative research is most used for "those who seek to understand specific complex phenomena, in depth, social and cultural nature, through descriptions, interpretations and comparisons" (Fontelles et al., 2009).

This qualitative approach represents a systematic collection and interpretation of data derived from conversations, or observations (Malterud, 2001), which is precisely what it is intended to happen during this investigation. From close contact with the S&F team alongside with the annotations from the market research and meetings with possible prospects it is expected to achieve results on the subject under investigation.

3.3 Data Collection

With regard of the data collection method, it was selected the direct observation method. As this report is based on an internship, it was decided to take advantage from the position of the investigator to select the method. The investigator will be directly on the "field," being capable of observing all the variables under study as well as all processes and information involved.

The direct observation method is a qualitative research methodology, and it implies the activity of a researcher who directly and prolonged observes situations and behaviors of all variables under study

(Poupart et al., 2008). The method of data collection by means of participant observation translates into the observation of situations related to the problem under study and presupposes the involvement of the researcher in the observed situation (Correia, 2009; Mónico et al., 2017). Therefore, the investigator is actively engaged with the participants and with phenomenon to be studied, being considered an instrument of the (Correia, 2009; Mónico et al., 2017).

This methodology allows the researcher to analyze relevant information pertaining to the research question, even when the data is informally gathered (Freitas & Jabbour, 2011). Moreover, beyond mere data retrieval, this will culminate in a broader understanding of the type of relationships between problems initially raised and, eventually, in the naming of new questions (Mónico et al., 2017).

As already mentioned, the direct observation method was selected based on the opportunity to participate on a project to expand the company's businesses to the LATAM market, given by the S&F team to the researcher. The internship lasted 6 months, and during that period, it was possible to be in close contact with the whole project. In collaboration with the S&F team, there was the possibility to conduct market research about the selected countries, as well as to initiate communication with several prospects and assert the potential of pursuing the deal.

Therefore, the method chosen was beneficial to conduct this investigation, as it allowed a close contact with the market and a better understanding of the matter under study.

The direct and participant observation method demonstrated significant advantages within the context of the case study. Nevertheless, the primary challenge emerged in maintaining impartiality throughout the investigation. The challenges were inherent in maintaining a clear separation between the roles of team member and investigator. As a member of the project team, there was a dual imperative: on one side, the pursuit of complete project success; on the other side, the investigator's commitment to maximum accuracy.

It was also considered to proceed with interviews as a complementary method of collection data. Interviews are a great data collection tool that allows to capture a wide variety of descriptions and interpretations that people have about the reality in which they live (Meirinhos & Osório, 2010). Particularly in this case study, it was initial considered to interview team members of the S&F team, however, after working closely with the team, it was concluded that they did not have much experience on dealing with this market, and that this project would be what they needed to understand more about it. Besides that, the investigator access to internal materials and the opportunity to engage in informal conversations and debates with team members were considered more beneficial than the interviews. Furthermore, the investigator's position was perceived as ideal and comprehensive enough to capture all relevant information for the project.

4. Internship at WCSG

This chapter will include the company's presentation, its historical background, its portfolio, as well as an overview of the tasks undertaken during the internship. Additionally, it will be presented an analysis of the company's strategy in entering the LATAM market, detailing its criteria, approach, target sample, and objectives. Also, on this section it will be outlined the importance of the life cycle of trading companies.

Furthermore, it will be encompassed the data gathered during the project. Including an analysis of the countries selected as well as the reasoning behind this choice.

Additionally, it contains an evaluation of the selected countries mainly based on direct observation and the quantitative data already mentioned.

4.1 The company

4.1.1 Company profile

The company on which it was conducted the six-month internship and subsequent case study was West Coast Supply Group, a Dutch multinational company specialized in the distribution of FMCG on an international scale (West Coast Supply Group, n.d.). Founded in 1975 in the Netherlands, West Coast Supply Group has its headquarters located in the city of Leiden, strategically positioned close to the Port of Rotterdam (West Coast Supply Group, n.d.).

West Coast Supply Group operates in the distribution sector, specialized on distributing FMCG from renowned brands, aiming to offer competitive prices globally across its extensive product portfolio of products (West Coast Supply Group, n.d.). Leveraging over four decades of industry expertise and a robust reputation, the company has fostered and expanded relationships with partners worldwide, thereby enhancing its reputation. Over the years, the company has cultivated and developed relationships with its partners on a global scale. This has led to the expansion of its network of contacts, thereby strengthening its reputation. Moreover, the company emphasizes values such as speed, efficiency, and reliability. West Coast Supply Group operates its own warehouses and provides value-added services, including in-house repacking, relabeling, and transport management (West Coast Supply Group, n.d.).

In essence, West Coast Supply Group is committed to providing optimal conditions in logistics, pricing, quality, and service. Regarding logistics, it establishes an efficient, organized supply chain tailored to each type of product. The company ships its products by air, sea, train, or truck, typically sending over one million kilograms of products by air, more than 150,000 pallets, and over 2,000 containers by land per year (West Coast Supply Group, n.d.).

With operations spanning across more than seventy-five countries, West Coast Supply Group recognizes the importance of overcoming cultural barriers to effectively meet the unique needs of diverse markets. To achieve this, the company has assembled a dynamic team comprising individuals from over twenty different nationalities. Embracing the philosophy of "Act globally and connect locally", the company strives to cultivate international relationships while also acknowledging and accommodating the distinctive attributes of each individual market.

In pursuit of expanding its network and fostering new partnerships, the company actively participates in trade fairs and exhibitions. Noteworthy examples of this commitment include the company's active participation in events such as the ASD Market in Las Vegas and the Beauty Fair in Hong Kong.

4.1.2 Company's portfolio

West Coast Supply Group boasts a comprehensive portfolio of products and services, designed to meet diverse customer needs and preferences. Its offerings span a broad spectrum, with over 5000 product lines available. The company's portfolio of products can be divided in following nine categories:

- Food: In the category of food items, the company operates with a range of products including snacks, groceries, chocolates, biscuits, and canned food. Noteworthy brands within this scope include Kellogg's, Mondeléz, Mars, Kraft Heinz, and Danone.

- Beverages: In this division, non-alcoholic drinks such as tea and soft drinks are purchased, stored, and then distributed. On this category, it's worth mention brands such as Illy, Coca-Cola, Pepsico, Redbull e Nestlé.

- Alcoholic beverages: From liqueurs to rum, including whisky, gin, and vodka from brands such as Dom Pérignon, Heineken, and Jägermeister.

- Medical Products: Recognizing the importance of healthcare, West Coast Supply Group has chosen to enter this market as well. In this category, the company deals with maternal and baby care products, as well as over the counter (OTC) medications and medical devices. Some of the chosen brands include Medela, Braun, GSK, Pierre Fabre, and Roche.

- Home care: With a range of over 1200 products, the company deals in cleaning products and detergents for dishwashers and laundry machines from brands such as Henkel, Unilever, Reckitt, P&G, and Johnson & Johnson.

- Electronics: In this category, the Dutch distributor deals with items such as hair styling devices, hairdryers, electric razors, electric toothbrushes, and coffee machines. Some of the brands used include Braun, 3M, Dyson, L'Oréal, and Medela.

- Personal Care: This division boasts a longstanding presence of over twenty-five years and has recently shown significant growth. It encompasses a range of products including toothpaste, shampoos, soaps, shower gels, tampons, diapers, and hair removal equipment. This division works with brands such as Henkel, Unilever, Reckitt, P&G, and Johnson & Johnson.

- Beauty: This category encompasses products such as fragrances, skincare and haircare items, skincare cosmetics, and makeup products. It deals with brands such as Estée Lauder, Coty, L'Oréal, LVMH e PUIG.

- Sports&Fashion: In this division, the company deals with products such as sportswear and footwear, underwear, accessories, and sports equipment. These products often come from brands like Adidas, Nike, Hoka, Asics, The North Face, and Helly Hansen.

4.1.3 Sports & Fashion department

The Sports & Fashion department comprises two distinct teams: the Traders Team and the Supply Chain Team. Within the Traders Team, there are two further subdivisions: the Buy Team and the Selling Team. The Buy Team focuses on sourcing high-quality products at favorable prices, aligning their efforts with the preferences of the Selling Team's clients. Close coordination between both teams is essential to grasp client requirements and secure the most advantageous and lucrative deals. Meanwhile, the Supply Chain Team oversees the supply chain operations, analyzing the most efficient transportation route, as well as ensuring efficiency and high quality throughout the entire process.
The assortment of products within this division are sportswear and footwear, underwear, accessories, and sports equipment. As already mentioned, this division works with A-brands such as Adidas, Nike, Puma, The North Face, Asics, Helly Hansen, Tommy Hilfiger and a lot more.

Unlike some of the other divisions, Sports&Fashion has the advantage of having its own warehouse conveniently located next to the office in Leiden. This setup allows for continuous oversight of all products handled by the teams. In cases where it's necessary to check specific product features, the team has easy access to the warehouse and can quickly consult with the workers there for additional information.
Overall, the S&F team aims to prioritize client satisfaction while ensuring the attainment of the best possible deals. They remain dedicated to consistently delivering exceptional service and a diverse range of premium products within the dynamic landscape of the sports and fashion industry.

4.2 Analysis of WCSG strategy to enter LATAM Market

In this section, an analysis will be conducted on the strategy and strategic goals that led West Coast Supply Group to explore expansion of its operations into the Latin American market. A comprehensive overview of the company's strategy will be provided, elucidating the significance of investing in the expansion of its client base. Emphasizing the continuous process of acquiring new clients, subsequent sections will delve deeper into explaining why the company needs to continue this ongoing pursuit of new clients.

4.2.1 Strategy

Each year, the company establishes its strategy, centered on individual trader-specific profit objectives and an overarching profit goal for the department. This strategic framework aims to achieve a target revenue by retaining existing clients while also expanding the department's client base.
Operating at a global scale, the company work with a diverse array of clients, ranging from retailers and supermarket chains to wholesalers. Normally trading companies can either provide access to new brands or products but also to help the client's direct supply, which sometimes is not enough. Some brands limit the quantities or products offered to certain clients, and trading companies can supplement this lack of products. In case of conflict of interests, the client might want to replace direct supply by purchasing from trading companies. These companies can also buy the client unwanted stock, which mitigates the clients' losses.
As a trading company, investing in new clients and exploring new markets is essential for its success. However, it is important to understand various restrictions imposed by partners, particularly concerning the resale of their products. These restrictions may pertain to the type of retail store, such as prohibiting the sale of specialized sports brands like Hoka in supermarkets. Additionally, limitations might extend to specific geographic regions or continents where goods can be distributed and sold. It is important to be careful when sending offers, as misdirected communications can incur significant costs to the company.

Regrettably, such an incident has already occurred within WCSG, wherein a trader received an offer directly from a brand and subsequently forwarded it to a client. This client, upon discovering that they were paying more than WCSG, approached the brand directly, resulting in WCSG losing the direct supply arrangement with that brand. Such missteps underscore the importance of diligent communication practices to safeguard the company's relationships and partnerships.

The motive behind the interest in exploring LATAM market is due to the absence of WCSG active partners in this region. Thus, it became imperative for the company to thoroughly comprehend its potential within this region. Consequently, the main aim was to conduct a comprehensive evaluation of the market, gather pertinent information and data concerning potential opportunities, and ultimately negotiate and finalize agreements.

The goal is to cultivate a prospect list that is highly diversified, enabling a more comprehensive evaluation of the market. Consequently, the list encompasses a wide array of prospects, spanning from wholesalers to department stores. Given that this is a new market, the optimal strategy entails prioritizing wholesalers, who possess a deeper understanding of market dynamics and associated restrictions compared to retailers. Overall, the company favors wholesalers due to their ability to streamline operational burdens, increase purchase volumes, and mitigate certain legal complexities often demanded by retailers.

4.2.2 Client cycle of a trading company

The client cycle of a trading company stands apart from the typical business models seen in other industries. Trading companies like WCSG operate within a dynamic framework always in transformation. Adding new partners to its portfolio is crucial for maintaining a steady stream of clients and, and consequently profits. As clients may transition, seek alternative suppliers, or alter their purchasing patterns or focus, having a continuous flow of clients mitigates the risks associated with these fluctuations.

Please refer to the graphic provided below, which illustrates the life cycle of clients for a trading company operating within the sports industry. It delineates the various stages through which client relationship progresses, from initial engagement to ongoing collaboration until achieving the maximum potential. Understanding and effectively managing this client life cycle is essential to WCSG's overarching strategy for sustained growth and profitability in the dynamic landscape of parallel trading.

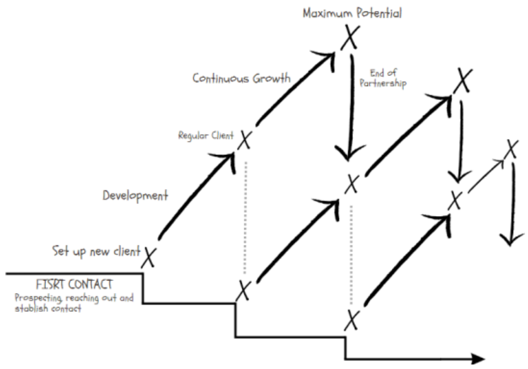

Figure 6 - Life cycle trading companies clients Source: Own Elaboration

After setting up a new client, the goal is to develop the relationship by gaining trust from the client, and ultimately transitioning them into a regular. Certain clients follow the path of continuous growth and expansion. As these clients reach a stage where they provide maximum value to the company, leading to the end of the partnership, it is crucial for the company to foresee ongoing expansion within its client base. Consequently, it is imperative for a company to anticipate perpetual expansion within its client base. In anticipation of a client reaching maximum potential, the company ought to secure additional regular clients to mitigate the loss of revenue resulting from the loss of the former client.

The path of a client reaching its maximum potential with a trading company, ultimately ceasing its transactions, can be influenced from various underlying factors. One reason lies in the client's remarkable growth trajectory, enabling them to establish direct supply channels with manufacturers or access to a broader spectrum of brands within the industry. This enhanced autonomy often eliminates the need to resort to the intermediary services of trading companies, prompting the client to end the partnership.

Moreover, the landscape of mergers and acquisitions can significantly impact a client's dynamics with the trading company, which allows them to gain access to alternative market contacts and direct supply channels. Furthermore, changes in a client's strategic direction can result in the discontinuation of investment in certain product categories. A client may choose to redirect their investments away from certain products, thereby diminishing their reliance on the trading company's offerings.

In some cases, the decision to terminate the partnership may occur from the trading company side, as exemplified with WCSG S&F department experience with a client. WCSG decided to end its partnership with a client who after obtaining offers from WCSG, went to the brand questioning them about the pricing provided to the trading company. This inquiry ultimately resulted in the termination of WCSG's partnership with both the brand and the client in question.

In essence, the termination of transactions between a client and a trading company is often linked to market dynamics, strategic realignments, and shifts in procurement preferences. It underscores the need for adaptability and strategic foresight on the part of trading companies to navigate the changes of the business landscape.

4.3 Internship tasks

The duration of the internship at West Coast Supply Group extended over a period of six months, commencing on the 1st of October 2022, and concluding on the 31st of March 2023. It was inserted on the Trading Team from the Sports and Fashion Department, always in collaboration with the supply chain team. The main tasks undertaken during this internship encompassed:

- Participation in the weekly meeting with the trading and supply chain team to understand the focus of both teams for the week. Provide inputs on optimal strategies for managing ongoing deals and ensuring effective communication between clients and the supply chain regarding the delivery or retrieval of goods.

- Conducting weekly stock updates for the warehouse goods which entails verifying data accuracy on the internal website and aligning it with pre-made offer sheets. Thus, it involves making necessary adjustments to reflect both purchases and incoming inventory at the warehouse. This ensures that the trading team consistently has access to updated quantities.

- Providing immediate support on creating the offer sheets for our clients. Upon receiving an offer to purchase goods, it was imperative to swiftly prepare offer sheets and dispatch them to the clients. This facilitated a rapid assessment of the potential value of the incoming offer to the clients. By doing so, the team aimed to expedite the decision-making process and gain a competitive edge in closing deals faster than its competitors.

- Providing support on the pricing of the new offers to be sent to the clients. This process involves several factors, as the specialized services required by clients (e.g., repackaging), variations in prices for the same product, and potential margins. Additionally, it is also taken into consideration the supply chain costs, such as the delivery or pick-up at the warehouse. Through meticulous analysis of these components, the aim was to establish competitive pricing strategies while optimizing profitability.

- Working on the business development project, which involved ongoing research and prospecting for new opportunities in the LATAM, Spain, Italy, and Portugal markets. The initiative aimed at extending market presence, by identifying potential new clients, consolidating, and increasing the company’s client base on these markets.

The last-mentioned point on the above list is the base for this internship report. For a more comprehensive understanding of the specific tasks accomplished during the project, please consult the below flowchart, which delineates the entire process from the preliminary research stage to the final agreement with the client.

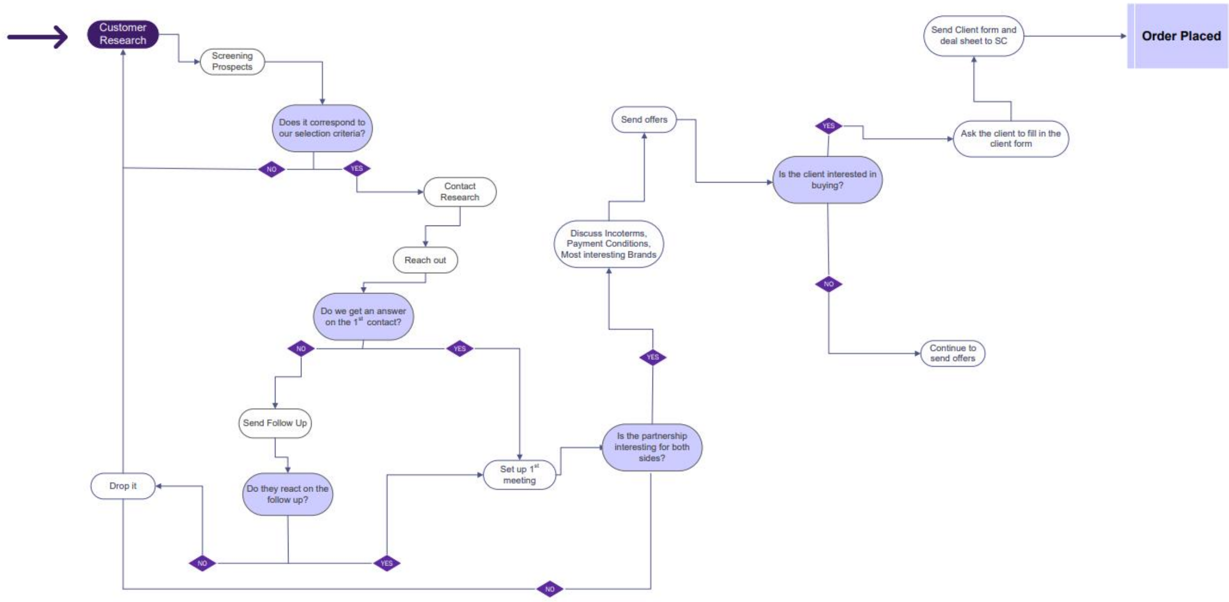

Figure 7 - Business development project - flowchart. Source: Own elaboration

The flowchart is structured into three main sections, each playing a crucial role in the process. Initially, there is the screening of prospects and the establishment of selection criteria. Following this is the outreach process, which aims to effectively engage potential clients. Finally, the pivotal step involves initiating contact with these prospects and asserting their potential to the company in terms of deals and partnerships.

The screening of prospects is conducted based on a criteria selection strategy aimed at identifying prospects worth to be contacted. The criteria encompass various aspects, ranging from annual revenue to product range. Firstly, it is important to divide the prospects per retailers or wholesalers. The last is more difficult to evaluate as often do not have good websites or much information online, in cases like this it is better to directly contact the company and assert it's potential. Regarding the retailers there are numerous aspects worth to be analyzed, for instants, evaluating the number of stores a company possesses is important; a low store count diminishes prospect viability.

Additionally, evaluating the company's scale provides insights into its ordering capacity. The type of store the company operates is also crucial; it could be a supermarket chain or sports stores, for instance. This aspect significantly influences the nature of the offers WCSG will propose to the client. Moreover, the analysis of its social media presence is also another important aspect for this process. Understanding the product focus, whether fashion or sports-oriented, is essential, as WCSG is more focused on Sports items.

Furthermore, discerning between premium and standard collections is pertinent; companies with access to premium models may have sufficient direct supply and may not require additional stock. Verification of a company's direct supply can often be achieved by their possession of official brand images.

The presence of outlet stores or sections on the company's website is also important, as these may facilitate the sale of outdated or single size items. Moreover, identifying the brands stocked by the company and determining whether the company primarily deals with basic or specialized sports brands is essential to explore opportunities to enhance their product assortment and brand diversity.

In the screening process for prospects, it is important to have in mind the selection criteria mentioned above. However, it is also essential to embrace some level of risk-taking, as companies with less favorable attributes might still offer collaboration opportunities. For instants, direct supply arrangements do not preclude the possibility of supplying additional stock, and companies with limited physical stores may compensate through robust online sales. Therefore, while certain indicators may initially appear unpromising, exploring potential opportunities it is always an option.

Following the screening process, the subsequent step is the contact research. The most effective approach for identifying suitable contacts involves accessing the LinkedIn profile of the respective company and identifying the most appropriate contact person. The list of viable contact persons is extensive, yet it is advantageous to focus on seeking out buyers, category managers, or category specialists. After identifying the most suitable contacts, it is used Lusha, on LinkedIn, to obtain access to their work email addresses or phone numbers. Lusha is an online tool that supports the prospecting needs for B2B companies. This tool *collects and verifies billions of data points to deliver the B2B leads you need to close deals* (Lusha Systems, n.d.). It helps on finding *direct phone numbers and accurate emails of key decision-makers* (Lusha Systems, n.d.). Nevertheless, when the company lacks any presence on LinkedIn, is used the service email address or phone number.

The reach out process relies on the contact list mentioned earlier, staring with the initial contact followed by subsequent follow-ups through email, social media, or phone number. If the email contact is available, an email based standard template (Annex 1) is sent, albeit frequently customized to suit the requirements of individual companies, contact person and adapted to accommodate the linguistic preferences of the recipient, thereby addressing their needs. If no response is received after the initial contact, the next step is to send a brief follow-up to initiate dialogue and schedule a (video) meeting. This same approach is applied to cold calls.

The last section of the chart flow involves initiating a potential partnership with the prospect. A video meeting is arranged with the potential client to assess their compatibility with the company's client base and requirements, and on the other side to determine if WCSG can fulfill the client’s needs.

During the initial meeting, it is important to provide an overview of the company, its divisions, goals, values, and assets. If the prospect is accustomed to sourcing directly from brands, it is important to explain how a trading company can complement their operations. This can be addressed by highlighting the benefits of collaborating with wholesalers, including access to excellent promotions and the ability to combine direct supply with additional options. This becomes particularly valuable when brands impose budget constraints or conflicts of interest arise. Additionally, it is important to outline the three selling models used by WCSG – preordering, clearance deals, and stock from the warehouse – along with their respective purchasing requirements. These requirements may include minimum quantities, delivery times, variety of offers, and price range.

The final part of the meeting is dedicated to comprehending the client's needs and requirements. This includes factors such as the minimum quantities the client can take, the most desired brands, their availability of direct supply. Additionally, it is determined the client's requirements for special services like repackaging or relabeling. Another topic usually approached on these meetings is the logistics of product delivery- whether WCSG needs to deliver or if pickup is possible at the company's warehouse. Furthermore, gaining insight into the client's segmentation across apparel, footwear, and accessories holds significant importance, along with understanding if their primary focus is on fashion or sports.

Following the assessment of the client's potential, the subsequent course of action involves deliberating on whether to dispatch the company's offer sheets, always adjusted to align with the client's stipulated requirements discussed on the previous meeting. Following the potential client's response to the offers, which includes their assessment of brands, product range, and pricing, it becomes crucial to decide whether to continue sending offers, proceed with the order, or cease pursuit of the prospect.

4.4 Business Development Project: LATAM

4.4.1 Countries Selected

This investigation is part of broader initiative implemented during the internship at WCSG. On the whole project it was studied markets such as South Europe, Southeast Europe, and Latin America. As for the LATAM market, an extensive analysis was initially conducted across several countries. However, it was subsequently decided to narrow the focus to four specific countries. The initial research for this region encompassed the following countries: Brazil, Mexico, Uruguay, Colombia, Panama, Chile, Paraguay, and Costa Rica.

The decision to concentrate efforts on Brazil, Uruguay, Panama, and Paraguay derived from several factors. These include considerations such as the number of potential prospects within these countries, feedback obtained from other WCSG departments engaged in business activities within the Latin American region, and the response rate garnered during initial outreach efforts. This strategic decision was driven by the recognition that attempting to cover all countries within the region would be impractical and dilute the effectiveness of the research.

As previously explained the project involved a systematic approach comprising initial research based on several criteria, defined together with the researcher's mentor for the project. Afterwards, it was necessary to proceed with the contact research and then initiate the first contact with the potential prospects.

The data was mostly organized on two different excel files per country, one for the prospect research, containing the criteria selected and the most important highlights from each prospect, and the other one with the contact research and all the updates about it (follow ups and scheduled video meetings). Then, it was necessary to have a master file with all the most recent updates and progresses regarding each prospect, as well an overview about the market encompassing the most quantitative results obtained on this research.

As already mentioned, the LATAM market exploration was part of a border project encompassing South and Southeast Europe. The analysis revealed that the Latin American market exhibited the most promising results, as indicated below. It is important to note that the project initially encompassed all three markets, nonetheless, over time, the project's focus shifted towards the Latin American market, resulting in more dedicated time and resources allocated to it. Consequently, the exploration of the other two markets was deprioritized, potentially impacting the results, particularly in terms of the number of potential prospects identified.

	Emails Sent	Answers	Answers rate	Conversations	Positive Answer rate	No Feedback	Negative Answer rate	Video Meetings
South Europe	27	5	19%	2	**40%**	3	**60%**	1
Southeast Europe	22	6	27%	3	**50%**	3	**50%**	0
Latin America	84	17	20%	11	**65%**	6	**35%**	7

Table 1 – Markets under the initial analysis of the Project developed on the internship. Source: Own elaboration

The overall results for the LATAM market reveal a notably diverse and receptive landscape. In comparison to other markets, a larger number of prospects were contacted, and the positive response rate exceeded half, with 65% of positive answer rate leading to subsequent conversations with potential prospects. Upon closer examination of the "conversations" column, it becomes evident that there is a notable interest among LATAM prospects in further exploring business opportunities with Europe. Consequently, this market stands out as one where a higher number of video meetings could be scheduled, representing a pivotal step towards initiating partnerships.

As previously stated, the study on the LATAM market initially encompassed several countries until the focus was narrow down to four of them. Presented below is a table where the eight Latin American countries are compared on some of the parameters as the above markets.

	Emails Sent	Answers	Answers rate	Conversations	No Feedback	Video Meetings
Brazil	20	9	**45%**	3	1	4
Mexico	3	1	**33%**	1	1	0
Uruguay	8	4	**50%**	2	0	2
Colombia	15	1	**7%**	0	1	0
Panama	20	8	**40%**	3	2	1
Chile	10	1	**10%**	1	0	0
Paraguay	5	2	**40%**	1	1	0
Costa Rica	5	0	**-**	0	0	0

Table 2 – Results for all LATAM countries under analysis. Source: Own elaboration

The countries with the most promising results were selected to continue the analysis of this study. Thus, based on the answer rate it was selected Uruguay, Brazil, Panama, and Paraguay. These countries present an answer rate of 40 percent or higher. Brazil was the first country to be selected to continue the analysis due to the number of prospects and answer received on the initial stage. Afterwards, it was found a promising prospect on Uruguay, a potential client that was very interested on some brands where it was possible for the company to obtain a good profit margin, so it was decided to continue to explore opportunities on this country to at least find more about this prospect. Then, upon conversations with other departments already doing business on LATAM it was decided to explore Panama and Paraguay. Among the four selected countries, video meetings were successfully scheduled for Brazil, Uruguay, and Panama. Regarding Paraguay, progress was made through email conversations with a client associated with another department.

It is also important to note that none of the responses received via email were received in response to the initial outreach; rather, all prospects responded after a follow-up message. In the case of Brazil, feedback was received via WhatsApp, while for the other countries, communication was made mainly through email or work phone numbers.

Additionally, as illustrated in the graph below, efforts were made to engage also with wholesalers. For this type of stores, email correspondence did not prove to be effective when compared to cold calling. Nevertheless, emails were also sent to wholesalers, and the cold calling technique was also employed for prospects where suitable contacts could not be identified through online channels.

	Sports Store	Department Store	Supermarket	Wholesalers
Brazil	7	7	0	6
Uruguay	4	1	3	0
Panama	2	1	0	17
Paraguay	1	4	0	0
TOTAL	14	13	3	23

Table 3 - Type of stores found on the prospect research for the selected LATAM countries. Source: Own elaboration

Initially the focused was on sports and departments stores, however, there was a shift in focus as the project progressed. Panama, for instance, was one of the later additions to the research scope, and it was recognized its significance as a crucial intermediary hub within the LATAM region, particularly with its strategic position facilitating trade through the Panama Canal. This recognition prompted a transition towards prioritizing engagement with wholesalers.

This strategy was motivated by several factors. Primarily, wholesalers often offer advantages in terms of simplifying legal complexities due to their deep understanding of regulations in countries where they are already established. Additionally, they could serve as a way of achieving more favorable transportation costs. Moreover, engaging with wholesalers provided an opportunity to expand the client base and establish stronger relationships within the market. Consequently, Panama emerged as a key focal point for targeting wholesalers, as opposed to other types of stores. As the project neared its conclusion, the efforts increasingly centered on engaging with wholesalers. Consequently, this category has the highest number of prospects identified towards the conclusion of the project.

In the LATAM market, a total of eighty-four prospects were identified as worth contacting across all the mentioned countries. However, in the research conducted on the four selected markets, only thirty-four prospects were contacted, with Brazil having the highest number of contacted prospects. It is important to note that the total number of prospects encompasses all those identified online and added to the Prospect Research File.

Following a thorough examination and consultation with the researcher's mentor, a screening process was conducted to refine the list of prospects worth to be contacted. This screening mechanism allowed for a more focused approach, ensuring that only the most promising prospects progressed to the contact research stage.

As it is presented on the table below, the overall prospect list for the other countries was smaller but also not as interesting as the Brazilian market. For Bazil, the rate of contacted prospects was above half of the identified prospects, while for the other countries it did not exceed the 30%. The higher rate of contacted prospects in Brazil suggests a greater level of receptivity and opportunity for engagement within this market.

	Total of Prospects	Contacted Prospects	Rate of contacted Prospects
Brazil	37	20	54%
Uruguay	15	4	27%
Panama	29	8	28%
Paraguay	10	2	20%

Table 4 - Prospects for the LATAM countries under analysis. Source: Own elaboration

4.4.2 Countries evaluation

This evaluation has been conducted through a comprehensive process involving direct observation throughout the entirety of the project's duration. Additionally, it encompasses detailed discussions held via various communication channels including email, WhatsApp, phone, and video meetings with the analyzed prospects. Furthermore, quantitative data, as referenced above, has been integrated into this assessment. Additionally, insights gathered from the researcher’s mentor and from internal conversations with other departments engaged in activities within the LATAM market have been considered.

The interviews conducted played a significant role in gaining insights into specific market characteristics, potential client preferences, and the strategic positioning of the company in serving them effectively. The interviews were normally divided into two primary segments, the introductory part and then a more focused discussion. The first part was mainly an introduction of WCSG business model, logistics options, and a brief introduction from the client’s side. On the last part of the interviews there were made a series of generic inquiries to elucidate critical aspects (Annex 2). These inquiries included assessing the potential client's familiarity with concepts such as parallel trading and WCSG business model, understanding these concepts provided valuable insights into the client's operational framework, particularly whether they solely relied on direct supply or had prior experience with parallel trade goods. Additionally, understanding the client's capacity in terms of order quantities, considering WCSG's minimum order requirements, was essential.

Furthermore, inquiries aimed to identify the client's most desired brands and others where they faced supply shortages. Exploring the client's expansion plans, whether through opening additional stores domestically or venturing into new markets, and extend their assortment was also a key focus area. For department stores, understanding the distribution of their product assortment across categories such as sports footwear, accessories, and apparel was considered pertinent. In cases where the prospects were engaged in selling through other marketplaces, efforts were made to understand the rationale behind such decisions and to explore which other additional sales channels the prospects use.

Moreover, market-specific questions were made, including discussions on legal regulations relevant to initiating partnerships with the prospects. Logistics-related queries sought to understand the client's preferred mode of delivery and transportation arrangements. Additionally, subtle attempts were made to obtain insights into existing distributor relationships between the prospect and other distributors, thereby enriching our understanding of the client's distribution network and potential collaboration opportunities.

In seeking to access the potential of these countries four main criteria were considered. These criteria encompassed the number of prospects identified, the feedback received, existing limitations, and the network established by WCSG with potential clients.

The first criterion centered on the quantity of prospects found during the research phase and subsequently, after the screening process were considered worth of pursuit. This criterion reflects the ease on finding interesting prospects in a certain market, meaning potential clients that seem to fit the S&F requirements to start a partnership. Then, the focus was directed towards the feedback received during initial contact and subsequent follow-ups with the potential clients. Given that feedback was predominantly received during follow-up interactions, this criterion focused on evaluating the timeliness and volume of responses from potential clients.

The third criterion, concerning limitations, explore the impediments encountered by WCSG when attempting to formalize agreements with potential clients. This encompassed a spectrum of challenges, ranging from legal and tax-related hurdles associated with product entry into the market, to specific documentation requirements requested by the prospects for the introduction of new brands into their stores. Additionally, language barriers posed an additional challenge in some cases. Lastly, the evaluation encompassed an analysis of the pre-existing network cultivated by WCSG, whether through past or ongoing relationships with clients. Insights garnered from other WCSG departments provided valuable leads for the S&F department, facilitating connections with potential prospects, and establishing key contacts. Leveraging this criterion expedites the process of identifying and engaging with potential clients, as the familiarity and trust already established with the company consolidate the partnership initiation process.

The below graphic is in accordance with the delineated criteria, and it illustrates the results found for the four studied countries. The X-axis delineates the already mentioned four criteria, while the Y-axis represents the scores attributed to each country. The scores range from two to six, where each number has a qualitative meaning. A score of two has the qualitative meaning of a poor performance, indicating the overall market results may present obstacles to beginning of a partnership, due to unfavorable market conditions. A score of four denotes a moderate standing, reflecting an intermediary point for the market evaluation. While a rating of six signifies favorable market characteristics, suggesting that the country in question presents a compelling choice for initiating partnerships.

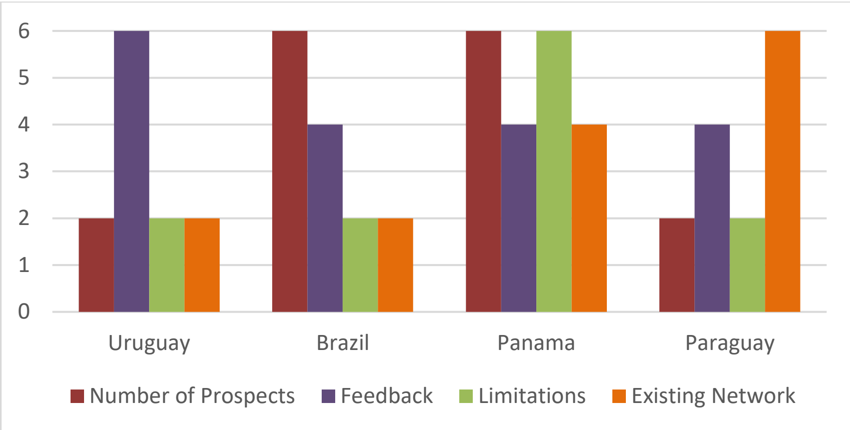

Figure 8 - Countries evaluation. Source: Own elaboration

In the case of Uruguay, the analysis reveals a mixed outcome across various criteria. Notably, positive feedback was received from the prospects, indicating a high level of interest in WCSG products. There was openness among potential clients to explore the parallel trade business model and invest in new brands. Additionally, the pricing presented on offer sheets was deemed appropriate by the prospects, further enhancing the potential to start a new partnership. However, the evaluation concerning the other three criteria is predominantly unfavorable. Firstly, the number of viable prospects identified was notably limited, suggesting a relatively small and less promising market for WCSG. The main obstacle in this market pertained to legal regulations.

Uruguay's protective measures against imports, including high tariffs, significantly inflated product prices, rendering them nearly double their original cost. Moreover, transportation costs posed a further impediment to prospective deals, contributing to the overall unfavorable evaluation in this regard. Lastly, there was no existing network to facilitate the identification of potential partnerships and opportunities in Uruguay. The absence of such a network limited WCSG's ability to leverage pre-established relationships for more advantageous deals.

For Brazil, several positive aspects were identified during the assessment. Firstly, there was a notable abundance of prospects deemed worthy of contact, indicating a sizable and potentially profitable market. Additionally, feedback from prospects was generally positive, with a high level of receptivity observed towards WCSG's business model and product assortment. Despite some delays in providing feedback due to a more relaxed approach, the overall assessment remained favorable.

The most significant challenge encountered in this market pertained to legal regulations when companies try to buy goods from wholesalers. Specifically, regulations stipulate that companies must obtain authorization letter from brands to sell their products in stores if they were not already an authorized retailer. As a parallel trade company, WCSG faced difficulties in providing the required documentation for most brands. This regulatory hurdle posed a considerable challenge and required WCSG to adapt its approach to navigating the Brazilian market effectively. Namely, to identify wholesalers used to operate within this regulatory framework and learn from them. Similar to the Uruguayan market, also on Brazil there were no establish partnership to facilitate the deals.

Among the four countries evaluated, Panama presented the most positive score. Notably, there was a favorable abundance of potential clients worth to be contacted. The primary focus within this market was on wholesalers, and a substantial number of them were successfully identified. Although feedback from wholesalers was not consistently positive and often required additional follow-ups, the overall evaluation for this criterion was moderate, given the successful contact established with several wholesalers. However, communication challenges, particularly due to language barriers and the necessity to resort to phone calls, posed obstacles in some cases.

Importantly, Panama's familiarity with this type of business mitigated many limitations typically encountered in other markets. Import tariffs, for example, were significantly lower compared to Uruguay, facilitating smoother business operations. Additionally, receiving confirmation from a prospect regarding deals facilitated through their warehouse in Panama further underscored the favorable conditions prevailing in the market. This confirmation provided tangible evidence of the market's receptivity and conducive environment for conducting businesses. Regarding the existing network, while not extensive, there was a notable contact from a wholesaler in Panama. Although this prospect was primarily interested in selling rather than buying, valuable insights were gathered, enhancing understanding of the market dynamics. Consequently, despite not aligning precisely with the project's primary goal of selling goods, the moderate score reflects the informative value derived from this contact.

For Paraguay, the assessment revealed a limited number of prospects, with only two were considered worthy of further pursuit. This suggests that the market size is relatively small and may not offer significant opportunities for WCSG to engage in deals. Nonetheless, it is noteworthy that one of these prospects was reached through an existing network established by another department within the organization. This connection expedited the engagement process, facilitating direct communication with the pertinent individual responsible for potential dealings.

However, despite the advantage conferred by this pre-existing network, language barriers emerged as a significant challenge during email exchanges with prospects. Consequently, it became imperative the involvement of a Spanish-speaking intermediary to facilitate communication and analyze feedback. Although initial responses to outreach efforts were prompt, subsequent communication encountered delays, similar with the situation encountered in Brazil, suggesting a prolonged negotiation process. Regrettably, due to these complications, it was not possible to schedule a meeting with this potential client before the conclusion of the project.

5. Results Discussion

On this chapter it will be analyzed the results obtained during the internship, focusing on the valuable insights that were retrieved from this research on the LATAM region. As outlined on the Methodology chapter, the data collected encompasses direct observations, access to internal materials, and informal discussions with both the Sports & Fashion team and other relevant departments.

This chapter will include a brief summary of all the results obtained on this research, including the data about the prospect selection, methods of reaching out to potential clients, criteria selection and resulting outcomes. Furthermore, drawing from the findings of this report, it will be outlined the future trajectory of European trading companies intending to extend their operations to the LATAM market. This will include the current market landscape and prospective events that may influence it.

5.1 Results analysis

Valuable information was obtained from the research conducted during the six-month internship at WCSG. The scope of the whole project encompassed three regions: South Europe, Southeast Europe, and Latin America. As for the Latin American region, the final selection included Brazil, Uruguay, Panama, and Paraguay, as these seemed to be, from the initial research and contact engagement the ones worth to be further explored.

The analysis revealed that the Latin American market exhibited the best results compared to the other two markets. Nevertheless, it is important to note that the project initially encompassed all three markets, however, over time, the project's focus shifted towards the Latin American market, resulting in more dedicated time and resources allocated to it. As a result, the exploration of the other two markets was deprioritized, potentially influencing the outcomes, particularly in terms of the number of potential prospects identified.

During the initial evaluation, the countries that appeared most promising were selected for further exploration. This approach aimed to enhance effectiveness and focus by concentrating on specific countries for thorough study. Therefore, the countries selected for the LATAM region exhibited all a high percentage of answers rate, namely 40% or more. In addition, there was an initial interest in gaining a deeper understanding of WCSG, its business models and product portfolio.

Regarding the contact process used to reach out to the LATAM potential clients, it was noticed that they usually replied only after a follow up message. Additionally, it was noted that for wholesalers, it was relevant to speak their native language and employing cold calling techniques to introduce the company's interest in initiating the first contact.

Initially, the project target was to find sports and department stores, however, as it progressed, the focus shifted towards wholesalers. It was recognized the advantages of engaging with wholesalers, particularly their ability to streamline legal complexities due to their comprehensive understanding of regulations in countries where they are already established. Additionally, they could serve as a way of achieving more favorable transportation costs. Moreover, engaging with wholesalers provided an opportunity to expand the client base and establish stronger relationships within the market.

It was recognized that Panama plays a key role on the LATAM trading market, as it has a strategic position facilitating trade through the Panama Canal. Consequently, during the final stage of the research, the focus was directed towards identifying more wholesalers in Panama to facilitate the business within this region.

Following the comprehensive analysis of all market results, a country evaluation was conducted. The criteria used on the evaluation encompassed the number of prospects identified, the feedback received, existing limitations, and the network established by WCSG with potential clients. The score range used varies from two to six, where two has the qualitative meaning of bad, 4 is medium and 6 is high.

Based on the evaluation conducted it was possible to assert that regarding the number of prospects, Brazil and Panama exhibited a better and high position compared to the other analyzed countries, which had a bad score, indicative of a poor performance on the evaluation scale. In terms of the feedback received, Uruguay achieved the highest and maximum score, whereas all other countries obtained a medium score. For the limitations encountered during the project, most of the countries had the lowest score, signifying numerous obstacles hindering potential deals between the European trading company and the prospects, particularly evident in Uruguay, Brazil, and Paraguay.

On the contrary, it was possible to see that for Panama the score is the maximum, meaning there were no major limitations hindering the business. Lastly, concerning the existing network, Uruguay and Brazil received the lowest scores, while Panama attained a medium score, and Paraguay achieved the highest score.

From this evaluation, it can be asserted that each of the countries under study presents advantages and disadvantages when engaging in business with a European trading company. However, Panama emerges as the most promising countries to stablish new partnerships, as it has the highest scores overall. As already mentioned, Panama holds a position of strategic importance within the LATAM region, serving as a crucial intermediary hub, particularly due to its advantageous geographical location facilitating trade through the Panama Canal. This geographic advantage positions Panama as a central country for commerce, enhancing its appeal as a prime destination for business partnerships and investment opportunities.

5.1.1 Life cycle of Trading Companies

This research provides valuable insights regarding the client life cycle on a trading company, based on the information gather during the internship. This information primarily stems from direct observation of a daily routine and participation on strategic weekly meetings from the trading team of the Sports&Fashion department at WCSG. Furthermore, additional insights were obtained through informal discussions with the aforementioned team, as well as with teams from other departments.

An evident conclusion drawn from this research is the imperative need to expand the company's client base to ensure its ongoing sustainability. Considering the nature of this business, it requires continuous research and efforts to acquire new clients. This necessity arises due to the typical growth trajectories experienced by existing clients, which may lead them to become less dependent on the services provided by a trading company once they reach a certain level of development, on the contrary, they may be no longer interesting for the trading company.

Several factors may contribute to a company reaching this peak and subsequently no longer require the services of a trading company. Firstly, the company's substantial growth may lead brands to engage directly with them, bypassing the need for intermediaries. Another reason can be that the client was acquired large corporation or group and now has access to the brands directly. Additionally, the trading company may decide to discontinue services with certain clients due to trust issues inherent in grey market businesses or because the client's reduced size no longer provides sufficient profits.

In conclusion, the research underscores the critical role of continually expanding the client base for trading companies to ensure long-term sustainability. From the information gather on this internship it is possible to highlight the distinct reasons why clients may no longer require trading services, ranging from organic growth to changes in corporate structure or strategic decisions. To thrive in this dynamic landscape, trading companies must adapt, innovate, and consistently seek new opportunities for client acquisition.

5.2 Market Landscape for trading companies doing business

Trading companies operating on the grey market trade genuine goods (Li et al., 2016; Rai, 2012) via unofficial channels of distribution, meaning other channels rather than the ones intended by the brand (Grigoriadis, 2014; Rai, 2012). The main feature that distinguishes regular goods from grey goods is the distribution channel used to deliver the product to the end consumer (Rai, 2012), and to add on that parallel imports are not recorded (Maskus & Chen, 2004).

The importance of the grey market lies in its ability to meet consumer demand for products that may be otherwise unavailable, too expensive, or constrained by distribution regulations. It often arises due to disparities in pricing, availability, or regulations across different regions or markets. Thus, the price fluctuation between Europe and LATAM plays an important factor in the world of parallel trading. Additionally, during this project, it was observed that in certain countries, there was significant interest in designs exclusively available in Europe, as the brand did not offer these countries its full range of products.

The world is heading to a decrease of barriers regarding international trade (Heath, 1997; Rai, 2012), as global logistics networks become more efficient and e-commerce gains increasing significance (Li et al., 2016). These developments are facilitating the expansion of the grey market, making it more interesting and accessible on a global scale. This phenomenon is therefore impacting the market landscape and the dynamics of international trade. Reflecting on the progress of this project, it becomes evident that the ease of connecting with individuals worldwide and engaging in business discussions with them is notable.

As this project focus on LATAM region is it import to define it. This region concerns all south and center American and Caribbean countries, and Mexico (Kline et al., 2018). Latin America is a very diversified region regarding economy, development, geography, culture, and political models (Kline et al., 2018; Meade, 2022). Moreover, it is characterized by a lot of social and economic discrepancies, it is a place with high levels of poverty, malnutrition, a lot of diseases and the worst distribution of income on Earth (Kline et al., 2018). Despite of this, some of the countries are getting more stable and trying to reverse this situation (Kline et al., 2018).

Driven by globalization, this region is getting more involved on the global market economy (Kline et al., 2018). Although the growth of exports, imports, and GDP in Latin America is still generally low, when compared to other regions (Fernandes et al., 2022) there is a noticeable interest among the contacted prospects in conducting business with Europe and getting access to this market. In fact, both Europe and Asia are also becoming more interested in doing business with Latin America (Kline et al., 2018).

As evidenced during this project, Brazil has a very complex regulatory environment, in fact 'Brazil ranked 141 out of 141 economies for burden of regulation in the World Economic Forum's 2019 Global Competitiveness Report' (The PRS Group, 2022). It is pointed out as the major obstacles for doing businesses with Brazil the high tariffs, uncertain customs system, high and unpredictable tax burdens, and a complicated legal system as the major obstacles when doing business with Brazil (The PRS Group, 2022). The country employs protectionist policies aimed at reducing the consumption of imported goods and stimulating the domestic economy (Doré & Teixeira, 2022).

The research outlined in this report indicates that most prospects on Brazil require an authorization letter from the brand, a requirement not commonly encountered in WCSG's businesses elsewhere. Additionally, it was observed that retail stores often collaborated with Brazilian wholesalers, indicating that the trading market in Brazil is largely controlled by domestic wholesalers. This may occur due to the size of the country

and their protectionists policies and the fact they have a large domestic market (Fernandes et al., 2022).
While Brazil exhibits the lowest levels of trade openness among LATAM countries (Doré & Teixeira, 2022), Uruguay has a small and open economy, which leaves the country exposed to international and regional shocks (IHS Markit, 2022; Lanzilotta et al., 2023). Given its location, the country relies heavily on Brazil and Argentina (IHS Markit, 2022; Youngblood-Coleman, 2022). However, due to the volatility and instability of these neighboring economies, Uruguay is seeking new commercial possibilities (S&P Global, 2023). In fact, Uruguay has sealed trade agreements with Mexico, United States of America, and Europe (S&P Global, 2023).
This research indicates that Uruguay has shown significant interest in conducting business with WCSG and exploring new brands, underscoring the country's trade openness. Moreover, Uruguay ranked highest in terms of feedback criteria, it was received prompt and positive responses overall.
Among the south American countries, Paraguay is only outranked by Venezuela as the country with the highest levels of corruption in this region (Youngblood-Coleman, 2022). Its economy is not very complex, as it relies heavily on the primary sector, which typically yields lower returns in terms of economic and social benefits (González et al., 2019). However, in 2018 que country's economy was growing and even considered the "star economy" of South America by the press (Youngblood-Coleman, 2022).
Notably, Paraguay demonstrated a moderate level of interest in conducting business with Europe, as evidenced by its feedback score, indicating its progress in global markets. It was expected a 2.6% growth in private consumption, compared to 1.4% in 2022 on the year of 2023 (Ashbourne et al., 2023). On the National Development Plan ('PND') it is pointed out that Paraguay aims to reach an average growth rate of 6.8% of its GDP by 2030 (González et al., 2019). This trajectory promises a stronger economy and increased consumer power, potentially opening up avenues for trade deals with other regions, particularly Europe.
Panama is considered to have the highest income and trade growth in this region (Espitia et al., 2022). The country has the largest shares of exports and even higher shares of imports (Espitia et al., 2022). Leveraging its strategic geographic location, Panama serves as a regional logistics hub (The PRS Group, 2022). The Panama Canal plays a huge role on Panama's exporting sector for several countries as it was proved by the contacted retailers and wholesalers on this research.
Overall, the environment for doing business is Panama is quite friendly, it is possible for foreigners to participate in almost all sectors (Arcia & González, 2022; IHS Markit, 2023). The country counts with several wholesalers used to do business with various LATAM countries. These wholesalers are quite accessible, as evidenced by the identification of seventeen wholesalers worth contacting in this research for this country. In terms of taxes, Panama offers a stable environment, with incentives applied across most

industries, and the country counts with an export- free zone – Colon Free Trade Zone (Zona Libre de Colon) (IHS Markit, 2023). On this research Panama scored the lowest on limitations as during the research it was evident that the country did not impose a lot of restrictions, regulations, or high taxes for importation.

In general, all the LATAM countries analyzed are marked by high levels of corruption, poor economies and low rates of importation. There is still a long ride to improve social, political, and economic conditions on Latin America (Azam, 2022). However, there is possible to observe the effort from these economies to develop and expand, striving to assume a more important role in the global market economy, particularly with the larger economies showing signs of recovery and commitment to changing their economic and social landscapes (Kline et al., 2018).

Latin America has been discussing the implementation of more trade agreements to support its economic growth and gain market advantages (Sánchez-Albornoz & Timini, 2021). Furthermore, there is a growing interest from LATAM countries in establishing business partnerships with Europe. On this research project, all the analyzed countries demonstrated moderate to high scores in terms of feedback received, regarding quality and response time. Conversely, this region is increasingly attractive to both Europe and Asia, which are actively seeking to establish new trade agreements and partnerships.

There is an important alliance between some countries of LATAM, from the ones analyzed on this project, Brazil, Uruguay, and Paraguay are members of this agreement. The European Union and Mercosur are key players on the area of international trade (Mata Diz, 2022). Due to their significant influence and market attractiveness, the two regions initiated discussions in the 1990s regarding a potential agreement (Mata Diz, 2022). The EU- Mercosur Agreement has passed through different stages, with ongoing discussions in recent years (Grieger, 2023; Mata Diz, 2022).

If the agreement is ratified, it could represent the most important EU's trade agreement, in terms of population covered (717 million in 2022) and estimated profits from the decrease of tariff fees - over €4 billion (Grieger, 2023). In terms of products, if the Mercosur agreement goes forward the country members will be committed to achieve a complete liberalization for 91% of its tariff lines within a 15-year timeframe (Caetano, 2022). This represents a significant step towards increasing the trade of goods between these two regions, addressing the major blockage faced during this project: high tariffs.

Overall, the ratification of the EU-Mercosur agreement will have significant impact for European trading companies that intend to expand their operations to the LATAM region, particularly in Mercosur member countries. This agreement represents the easiness of getting access to this market, namely with lower tariffs compared to current levels, thereby enhancing the competitiveness of European products in these markets. Conversely, Mercosur companies may also benefit from easier access to the European market.

The agreement may lead to greater harmonization of regulations and standards between the EU and

Mercosur countries. This could simplify compliance requirements for European companies expanding into Latin America, reducing costs and barriers to entry. Additionally, it may also help on the process of providing specific documents requested by retailers in Mercosur countries, such as the "authorization letter" required by Brazil, for instance.

Indeed, the EU-Mercosur agreement offers significant opportunities for European trading companies seeking to expand their operations into Latin America. This is important to forge strategic partnerships, penetrate new markets, and capitalize on the region's untapped potential. By leveraging the agreement's provisions and navigating the evolving regulatory landscape, European businesses can position themselves at the forefront of the LATAM market.

In essence, as the global economic landscape continues to evolve, the convergence of factors such as the rise of the grey market, the liberalization of international trade, and the growing potential of the LATAM region underscore the imperative for businesses to adapt, innovate, and capitalize on emerging opportunities.

The main input retrieved from this internship report is the optimistic outlook for business collaboration between Europe and LATAM. The continued growth and relevance of the grey market, alongside the increasing number of trade agreements in the region - such as the Eu-Mercosur agreement – indicate a positive vision for the collaboration between these two regions. Besides that, LATAM countries are actively seeking to become significant players in the global market economy and are eager to engage in business with Europe, demonstrating interest in new brands and products, as it was observed on this research project.

Until the Eu-Mercosur agreement is ratified, it is advisable to focus on leveraging the strategic position of Panama. Its advantageous location and the expertise of its wholesalers can streamline business operations between Europe and Latin America. By capitalizing on these factors, businesses can facilitate smoother transactions and capitalize on the growing opportunities in the region.

6. Conclusion

This chapter encompasses the final conclusion of the research conducted over a six-month internship at West Coast Supply Group. Moreover, it will be presented the limitations encountered during this research, and some suggestions for future investigations, related with the theme under study. These suggestions aim to contribute not only to the existing literature but also to the research conducted in the context of this project.

6.1 Final results

In a globalized world, trading companies have found significant support in developing and expanding their operations worldwide. The emergence of the grey market has become increasingly relevant in shaping the contemporary international market landscape. Consequently, these trading entities must adapt and capitalize on this phenomenon to explore new markets. Furthermore, the nature of this business requires continuous efforts to sustain operations, compete effectively, maintain and enhance profitability, and ensure business sustainability.

The theme of this internship report is the business strategy used by West Coast Supply Group to explore the potential of doing business with certain Latin American countries. The data and information presented in this report were collected during a six-month internship at the aforementioned European trading company. The internship took place within the Sports & Fashion department, where the researchers could participate closely on the Business Development Project for selected markets.

In order to stablish a framework for this investigation it was important to review the existing literature concerning concepts relevant to the study. First of all, it was important to understand the nature of the business developed by the company under study. Thus, the initial research focused on the grey market, encompassing its definition, main causes, and advantages and disadvantages.

Following the nature of the business it was considered essential to gain a deeper understanding of the target region under investigation. Consequently, research was conducted on Latin America, with a specific focus on Brazil, Uruguay, Paraguay, and Panama. This was made to enhance comprehension of these countries, including their primary strengths and weaknesses. Additionally, and given the study's emphasis on strategies to explore these markets, it was imperative to examine existing agreements concerning Latin America, particularly those between Europe and this region.

Afterwards it was defined the most suitable methodology used during this project. In this case it was selected the direct observation method in order to take advantage of the researcher’s position on the company and also on the project itself.

On the next phase it was presented the company, its portfolio and most important the tasks developed during the project. On the internship tasks section, it is described some of the data possible to collect from direct observation, informal discussions on the company and also from the interviews with the potential clients.

With regard to the results discussion, it is possible to assert that the information obtained on the Thematic Framework chapter corroborates certain characteristics observed within this market. Driven by globalization, this region is getting more involved on the global market economy (Kline et al., 2018). As evidenced on this research there is a noticeable interest among the contacted prospects in conducting business with Europe and getting access to this market. As stated by Kline et al. (2018) both Europe and LATAM are aligning its interests and willing to start new partnerships with each other.

To supplement the existing literature, the research underscores the pivotal role of continually expanding the client base for trading companies to ensure long-term sustainability. From the information gather on this internship report it is possible to highlight the various reasons why clients may no longer require trading services, ranging from organic growth to changes in corporate structure or strategic decisions.

In line with the insights gathered from the literature review, it is evident that Brazil possesses one of the most intricate regulatory environments (The PRS Group, 2022). A significant challenge encountered during discussions with Brazilian prospects was their request for specific documentation to ensure transparency and legitimacy in trades. Additionally, it was observed that retail stores often collaborated with Brazilian wholesalers, suggesting that the trading landscape in Brazil is predominantly governed by domestic wholesalers. This may occur due to the size of the country and their protectionists policies and the fact they have a large domestic market (Fernandes et al., 2022).

Regarding Uruguay, as delineated in the literature review, it was observed their great interest towards conducting business with Europe. This may occur as the country is trying to gain some commercial independence from its neighbors Brazil and Argentina, who have quite volatile economies. Uruguay emerged with the highest ratings across feedback criteria, it was received prompt and positive responses overall, which underscores its interest and willingness to become a key player on the global trading market.

As for Paraguay, as stated on the literature review, the country aims to increase its GDP, and there was indeed some interest in doing business with Europe although it was not the most promising country to explore.

Conversely, Panama stands out from the analyzed countries, obtaining the most positive outcomes. Due to its strategic geographic location, Panama serves as a regional logistics hub (The PRS Group, 2022). The Panama Canal plays a huge role on Panama's exporting sector for several countries as it was proved by the contacted retailers and wholesalers on this research. During this research on the LATAM market it was seen that some countries use Panama wholesalers to do internal trades. From there it was recognize the importance of Panama as a key focal point for targeting wholesalers, as opposed to other types of stores.

Overall, the major setback faced on the development of this research was the legal regulations that impose both blockages (e.g. Authorization letter in Brazil) and high costs regarding the taxes, but also the high costs on transportation. Nevertheless, the overall findings for the LATAM market portray a significantly diverse and receptive landscape.

It is apparent that there is still a long ride to improve social, political and economic conditions on Latin America (Azam, 2022). Nonetheless, the interest demonstrated by the prospects under analysis, and with the potential ratification of the EU-Mercosur agreement, may foster an increase in business interactions between European trading companies and retailers or wholesalers within LATAM.

The insights gathered on this internship report can serve as valuable input for guiding strategic decision-making processes, such as market prioritization and resource allocation, concerning this market. In conclusion, this internship report underscores the promising future for business relations between Europe and LATAM. With the increasing relevance of the grey market, the potential ratification of the EU-Mercosur agreement, and the mutual interest in expanding trade, there are ample opportunities for collaboration. While awaiting the EU-Mercosur agreement's ratification, focusing on leveraging Panama's strategic position and the expertise of its wholesalers can facilitate smoother business operations between the two regions.

In essence, as the global economic landscape continues to evolve, the convergence of factors such as the rise of the grey market, the liberalization of international trade, and the growing potential of the LATAM region underscore the imperative for businesses to adapt, innovate, and capitalize on emerging opportunities on this region.

6.2 Limitations

Regarding the limitations encountered during this investigation it can be highlighted the fact that this presents an internship report, thus based on a case study. The case study centers on the operations of WCSG, a trading entity based in The Netherlands, thus condensing its unique circumstances which may not be generally extrapolated to other European trading companies. The findings are a result of the project's methodology, as well as the specific operational methods and product portfolio of the company. Moreover, the conclusions drawn are influenced by the department's prior experiences, culture and business strategy. This suggests that disparities in product offerings, cultural dynamics, or national backgrounds among different companies may represent divergent outcomes.

Since the LATAM market was never extensively explored by the Sports&Fashion department there were not many valuable insights that could be retrieved from the team. Upon the project's conclusion it was determined that dedicating time to certain countries or type of stores did not yield proportionate value in terms of results. Subsequently, future endeavors on this region are expected to prioritize specific countries and types of retail outlets, particularly focusing on wholesalers over retail stores.

An additional constraint in the investigation pertained to the predominant language spoken on most of the countries under analysis. The prevalence of fluent Spanish in most of these territories posed a challenge as it was not a language fluently spoken by the researcher or other project participant. In fact, on some interviews with the clients, it was required the participation of a native Spanish speaker to facilitate smooth communication.

6.3 Future investigation

From the knowledge gather during the internship and collection of data from this project it is now possible to provide some ideas worth of future investigation.

It would be interesting to implement the same project on a European trading company from other country rather than The Netherlands. This would allow for an examination of how the company's nationality influences the level of trust and ease of conducting business with Latin America.

Additionally, a focused exploration on wholesalers based in Panama presents another compelling investigation. This approach would enable a deeper investigation into the regulatory landscape of Panama, while also providing insights into their business practices with other LATAM countries. Given the significance of Panama highlighted in this research, narrowing the focus exclusively on this country could facilitate the establishment of new partnerships, potentially serving as an optimal entry point into the LATAM region.

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8. Annexes

1. Standard Email – Template

Subject: New Buying Opportunities – Sports & Fashion

I would like to introduce myself; my name is Andreia Duarte, and I work for West Coast Supply Group, a branded distribution company based in Leiden; the Netherlands. You can find out more on who we are in the weblink below:

https://westcoastsupplygroup.com/

Effectively, after 25 years in the business we have a permanent product range as well as we can actively source for products you request from all the biggest players in the sports and fashion industry such as Nike, North Face, Hoka and Tommy Hilfiger.

Our mission is to provide competitive and flexible sourcing solutions to our customers. We can offer reliable and efficient logistics systems and individual packaging solutions to your needs.

After checking your website, I believe we carry plenty of products that would sell extremely well on your platforms and extend your assortment.

It would be brilliant to get in contact and explore further business opportunities together.

Looking forward to your reply.

Kind regards,
Andreia Duarte

2. Standard questions for the interviews with the potential prospects

1. Which brands are the most popular/bestselling on your stores? Where does you lack on supply?
2. Ask about a specific brand that WCSG has on its warehouse at the moment or have better margin.
3. How do you divide your stores regarding footwear, apparel and accessories?
4. (for prospects not selling only sports products) Do you plan on increasing your assortment of sports products?
5. (for prospects not selling only sports products) How is your division between other categories and sports products?
6. (for prospects not selling only sports products) Do you plan on increasing your assortment of sports goods?
7. Which quantities would you be interested in?

8. Which are your sales channels?

9. Do you plan on opening more stores?

10. Are you planning on expanding your business to other countries?

11. Do you have experience in importing goods from Europe?

12. If yes, how do you get the goods delivered?

13. Are you buying exclusively from the brands, or do you work with other partners? (try to find out more about wholesalers)

14. Do you require specific documentation? If yes, please clarify.