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SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

**A COMPARATIVE ANALYSIS OF THE ENTRY POTENTIAL OF  
SLOVENIAN STREET FOOD BURGER RESTAURANTS ON THE  
AUSTRIAN MARKET**

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# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	<b>1</b>
<b>1 GENERAL “STREET FOOD” MARKET ANALYSIS</b> .....	<b>4</b>
<b>1.1 Specifics of “street food” restaurant business</b> .....	<b>4</b>
<b>1.2 History of “street food” restaurants</b> .....	<b>5</b>
<b>1.3 Types and facts of “street food”</b> .....	<b>6</b>
<b>1.4 Future of “street food” restaurants</b> .....	<b>7</b>
<b>2 SLOVENIAN ”STREET FOOD” MARKET ANALYSIS</b> .....	<b>8</b>
<b>2.1 Development of Slovenian street food burger restaurants</b> .....	<b>8</b>
<b>2.2 Analysis of Slovenian “street food” market</b> .....	<b>10</b>
<b>2.3 Selected Burger joints on Slovenian market</b> .....	<b>11</b>
2.3.1 Pop’s Place.....	11
2.3.2 Hood Burger .....	11
2.3.3 Lars & Sven Burgers .....	12
2.3.4 Jack & Joe Steak and Burger Club .....	12
2.3.5 7 Burger .....	12
2.3.6 Stari pisker .....	13
<b>3 FOREIGN MARKET ENTRY DECISION</b> .....	<b>13</b>
<b>3.1 Analysis of factors before entering a foreign market</b> .....	<b>14</b>
3.1.1 Country specific factors .....	14
3.1.2 Industry specific factors.....	14
3.1.3 Firm specific factors .....	14
3.1.4 Project specific factors.....	15
<b>3.2 Market entry modes</b> .....	<b>15</b>
3.2.1 Exporting modes .....	15
3.2.1.1 <i>Direct export</i> .....	16
3.2.1.2 <i>Indirect export</i> .....	17
3.2.1.3 <i>Cooperative export</i> .....	17
3.2.2 Contractual modes .....	18
3.2.2.1 <i>Management contracting</i> .....	19

3.2.2.2	<i>Licensing</i> .....	19
3.2.2.3	<i>Franchising</i> .....	20
3.2.3	Investment modes .....	20
3.2.3.1	<i>Foreign branch</i> .....	21
3.2.3.2	<i>Subsidiary</i> .....	21
<b>3.3</b>	<b>Entry mode choice</b> .....	<b>23</b>
<b>3.4</b>	<b>Foreign market entry timing</b> .....	<b>25</b>
<b>4</b>	<b>HOST MARKET ANALYSIS</b> .....	<b>26</b>
<b>4.1</b>	<b>Macro analysis of Austria</b> .....	<b>27</b>
4.1.1	Political factors .....	28
4.1.2	Economic factors .....	29
4.1.3	Social factors .....	30
4.1.4	Technology factors .....	32
4.1.5	Environmental factors .....	32
4.1.6	Legal factors .....	33
<b>4.2</b>	<b>Micro analysis of the target market of Vienna</b> .....	<b>34</b>
4.2.1	Vienna street food market diversity .....	36
4.2.2	Vienna’s “burger” competitor analysis .....	36
4.2.3	Porter’s Five Forces.....	38
4.2.3.1	<i>Competition in the industry</i> .....	39
4.2.3.2	<i>Potential of new entrants into the industry</i> .....	40
4.2.3.3	<i>Power of suppliers</i> .....	40
4.2.3.4	<i>Power of customers</i> .....	41
4.2.3.5	<i>Threat of substitute products</i> .....	41
<b>5</b>	<b>SWOT ANALYSIS OF SELECTED SLOVENIAN BRANDS ON VIENNA MARKET</b> .....	<b>42</b>
<b>5.1</b>	<b>Pop’s place SWOT analysis</b> .....	<b>43</b>
<b>5.2</b>	<b>Hood burger SWOT analysis</b> .....	<b>44</b>
<b>5.3</b>	<b>Lars&amp;Sven burgers SWOT analysis</b> .....	<b>45</b>
<b>5.4</b>	<b>Jack&amp;Joe steak and burger club</b> .....	<b>46</b>
<b>5.5</b>	<b>7 Burger SWOT analysis</b> .....	<b>47</b>

5.6 Stari pisker SWOT analysis .....	48
<b>6 COMPARATIVE ANALYSIS OF ENTRY POTENTIAL .....</b>	<b>49</b>
<b>CONCLUSION .....</b>	<b>54</b>
<b>REFERENCE LIST .....</b>	<b>55</b>
<b>APPENDICES.....</b>	<b>61</b>

## **LIST OF FIGURES**

Figure 1: Market entry modes (by equity) .....	23
Figure 3: Basic criteria for selection of appropriate foreign market entry mode.....	24
Figure 4: Factors affecting foreign market entry choice.....	25
Figure 5: PESTEL factors to be analyzed.....	28

## **LIST OF TABLES**

Table 1: Advantages and disadvantages of a use of indirect export mode .....	18
Table 2: Advantages and disadvantages of management contracting .....	19
Table 3: Advantages and disadvantages of a use of licensing.....	20
Table 4: Advantages and disadvantages of a use of franchising .....	20
Table 5: Advantages and disadvantages of a use of foreign branch.....	21
Table 6: Advantages and disadvantages of a use of wholly-owned subsidiary and joint venture .....	22
Table 7: Main economic indicators for Austria in 2020.....	29
Table 8: Pop's place SWOT analysis .....	43
Table 9: Hood burger SWOT analysis.....	44
Table 10: Lars&Sven burgers SWOT analysis.....	45
Table 11: Jack&Joe steak and burger club .....	46
Table 12: 7 Burger SWOT analysis.....	47
Table 13: Stari pisker SWOT analysis.....	48

## **LIST OF APPENDICES**

Appendix 1: Povzetek (Summary in Slovene language).....	1
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## **LIST OF ABBREVIATIONS**

**GDP** – Gross domestic product

**R&D** – Research and development

**SWOT** – Strengths, Weaknesses, Opportunities, Threats

## INTRODUCTION

Street food restaurants can be found all around the world on many different places and are so called universal phenomenon; from dusty paths of Nigerian markets, among upscale shops of Metro Manila to the streets of New York City (Tinker, 2003). These kinds of “restaurants” have been around from the earliest times, where people employed in this business have prepared food mostly to traders, which were traveling to neighbouring villages to the countries far away (Conlon, 1995). Today, street food vendors provide cheap ready-to-eat food for workers, families and groups of people of every class and occupation (Tinker, 1999).

By the definition street food is ready-to-eat food (usually seller also sells some kind of a drink that accompanies food). The name itself explains that food is sold on a street or other public place (market, fair etc.). In most cases food is sold from a portable food booth, food cart or food truck. The food bought from this kind of vendors is meant for immediate consumption (Simopoulos & Bhar, 2000).

Usually street food vendors are regional orientated, but there are also vendors that have spread beyond the borders of their own country and prepare food that is not from their region. Most of the street food restaurants are in the both classes:

- Finger food (food meant to be eaten immediately using hands) and
- Fast food (mass-produced food meant for commercial resale with the emphasis on speed of preparation the food).

One of the characteristics of this type of food is that on average it is cheaper than the food you would order from the regular restaurant. Based on the survey conducted in 2007 by Food and Agriculture Organization, the astonishing 2.5 billion of world population eat street food every day (Food and Agriculture Organization of the United Nations, n.d.). For sure this number is higher today, 14 years later, where the main reasons why people eat this food are convenience, flavorful food, reasonable price, sociable setting, try something different and/or nostalgia (Smith, 2007).

International business is something that is becoming more and more popular between the companies which are becoming bigger and bigger and are searching to grow on the other markets, different than their own. By the definition, international business refers to business activities that involve the transfer of resources (people, material, capital etc.), goods, services (finance, insurance, education etc.), skill and knowledge or information across national boundaries. Multinational companies also benefit from the growing interdependence between nations (Hill, 2008). And once when the company has identified that it possess all the necessary things to expand (demand, knowledge, flexibility, adaptation etc.) it has to decide for market entry strategy.

Entry mode that the company selects is very important since it has major impact on the

success of companies' international operations. The entry mode choice must be linked to strategic relationship of the firm on the foreign market as well as with the overall strategic posture of the company (Hill, Hwang & Kim, 1990). There are different opinions about ownership and control dimensions. But at the end it depends on the owners of the company for which kind of mode entry they will decide for and if they will be able to separate ownership and control function, since there is emotional linkage between the owner and the company.

Nine years ago a new trend was "born" on Slovenian food market, which has been expanding ever since. This new trend is in a form of "street food" restaurants, which are preparing mainly burgers. Since august 2012, when Hood Burger was launched in Ljubljana ( Hood Burger Headquarter, n.d.), more and more new burger "places" have been launched all over Slovenia. In three years from launch of Hood Burger, they reached a yearly profit of half a million euros (Lončar & Kupec, 2015), and that gave new burger "places" even more confidence to come and compete on the "street food" market.

The "street food" market in Slovenia is getting saturated with new so called "burger places" and because of that, burger joints have identified the need for expansion on foreign markets. Jaklič and Svetličič (2005) say that without growth, there is no development and without development there is no existence. With internalization of business, the company can develop and achieve the growth mentioned before, because in this way, they can generate bigger market, as well as competitive advantage and comperative advantage. In general, the business can benefit from it more, then there are cost of expansion. To bring the company to another or more foreign markets is a complex process, which can be compared with starting a new activity or business (Gankema, Snuif & Zwart, 2000).

Competing in saturated activity is usually not the right way for achieving competitive advantage. But there is an opportunity in entering new markets and creating new customers and in that way expanding their business and profit. At the same time, it is also a good thing for the economy, because it is generating higher profit, creating new jobs, generate higher gross domestic product (further GDP), brings new product to potential customers, improves company reputation, exposure to foreign investments etc.

Slovenian "street food" market became saturated with different burger restaurants and because Slovenia is a small country, there is little possibility to expand on the home market. That is why, I think it would be better for them to start searching for the possibility to expand on a foreign market. The market I believe the best to expand on is capital city of Austria, Vienna. It has been identified as the market with the best potential for expansion. Primarily because on this market, this trend is not present yet (not at least in such mass as in Slovenian market) and because of that, chosen company would have a competitive advantage. On Austrian market, also a purchasing power is much higher, which gives them higher reliability, that the entry would be easier and better accepted by the new audience.



Purpose of this master thesis is to understand the Slovenian street food market, especially what are the specifics that made burger restaurants boom in such a huge wave as they did (and still do). From the TripAdvisor I will select top six rated burger restaurants in Slovenia and analyse them, why are they so successful. Furthermore, the Austrian “street food” market will be analysed and market entry potential assessed for selected Slovenian burger restaurants. The master thesis aims to explore the industry and the challenges the “fast food” restaurant owner could be facing when entering foreign market. Not all the markets are the same, they differ in many things, such as tastes, purchasing power, religion, preferences, etc. Some adaptations on the business would be needed to enter the market, but first the proper entry mode has to be selected.

From designated purpose and aims, my research questions for my master thesis are:

1. What makes Slovenian brands special on the domestic market and why did they succeed?
2. Given the small size of the Slovenian market, is it profitable for Slovenian brand to go international?
3. What kind of analysis (micro and macro environment, SWOT analysis etc.) the company needs to do, before going international?
4. What is the foreign market entry potential of the selected Slovenian brands?
5. What kind of market entry mode and timing is the optimal for selected brands to enter Austrian market?

Master thesis will consist of analysis and synthesis information retrieved from official web sites and government agencies, where it is concerned about legal information of entering foreign market, taxation and employment. It will also consist of analysis and synthesis from literature retrieved on “street food” market of the selected foreign market. For easier decisions made on, which market would be the best to enter, I will perform:

- Macro analysis of the environment with PESTEL (Political, Economic, Social-cultural, Technological, Environmental and Legal) analysis of the foreign market,
- Micro analysis, where I will analyse competition with Porters Five Forces of the foreign market and
- SWOT (strengths, weaknesses, opportunity and threats) analysis of selected brands.

The master thesis will include macro and micro environment analysis of the foreign market and SWOT analysis of the companies, which will analyse the market as well the companies. Conclusion on conducted analysis will provide me with the answer on the entry potential of selected brands to the Austrian market.

The first part of the thesis will consist out of general “street food” market analysis, where types, specifics, history and future of “street food” restaurants will be explored to become more familiar with the industry.

In the second part, Slovenian “street food” market will be analysed, the specifics of it and the preferences of the industry. In this part also the selected six companies will be presented with the characteristics that gave them competitive advantage to the others.

Third part will consist of analysis of different types of foreign market entries mode that are suitable for the industry so that the better decision could be made, for selecting the right mode of entry.

In the fourth part of this master thesis, macro and micro analysis will be conducted to become more familiar with the specifics of the Austrian market, as well as SWOT analysis of the selected companies to make a better choice when selecting one to go abroad.

At the end, conclusion will be given, where I will also answer questions arising during the writing of master thesis.

## **1 GENERAL “STREET FOOD” MARKET ANALYSIS**

“Street food” vendors sell food mostly directly from the street (there where the name “street food” comes from). Some of these vendors businesses, can grow into something big, and in this case a vendor opens a restaurant; something more stationary with the same offering as before. As they sell food for immediate consumption, the food is also cheaper to buy. Usually, they also sell different types of drinks that accomplish the food they are selling (fuzzy drinks, non-alcoholic drinks and also beer). Food they are offering is usually local, but in a lot of cases they also offer food that does not originate from their country (Simopoulos & Bhar, 2000).

### **1.1 Specifics of “street food” restaurant business**

Most of the street food restaurants are divided in the following classes:

- Finger food (food meant to be eaten immediately using hands),
- Fast food prepared in advance (mass-produced food meant for commercial resale with the emphasis on speed of preparation the food) and
- Fast food prepared at the moment the food is ordered.

In this master thesis “street food” prepared at the moment the food is ordered will be a point of interest, since the burger restaurant prepare their order at the moment the food is ordered, not like in commercial fast food restaurants like McDonalds, where the food is prepared in advance and put on the table almost simultaneously as the order takes place in the restaurant or on the street location. To sum it up, you still need to wait some brief time, your food gets ready, meaning it is not ready in advance and therefore it is made fresh. “Street food” and fast food is usually classified as the same thing, but it is not, hence a lot of people still have prejudices to the “street food” thinking it is the same thing. But the

culture is changing and there is a growing number of consumers of this type of food.

The simplest definition that sums the meaning of the “street food” restaurants is found on Food and Agriculture Organization of the United Nations (n.d.) webpage: »Street foods are ready-to-eat foods and beverages prepared and/or sold by vendors or hawkers especially in the streets and other similar places.«

What we can derive from this definition is, that the food is cheaper than in the usual restaurant, it is meant to be eaten at the moment of purchase and it is usually consumed by low-and-middle-income clients. It plays a huge role in urban food consumption and it is consumed by millions every day in urban areas all around the world. At the same time, it is the cheapest way to acquire nutrition needed for normal body functioning through the day outside our homes (Food and Agriculture Organization of the United Nations, n.d.).

Another study conducted by Food and Agriculture Organization of the United Nations (n.d.) states that 2.5 billion people eat street food on daily bases, and it is appropriate to estimate that this number got even higher in the past decade. That can easily mean that half of the world population eats on the street every day. Altogether, with people preferences of taste, their economic status, convenience and many other reasons, is contributing to such a large number of people eating “street food” every day.

## **1.2 History of “street food” restaurants**

To come to “street food”, lets first take a look at fast food history. It all started in Ancient Rome, where people living in the city multi-story apartments did not have kitchens, so they were forced to buy food on from food vendors on the street. Commonly these vendors were selling bread soaked with wine, different stews and cooked vegetables (History of Fast Food, n.d.b).

China has been known (and still is associated) with noodles and noodles stands are dating to Han Dynasty, where also text has been found from seconds century. In the Middle Ages, it was a must for bigger towns to have vendors that were selling pies, waffles, pancakes, wafers, flans, pasties and cooked meat, which was sold to those who did not have kitchens, meaning to the poor and travellers. Vendors that were placed near the coast, were also offering food out of seafood (History of Fast Food, n.d.b).

Famous fish and chips, that still is very popular in Great Britain, dates in 19<sup>th</sup> century, when trawler fishing was developed. And it was so popular, that it grew into a shop, opened in 1860 in Oldham. Three centuries later, in 1896, vending machines were invented in Berlin by Max Sialaff, which lead to the spreading of fast food in to United States in 1902, to be precise in New York City (History of Fast Food, n.d.b).

The most popular fast food in United States, hamburger (next to hood dogs), appeared a

good decade later, with the opening of White Castle restaurant in 1916, which grew into a first hamburger chain in United States in 1921. White Castle success was the cause of their small menus and cheap hamburgers meaning they were widely available to the population. After the first chain was opened the next step were franchises, that opened in the same year, but the first restaurant franchise appeared in 1930 (History of Fast Food, n.d.b).

With development of automotive industry, so called drive-in restaurants became popular in United States, dating in 1940s, where customers were served in cars by carhops on roller skates. The hamburger chain that is known by everyone around the world, McDonald's, opened in 1949 by McDonald brothers, which was not a "fast-food-type" at the time. But because fast food restaurants were so popular at the time, they have reoriented, just like other bigger names in United States (like KFC for example). For example, McDonald's itself is present in 126 countries on 6 continents with approximately 31.000 restaurants all around the world (History of Fast Food, n.d.b).

This industry grows a lot every year, while there are indicators of slowing this growth down, thanks to the belief that fast food is not healthy and therefore people prefer to eat in casual dining restaurants or in so called "street food" restaurants, which has a different approach to preparing food (History of Fast Food, n.d.b).

Now coming back to "street food", it was born already with Ancient Greeks, that were selling fried fish on the streets, next to Ancient Romans and Chinese mentioned before. In 14<sup>th</sup> centuries, Egyptian vendors were selling lamb kebabs, rice and fritters. Also, Aztecs in South America had street vendors, selling atolli (gruel made from maize dough) and tamales with different kinds of meat. In North America during American Colonial period (17<sup>th</sup> century), street vendors were selling tripe, oysters, roasted corn ears, fruit and sweets. On the other side of Atlantic, Europe, "street food" was becoming more and more popular. In the 19<sup>th</sup> century the first sight of French fries was seen, from the fried strips of potato sold on Paris streets. At the same time in Transylvania, vendors on the street were selling cookies, cream mixed with corn and bacon. As mentioned before, fish and chips were and still is very popular between Londoners, aside to this famous "street food", vendors were also selling pea soup, pea pods in butter, whelk, prawns and jellied eels. Today, our tastes and preferences are not so locally focused anymore, rather they became globally as well as availability of the food from all around the world (History of Fast Food, n.d.a).

### **1.3 Types and facts of "street food"**

There are thousands of different types of "street food", from all around the world, depending on availability of ingredients, what grows in the near proximity and people taste. Below are listed the most known and sold types of "street food" from around the world (History of Fast Food, n.d.c):

- Hot dog: very popular all around the world, containing cooked sausage in a sliced bun,

accompanied with many different condiments (ketchup, onions, mustard, mayonnaise, etc.),

- Sandwich: basically, a slice or two slices of bread, and in between lies another type of food (cheese, ham, etc.) with different type of toppings,
- Hamburger: it is a type of sandwich, where the meat patty is used (or more of them) and placed in the sliced bun, with many different toppings, vegetables and condiments to go with,
- Pizza: modern pizza originates from Italy and is found in almost all corners of the world. All types of pizzas are baked in the oven, on top is a tomato sauce and cheese and then you have various toppings to adjust it to persons taste,
- Taco: the base is a corn or wheat tortilla (type of flat-bread), inside is a filling, usually made from beef, pork, chicken, seafood, vegetables and cheese,
- Fish and chips: I would classify this food as a fast food, but the British accept it as “street food”. It is a battered fish and deep-fried chips and
- Cheeseburger: basically, a hamburger with additional slice of cheese in it.

And here are some facts of fast food that have developed in its rich history (History of Fast Food, n.d.a):

- In many Asian countries, “street food” is sold from carts and bicycles,
- Walking and eating is considered rude in some cultures,
- Pizzas sold as “street food” is different from that sold in pizzeria; it has thicker base and it is sold in square or rectangular portions,
- In Mumbai (India), there is half a million “street food” vendors,
- Most searched food on world wide web is taco,
- 40% of population in Bangkok is fed by “street food” vendors,
- “Street food” vendors also offer soft drinks and coffee on their stands/in their restaurants,
- Hot dog is the most common “street food” in United States and
- In many different countries they know a combination of meat and bread.

#### **1.4 Future of “street food” restaurants**

Future of “street food” restaurants is not certain, and the same goes for all other type of restaurants. There can be many different scenarios but let’s look at three of them. First is that the economy stays at the same level as it is, meaning people preferences stay the same and the visit of “street food” restaurants stay the same. For the “street food” vendors, that is a good thing, especially for those vendors who already have good business records (Labine-Romain, Mizrahi, Smith, Terrill & Yetsenga, 2019).

Second scenario is, that economy gets even better that it is at the moment, which can change consumer preferences. If the consumer has more money to spend, they have a

bigger choice of selection, where to spend their money, in this case, where to eat. They can turn back on “street food” restaurants and rather go to normal restaurant or more high-end restaurant. That is a bad sign for “street food” vendors, because certainly some of them will have to close their businesses (Labine-Romain, Mizrahi, Smith, Terrill & Yetsenga, 2019).

The third scenario is that economy takes a turn to the worse. In this case, the consumer would have less money to spend on luxury goods, meaning they would have to satisfy with cheaper alternative, in this case a “street food” vendor, if they would want to eat outdoors. “Street food” is cheaper option, with the similar value for the consumer. This is a good scenario for the “street food” vendors, because of the cheap offer to the public (Labine-Romain, Mizrahi, Smith, Terrill & Yetsenga, 2019).

Either way, at the moment “street food” vendors have nothing to worry about. “Street food” has been present in our lives for ages, and there is not an option it can just simply gets forced out of our lives. In the past 7 years, there has been nothing but rise of the industry on the Slovenian market and there are more and more people, that prefer to eat at “street food” restaurant. Some of the businesses have written a success stories, they could never imagine. In Slovenia at the moment, there is a rise of burger joints and other types of “street food” restaurants that were popular before (kebab, burek, etc.) are being forced out of the market. If the restaurant does not have a burger on its menu, is it even worth visiting? In the past year, there can also be felt a comeback of hot dogs, which are being prepared as a masterpiece of its kind (Borko, 2014).

## **2 SLOVENIAN ”STREET FOOD” MARKET ANALYSIS**

In this chapter an overview the development of Slovenian street food market will be provided; where it has all started and what contributed to the success, how the vendors differ between each other (ingredients, offerings, prices, etc.). The vendors chosen to be analyzed will be as six top rated burger places in Slovenia, based on the ratings retrieved from TripAdvisor webpage. TripAdvisor webpage collects ratings from the people who have visited the restaurant, or in this case a burger place, and decided to post their opinion about the restaurant, so future customers will be able to make a better decision, which restaurant to visit. Not to be mistaken, there are much more burger type street food restaurants in Slovenia, they just did not make the list of top six in Slovenia.

### **2.1 Development of Slovenian street food burger restaurants**

Slovenia is a small European country, located in southern Central Europe, surrounded by four very different cultures (Austria, Croatia, Hungary and Italy), which can also be experienced in gastronomy. Slovenian kitchen has been influenced by the cooking styles from its neighbouring countries. It has adopted those styles and added high quality, locally

produced ingredients (such as vegetables, herbs and grains), which guarantees the perfect taste of every traditional food. On its own, even though Slovenia is small, it has a lot of traditional dishes, which diverse between each other. Slovenian food is mostly simple to prepare and is highly caloric (Spletna kulinarika, n.d.).

In the past couple of decades, there has been a rise of number of people eating outside, and surprisingly they are not fan of traditional Slovenian food, except on Sundays, when majority of Slovenians want to enjoy Sunday lunch, which usually contains traditional Slovenian components. But during the weekdays, people like to visit so called “street food” restaurants.

In the case of Slovenia, for almost two decades, Balkan “street food” vendors were dominating the market with so called kebab and burek. The people accepted in very well, since they were already familiar with this kind of food, from the times when we were still together in one country Yugoslavia (Okusno.je, 2017). But after some time, people got sick of it and this type of food was not popular so much anymore. One of the reasons, why people stopped eating this type of food, was the great recession that started in 2008, when people had to focus their earning and savings on the more important stuff. Couple years later a new trend hit Slovenian market; Burgers.

One of the first “street food” restaurant of this type was born in august 2012, by Til Pleterski and Klemen Ptičak, called Hood Burger. As described above, their story started in a similar way; the idea was born on a small stand in front of a pub in Ljubljana and shortly after, their capacities on the street were not sufficient. The owners recognized the need of expansion and that is how Hood Burger moved to a permanent location in Ljubljana, in front of the shopping mall in Vič. With this move, Hood burger changed the Slovenian “street food” market (Hood Burger Headquarter, n.d.).

Shortly after, there was a flood of burger joints. It all started in central Slovenia (Ljubljana and its near surrounding cities) and slowly started to expand all over the country. Some of the business were a success, others failed to make an impact on the market and to guarantee their further existence.

The successful ones made their impact with the taste they had to offer (something new), innovation, quality and freshness. Also the style how the meat is prepared is a factor. Most of the vendors, keep it simple with normal electrical or gas grills on a plate, but some decided to use charcoal on popular ceramic charcoal grill brands (like Big Green Egg or Kamado Joe), some even decided to use special ovens and others motorized broilers.

As mentioned before, some of the burger joints decided to expand their menu with individual meat dishes (stakes and other barbecue specialties), which are becoming more and more popular between the consumers. And the offering of craft beers is a must in the burger joints. Beer itself accomplishes burger on its own, but craft beer is something different that is not mainstream, and more and more people are willing to try something

new.

## 2.2 Analysis of Slovenian “street food” market

As mentioned earlier, the trend in Slovenia at the moment are burger joints. There is literally a flood of burger joints in Slovenia, each of the restaurant offering something different. For every person meaning burger means something else. In the base it is a beef meat between a sliced bun, usually with a slice of cheese on beef. But then everything changes. Every owner of the joint or chef has its own taste and the image of the burger and designs it as how he imagines it. That means that burger a different from joint to joint and they differ in:

- Vegetables,
- Type of bread used,
- Toppings and
- Cheese.

The prices are varying between 4€ to 10€ or even more in high-end burger joints. Some of these burger joints (mostly from Ljubljana), became so successful they have recognized the need to expand in the home market. One of the burger joints (Lars&Sven Burgers) took a step further and decided to expand on the foreign market.

Before I said the base is a beef patty, but also that can differ. Some people prefer chicken meat or other types of meat. And if the burger joint knows it way around, they usually also have to offer a steak (roast beef) burger. Some of these joints took a step further and started offering barbecue specialties on the plate, so their menu does not only consist out of burgers, but also individual dishes.

Next to the selection of million different types of burger, there is another trend in Slovenia that accomplishes burgers at its finest. And that is craft beer. Most of these burger joints try to offer most of the craft beer they can find on the market, and consumers are going crazy about it.

Below are listed couple of most known burger joints in Slovenia, ranked by TripAdvisor (TripAdvisor, n.d.):

- Pop’s place (Ljubljana),
- Hood Burger (Ljubljana),
- Lars&Sven Burgers (Ljubljana),
- Jack & Joe Steak and Burger Club (Maribor),
- 7 Burger (Kamnik) and
- Stari pisker – gostilna in pivnica (Celje).



As we can conclude is that most of these “street food” restaurants are coming from the Slovenia capital city, Ljubljana. All of these will be described and used further in the thesis, because they are dominating the market of “street food” at the moment and people from all over the Slovenia visit their restaurants.

## **2.3 Selected Burger joints on Slovenian market**

### **2.3.1 Pop’s Place**

Family owned business, from the same owners as of Gostilna As, a very popular restaurant in Ljubljana, especially among people who are more publicly exposed. Pop’s Place is located (literally) in the center of Ljubljana and therefore it gives them the best location possible for the business; people that experience Ljubljana life will pass the Pop’s Place at one point, and that goes for home tourists as well as foreigners (First, 2016).

Pop’s Place is Ljubljana’s only self-described “burger bar” and it stands out from the other burger restaurants in Ljubljana with 100% Slovene beef aged in-house, for the burger bread is a unique brioche-style bun, together with highest quality ingredients and unique combinations they form outstanding taste. Next to the gourmet burgers they also offer other products from the grill, such as fish and chips, onion rings, BBQ ribs, chicken wings, small vegetarian option etc. As many other bars and restaurants, they also offer a huge number of craft beers (First, 2016).

For the purposes of preparing the food they use a charcoal oven, which differs from the other styles of preparing the burgers and other food. The price range of burger starts at 8€ and above, averaging at around 10€. Pop’s Place portions are not the biggest and they are also not the cheapest, but with their reputation, they can afford it (First, 2016).

### **2.3.2 Hood Burger**

As mentioned before, Hood Burger was born in August 2012, it was the first of its kind and its impact changed Slovenian street food market for ever. It opened as a stand in front of one of pubs in Ljubljana and because of its popularity, in the November of same year, Hood Burger got its first permanent location in Ljubljana (Hood Burger Headquarter, n.d.).

Their offering consists out of burgers, steak sandwiches and home-made potatoes. Their offering mostly consists out of burgers, but you can find also fried chicken on their menu. Next to the meat offering they also offer vegetarian and vegan burgers. Their offering of drinks consists out of Slovenian craft beers. Their emphasis is on high quality local ingredients and in this way, they strive to support local producers and lower the emissions created during their transport. They prepare their food on electric grills (Hood Burger Headquarter, n.d.).

Prices of their burgers vary between 4,90€ to 7,90€. At the moment, there are four locations of where Hood Burger is positioned, three are in Ljubljana and one is in Celje (Hood Burger Headquarter, n.d.).

### 2.3.3 Lars & Sven Burgers

Their first outpost opened in the end of the year 2015 in Ljubljana, and their concept and thinking is very similar to the one in the Hood Burger. They also focus on using high quality local ingredients with the responsible thinking about the environment. Next to their five stationary outposts (three in Ljubljana, one in Celje and one in Koper), they are also offering their food from their Foodtruck, which is circling around Slovenia through the cities, bringing their food to the customers home city, without customer having to visit their outpost. They took a step further and collaborate with Center Janeza Levca (a special education school founded for pupils with intellectual disability and pupils with autistic spectrum disorders), which are baking the burger buns for their business. They prepare their food on electric grills and offer craft Slovenian beer, similar to Hood Burger (Lars & Sven, n.d.). The prices of their burgers vary between 4,95€ and 7,95€.

### 2.3.4 Jack & Joe Steak and Burger Club

This restaurant is from Maribor and is very popular. Their offering consists out of burgers, steaks, chicken wings, BBQ ribs and more specialties from charcoal grills, along with other offering. For this purpose, they use Kamado Joe charcoal grills, which are made from ceramics and gives the meet its special taste (Jack&Joe, n.d.).

Similar to Hood Burger and Lars & Sven Burgers, they also focus on high quality local ingredients, from local farms and they follow their guide: "Fresh. Local. Tasty." They also offer Slovenian bio beef, which is something new on Slovenian market. They are also known by their cocktails as well they also offer craft beer (Jack&Joe, n.d.).

The price range of their burgers vary between 8,60€ to 19,60€. The most expensive burger is an exaggeration in all the means, because it has almost a kilo of meat in it with extra toppings.

### 2.3.5 7 Burger

7 Burger is stationed in Kamnik and is the first franchise of its type in Slovenia (only one till now, located in Savinjska dolina). Their story started in 2014 as a small homemade shack out of wood, offering burgers and craft beers, before they became popular. They started preparing meat on charcoal Kamado Joe grill, which at that time was something not so common in Slovenia and that made the difference to their competition. Like Pop's place, they are also a kind of a burger bar (7 Burger, n.d.).

After two years small place did not have enough capacity to serve such a huge number of customers, so they expanded their capabilities for more than 100% into more modern and professional burger restaurant. They also changed the charcoal grills for broiler, which is working on gas (fire). They have a huge selection of Slovenian and foreign craft beer, which accomplishes their burgers (7 Burger, n.d.).

The price range of their burgers is between 4,50€ and 7,50€. Couple of times in month they also offer some specialty, for which they are well known.

### 2.3.6 Stari pisker

Stari pisker is located in Celje and it became famous in Slovenia by the taste of their food. Couple of years ago it became famous above the home borders, since they started offering their burger Fat Joe, which is a burger out of 10 meat patties (1.8 kilogram of meat) with toppings, weighs around 3 kilograms. The burger became viral and attracted a lot of foreigners to their restaurants (Gostilna in pivnica Stari pisker, n.d.).

Their story started at the same time as in Hood Burger, in the October 2012. Their vision is that the food needs to be original, quality and tasty and offer drinks that go with their food. They do not offer only burgers, but also other à la carte offering of steaks, meet, fishes etc. They age their steaks inhouse and are a huge delicacy. Their desserts are also known as the best you can get. Along with meat offering, they also offer vegetarian and vegan food (Gostilna in pivnica Stari pisker, n.d.).

The meat is prepared on charcoal grill, but they also use smoker for ribs and other specialties. The price range of their burgers is between 6,90€ to 13€.

## **3 FOREIGN MARKET ENTRY DECISION**

When company identifies itself as a successful company, meaning taking a meaningful part on the home market, and recognizes that its product and/or services could also be sold beyond the borders of the home market, the company starts to think about foreign market entry. In last couple of decades in the previous century, foreign market entry decision arose a lot of attention between the researchers (Benito & Welch, 1994).

Concluding from the researches conducted by many people is that foreign market entry mode decision is critical in establishing firm's foundation on foreign market penetration capacity and effective internationalization could also require the use of wide array of operation modes (Luostarinen & Welch, 1990).

Researchers focused on United States activities of "cutting edge" and "Fortune 500" firms, showed a trend toward more flexibility and imagination in overseas operations, as well as the rise in the use of contract manufacturing, joint ventures and licensing (Ryans, 1987).

After the mid-1980s, the researchers noticed the rise in the use of international strategic alliances and other cooperative modes in foreign market entry (Ohmae, 1989), as well as they noticed the rise in franchise activities as means of internationalization in countries beyond the United States border (Welch, 1990).

### **3.1 Analysis of factors before entering a foreign market**

The company decides on four main different types of factors, when considering expanding their business across the border. These are country specific factors, industry specific factors, firm specific factors and project specific factors (Osland, Taylor & Zou, 2001).

#### **3.1.1 Country specific factors**

These factors are concerned about the country the company would like to expand their business. These factors are specific just for this country and they can differ from the factors, that are in affect in the home market or market the company has already expanded to. Company cannot influence on them but must adapt if the company wants to expand in the new market.

Country specific factor take into the account (Osland, Taylor & Zou, 2001):

- Laws and regulation of the country,
- Infrastructural conditions,
- Property rights and legal framework,
- Political factors and
- Cultural factors.

#### **3.1.2 Industry specific factors**

Industry specific factors are the ones that take into the account the industry the company wants to expand in, in the new market. These factors are (Osland, Taylor & Zou, 2001):

- Entry and exit barriers,
- Industrial complexity,
- Uncertainty in industrial environment and
- Supply and distribution pattern.

#### **3.1.3 Firm specific factors**

Factors in this category, are specific to the firm, where firm must check if the company has what it takes, to expand to the new market, because if it does not, it can happen, that the firm will fail to expand, causing them huge financial set back or even going out of

business.

This category also identifies four different factors (Osland, Taylor & Zou, 2001):

- Resources of the firm,
- Technological risk,
- Goals and objectives of the firm and
- Experience of the firm.

#### 3.1.4 Project specific factors

Now these factors are concerned about the project, the company wants to expand into the new market. Some projects are just not suitable for certain markets, which can cause them to fail and eventually cost the company a lot of money, so before deciding to expand on the new market, also the project itself must be evaluated.

Four factors to evaluate the project (Osland, Taylor & Zou, 2001):

- Size of the project,
- Project orientation,
- Availability of raw material and labor required for project implementation and
- Availability of suitable market for the project.

### 3.2 Market entry modes

Luostarinen and Welch (1988) defined internationalization as the process of increasing involvement in international business activities. The selection of entry modes (which includes internationalization methods, forms, instruments and ways) depends on exogenous factors (such as business position on the market or the industry, where the firm is positioned) as well as the endogenous factors (business potential). Literature provides many different models of foreign market entry, which are mainly different in efficiency and variety of input costs. The most common way to define foreign market entry modes is split in three fundamental groups:

- Exporting modes,
- Contractual modes and
- Investment modes.

#### 3.2.1 Exporting modes

This entry mode is concerned about export and import activities. It usually works in a way that the firm imports raw materials from abroad and after the production is done, they can

be exported abroad. This mode is associated with low risk and the firm realizes orders from abroad only when they are placed. This mode is usually used by small and medium-sized enterprises (SMEs) and is the most common in international activities. It is used when the firm reaches all of its capabilities on the domestic market and has capability of excess production, which is usually a sign a company has what it takes to expand abroad and starts exporting. The motive for entering foreign market is additional profit, as well as the profit the firm makes on the domestic market. Exporting modes can take multiple forms, but the two most basic are direct exporting and indirect exporting (Czinkota & Ronkainen, 2007). Since the exporting modes are not the best fit for the purposes of expanding a street food restaurant to a foreign market, exporting modes will be briefly explained with the sum up of advantages and disadvantages at the end of exporting modes description.

### *3.2.1.1 Direct export*

In direct exporting, the firm itself takes a role of intermediaries and makes contact with the customer in the foreign market. Direct exporting can be done in several ways (Hisrich, 2015; Stone & McCall, 2004):

- Own representative office (operating on a transfer of rights and obligations of the parent company, since its function is reduced to a mere marketing activities),
- Foreign agent acting on behalf of the exporter and its name,
- Foreign distributor acting on its own account and on its own behalf and/or
- Its own distribution network abroad (where exporting is combined with foreign direct investment, mostly in the form of a trading or commercial subsidiary).

#### **Foreign agent**

Foreign agent is a person or business which receives rights, from the business that wants to expand to a foreign market, to operate with the name and to arrange documentation in the name of exporter. This brings a lower entry costs and financial risk, while the profitability is lower and dependence on foreign agent is higher (Wach, 2012).

#### **Foreign distributor**

Use of this direct export mode is giving it the accountability of marketing the product and providing the product to the customer on the local market (Cavusgil, Yeoh & Mitri, 1995). This entry mode also brings lower costs, while the disadvantages are similar to foreign agents disadvantages (Wach, 2012).

#### **Representative office**

With this entry mode, the business is actually present on a foreign market, contrary to use of a foreign agent and foreign distributor. In this way the business can create a better

relationship with a customer and identify its needs, while the cost of such entry mode are much higher (Wach, 2012).

In case of own representative office, the office can act as a salesman for foreign trade contracts and it can be formed in three different ways (Hisrich, 2015; Stone & McCall, 2004):

- Own employee of a business delegated abroad for a given period (working abroad only temporarily),
- Own local employee of a business (employed directly by the parent company abroad) and/or
- Local business partner (representing only the interests of its principal, which is the parent business).

### **Distribution network**

Distribution network is the kind of entry mode that enables the business the most contact with foreign consumers and provide higher control of the sales process as well as higher profitability, but at the same time it brings the higher cost of establishing and maintaining such a relationship (Wach, 2012).

#### *3.2.1.2 Indirect export*

Contrary to direct exporting, indirect exporting, firm uses independent export intermediaries located in its own country, so they do not have a direct contact with customers and/or partners on a foreign market. Also, the transaction is shown as a domestic one. In indirect exports the following intermediaries are known (Hollensen, 2007; Parboteeah & Cullen, 2009):

- Export commission house (ECH) that is a representative of foreign buyers who is located in the exporter's home country, offering services to the foreign buyers such as identifying potential sellers and negotiating prices,
- Export/import broker as a specialist in performing the contractual function, and does not actually handle the products sold or bought, bringing a buyer and a seller together,
- Export management company (EMC) that is an intermediary specializing in particular types of products or particular countries or regions and/or
- Export trading company (ETC) that is an intermediary similar to EMC, but it usually takes the claim to the product before exporting.

#### *3.2.1.3 Cooperative export*

In direct exporting, for small and medium-sized firms it is recommended the use of cooperative exporting, which is divided in export grouping and piggybacking.

Export grouping is most often defined as voluntary alliances companies tied to foreign joint promotion of products and services of the participants. The biggest advantage of this cooperation is spreading the cost of export activity and this allows SMEs to overcome one of the biggest barriers when entering foreign market; limited financial resources (Wach, 2014).

Piggybacking (Hollensen, 2007; Terpstra & Yu, 1990) is a contract consisting of two parties, known as “rider and carrier”. Carrier is a larger firm, which carries out business in foreign market to a rider, usually small firm, through its own already established distribution network, but for exchange it charges a commission. The products of the firms should be complementary; carrier can in this way complement its product line and at same time it can lower maintenance costs, which arise from distribution network abroad, which is shared with a rider. But the risk exists of low-quality products being produced with this cooperation and bring the carrier a bad reputation and at the same time it can alter the deliveries time. From this cooperation riders’ biggest benefit is from the access to the foreign distribution network, but the major setback is the loss of control over the distribution of its products. Piggybacking is recommended for micro and small businesses, which have insufficient funds to make their own foreign investment.

The most important advantages and disadvantages of export modes are summed in a Table 1 below.

*Table 1: Advantages and disadvantages of a use of indirect export mode*

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>– Low entry cost,</li> <li>– Low financial risk,</li> <li>– Entry difficulties are lied on the domestic intermediary,</li> <li>– Low staffing requirements,</li> <li>– Lack of marketing costs,</li> <li>– The least complicated mode of internationalization and</li> <li>– Relatively simple extension of sales markets.</li> </ul>	<ul style="list-style-type: none"> <li>– Low profitability of the transactions,</li> <li>– Full dependence on the domestic intermediary,</li> <li>– Lack of knowledge on the foreign market(s),</li> <li>– Inability to gain international experience,</li> <li>– The domestic intermediary can find a better provider and</li> <li>– An intermediary may itself start the production in the country.</li> </ul>

*Adapted from Wach (2012).*

### 3.2.2 Contractual modes

This group of entry modes is based on cooperation with contacts in a selected market the company would like to expand its business. In most of the cases these contacts are manufacturers. Contractual modes already include international licensing, international franchising, international subcontracting and also various assembly operations. These modes are (Wach, 2014):



- Management contracting,
- Turnkey operations,
- Contract manufacturing,
- Licensing and
- Franchising.

Turnkey operations and contract manufacturing are not the right fit for export modes for a service as fast food, so I will not go in detail with exploring these two entry modes. They are more fit for a manufacturing companies.

### 3.2.2.1 Management contracting

In this contractual entry mode, it is all about knowledge-based service of management or more known in business world; know-how. Under this type, a domestic company does the job of operational management services for a foreign company. After the contract runs out, the company does not plan to be present on the market, but the knowledge they have acquired may pursue them to stay present on foreign markets.

*Table 2: Advantages and disadvantages of management contracting*

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>- Low capital commitment,</li> <li>- Low risk,</li> <li>- Gaining experience on the foreign,</li> <li>- Market(s) by domestic managers and</li> <li>- Can be regarded as a “substitute” form of foreign market entry.</li> </ul>	<ul style="list-style-type: none"> <li>- Relatively low profitability.</li> </ul>

*Adapted from Wach (2012).*

### 3.2.2.2 Licensing

When a domestic licensor and a foreign licensee have a contractual agreement, we are talking about licensing, where licensor has a valuable patent and provides to the licensee (Parboteeah & Cullen, 2009):

- Technological know-how,
- Trademark and/or
- Company name.

Licensing is more appropriate for a bigger companies, searching for a right mode to expand on a foreign market.

*Table 3: Advantages and disadvantages of a use of licensing*

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>– Low entry costs,</li> <li>– Low financial risk,</li> <li>– Ensuring a steady income,</li> <li>– A strong presence in foreign markets by commercial brand and logo,</li> <li>– The licensee knows the local conditions and</li> <li>– Does not require a large commitment of staff.</li> </ul>	<ul style="list-style-type: none"> <li>– The possibility to lose control over technologies and know-how,</li> <li>– Lack of control over the maintenance of the quality on the foreign market(s),</li> <li>– The threat of disloyalty of the licensee and</li> <li>– Relatively low income (royalties) compared to other forms of internationalization.</li> </ul>

*Adapted from Wach (2012).*

### 3.2.2.3 Franchising

Franchising is very popular among small and medium-sized companies, particularly among self-employed or micro companies (especially in the European Union), because there are much lower start-up costs. It is very similar to licensing, but with the difference in the sphere of trade and distribution in the wider services sector (Stone & McCall, 2004). The mode of franchising is a growing importance in economic and it is an agreement between two legally separated entities, where one entity pays another entity for the rights to use its product or trademark and business structure in another location for a determined period of time (Blair & Lafontaine, 2005).

*Table 4: Advantages and disadvantages of a use of franchising*

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>– Low entry cost,</li> <li>– The possibility of rapid foreign expansion and</li> <li>– The possibility of a simple expansion of both the large and distant markets.</li> </ul>	<ul style="list-style-type: none"> <li>– Requires some control cost,</li> <li>– Sharing profits gaining from foreign markets between the foreign franchisee(s) and a domestic franchisor,</li> <li>– Requires appropriate qualifications of franchisees,</li> <li>– The possibility of potential conflicts between the partners, the possibility of difficulties in maintaining uniform standards and quality and</li> <li>– The possibility of franchisee(s)' disloyalty.</li> </ul>

*Adapted from Wach (2012).*

### 3.2.3 Investment modes

Modes of foreign market entry, which classify as investment modes, are based on FDI, provide lower production costs and at the same time provide direct presence on foreign market. All of them have in common the physical and constant presence on the foreign

market by setting up their foreign branches or foreign subsidiaries, which can be partially or fully depended. FDI can be created in the following two ways (Wach, 2014):

- Brownfield investment (mergers and acquisitions (M&A) of local firms) and
- Greenfield investment (investing from the beginning).

For organizational purposes, FDIs are usually divided in two basic types (Czinkota & Ronkainen, 2007):

- Foreign branch and
- Subsidiary.

### 3.2.3.1 Foreign branch

This type of FDI is completely owned by the parent company and does not have a separate legal position, since it is an integral part of the parent company. And because of that it is a subject of laws from both countries (home and foreign country). “Branch” is committed and works under management from the parent company. Foreign divisions scope of activities can not exceed of those of parent company, but in practice it is usually narrower. Typically, branches are early sign of internationalization and if they are successful it may lead to their transformation into subsidiaries (Hollensen, 2007).

*Table 5: Advantages and disadvantages of a use of foreign branch*

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>– Full control and</li> <li>– Holding centralized control relatively good image of the branch on the local market.</li> </ul>	<ul style="list-style-type: none"> <li>– Relatively complicated registration procedures.</li> </ul>

*Adapted from Wach (2012).*

### 3.2.3.2 Subsidiary

This investment entry mode is not clearly defined by the literature, but in practice it is a company in which parent company holds majority of shares or other resources that are controlled.

Subsidiaries can be splitted in two different types (Wach, 2014):

- Wholly-owned subsidiary (which is 100% owned by the parent company) and
- Joint venture subsidiary (which shares minority or majority of interests and joint control with parent company).

On the contrary to foreign branch, a subsidiary has a separate legal status to the parent company, as well as it is operating under different laws compared to the laws the parent

company is working under. Basically, it is a separate entity working in a foreign country, with no legal connections to the country of origin. Nevertheless, subsidiaries are created in one of the legal forms of economic activities taking place in the law of the host country.

Five fundamental activities of subsidiaries are recognized due to the range of activities and degree of freedom to the parent company (Poynter & White, 1984):

- Miniature replicate (most or all of the activities are covered by subsidiary),
- Marketing satellite (subsidiary sells on the local market, products produced centrally),
- Rationalized manufacturer (subsidiary produces certain parts or products for use in other markets),
- Product specialist (subsidiary produces certain product to be sold globally) and
- Strategic independent (strategic independence of subsidiary compared to operations in parent company).

*Table 6: Advantages and disadvantages of a use of wholly-owned subsidiary and joint venture*

	<b>Advantages</b>	<b>Disadvantages</b>
<b>Wholly-owned subsidiary</b>	<ul style="list-style-type: none"> <li>– Full control,</li> <li>– Holding centralized control,</li> <li>– Good image of such a company on the local market and</li> <li>– Potentially the highest profitability.</li> </ul>	<ul style="list-style-type: none"> <li>– High entry cost,</li> <li>– High risk and</li> <li>– Complicated registration procedures.</li> </ul>
<b>Joint venture</b>	<ul style="list-style-type: none"> <li>– Synergy effect,</li> <li>– A combination of knowledge of the exporter and a local partner,</li> <li>– Spreading the risk between the exporter and the partner and</li> <li>– Good image of such a company on the local market (politically acceptable).</li> </ul>	<ul style="list-style-type: none"> <li>– High entry cost,</li> <li>– High risk,</li> <li>– Potential conflicts of interest of the exporter and the partner and</li> <li>– Complicated registration procedures.</li> </ul>

*Adapted from Wach (2012).*

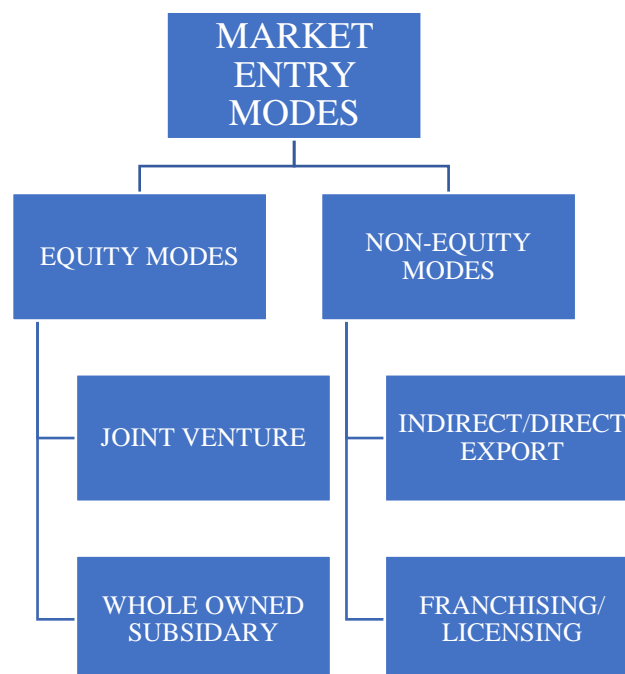
As mentioned before, we know many definitions of different foreign market entry modes, defined by literature. And one of that classification of foreign market entry modes can be split in equity and non-equity mode. This classification is easier to understand and that why is also supposed to be used by small and medium-sized companies with little experience working abroad (Michael Palatiello Marymount University, n.d.).

Equity modes allow the company to be closer to the customers, while non-equity modes are for the businesses, which would like to expand to foreign market without having to make an investment in building the facilities etc., but rather focus on collaboration with a local partner. Non-equity modes tend to be chosen by firms that would like to have minimal to medium commitment level to the market across the border (Michael Palatiello Marymount University, n.d.).

Non-equity modes are essentially contractual modes, like leasing, licensing, franchising, etc. and are popular between consumer-services firms, like hotels and restaurants. Equity modes are for the firms, which are looking for a more permeant and larger commitment to market beyond the home border. The method is conducted through foreign direct investment (FDI) and are chosen by firms that want to protect certain assets (Michael Palatiello Marymount University, n.d.).

In Figure 1, we can distinguish between different types on entry modes (equity and non-equity) and four options for foreign market entry. These four forms of entry modes are used by majority of firms that begin to operate beyond the borders of their home market, while FDIs, management contract, contract manufacturing and turnkey operations are usually used by bigger firms and firms with more experience.

*Figure 1: Market entry modes (by equity)*



*Source: Långbacka (2018, p. 15).*

### 3.3 Entry mode choice

Now that I have explored and recognize all the possible entry modes (exporting, contractual and investment market entry modes) and the differences between them, I should recognize the criteria for selection of appropriate foreign market entry mode. The most important scopes of them are (Baorakis, Katsioloudes & Hadjidakis, 2007):

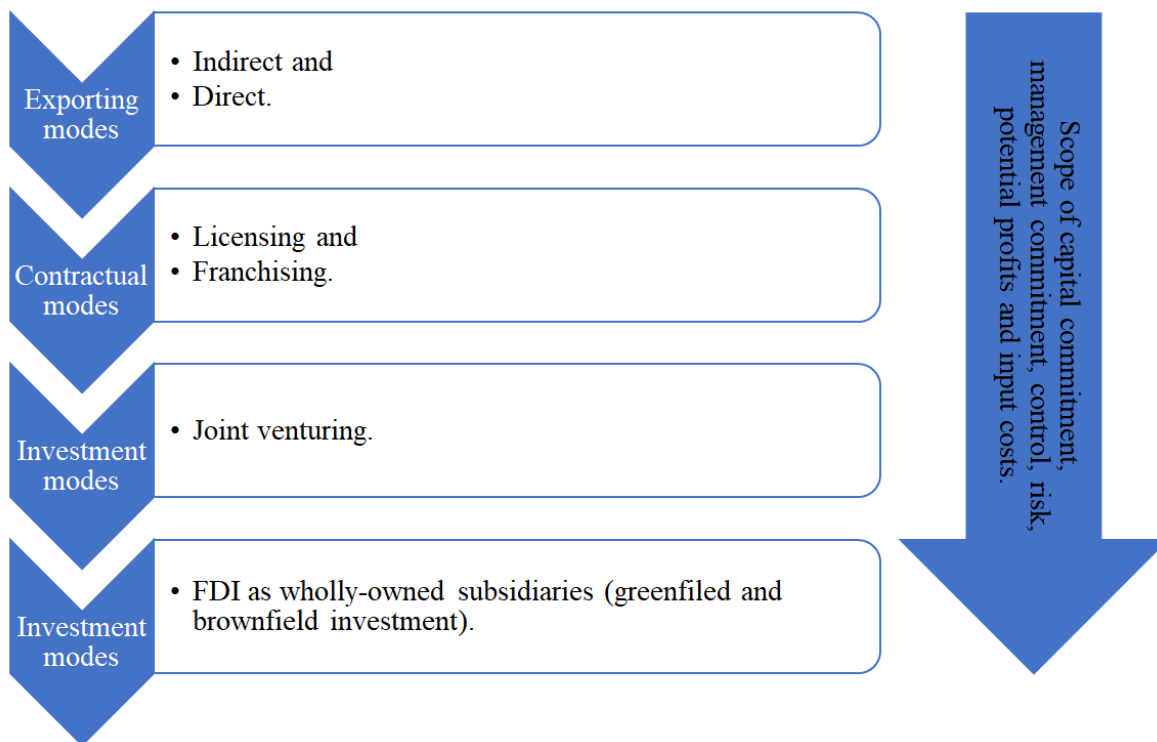
- Capital commitment,
- Management commitment,
- Control,

- Risk,
- Potential profit and
- Input costs.

These five criteria are most appropriate to evaluate when deciding which market entry mode is the best choice for the certain business. For small and medium-sized companies, which are facing issues with capital resources, it is possible to select more advanced entry mode on foreign market.

In figure 2 all the criteria are ranked, which entry mode has to involve more scope of engagement, risk, control and potential profits.

*Figure 2: Basic criteria for selection of appropriate foreign market entry mode*



*Source: Baorakis, Katsioloudes & Hadjidakis (2007, p. 238).*

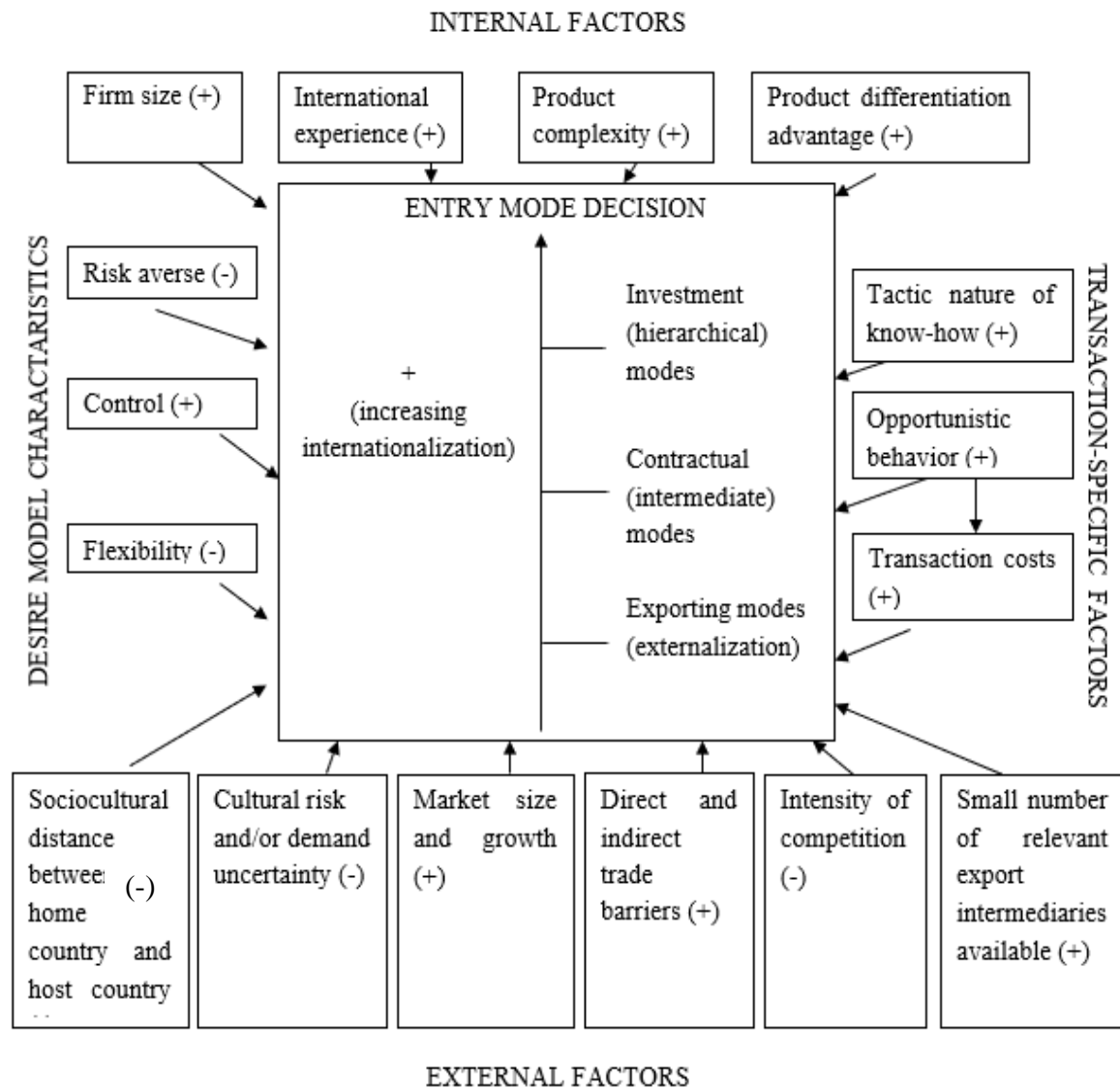
There is another, more complex, model of entry mode choice by Hollensen (2007), that consider four determining factors of decision-making:

- Internal factors related to the company,
- External factors concerning the environment of the host as well as home country,
- Specific features of different entry modes and
- Transaction-specific factors.

Altogether, Hollensen recognized 16 different determinants, that have positive as well as negative effect on the process of internationalization. More is shown in the figure 3, where

+ means increasing and – means decreasing the intensity of internationalization.

Figure 3: Factors affecting foreign market entry choice



Source: Hollensen (2007, p. 298).

### 3.4 Foreign market entry timing

Foreign market entry timing focuses on motivation, consequences and sustainability of when entering foreign market (early or late). Timing focuses mainly on how quickly firm enters foreign market, compared to rivalry firms timing. Timing to enter the foreign market for a firm starts, when it comes to change in economic environment or the change in social environment. This kind of change produces an opportunity for a firm to compete on a new market, as the opportunities evolve in the environment (Schumpeter, 1983).

When this opportunities bring enough profit from capitalization, also other firms are

interested to enter the same market, but the markets are imperfect and heterogeneity exists (resources, capabilities and information) between the firms. That is why, certain firms (pioneers or first mover firms) are better at identifying, responding and capitalizing on market opportunities, compared to other firms. For better understanding, pioneer firms possess an initial resource or a kind of information irregularity that helps them to identify and explore market opportunities ahead of other firms. Advantages for the pioneers exploring a new market is higher financial performance, market share, more media visibility and stronger reputation (Dykes & Kolev, 2018).

Lieberman and Montgomery's (1988) framework became most popular to examine advantages and disadvantages. The advantages are:

- Technological leadership (by achieving economy of scale or by keeping secret of proprietary knowledge),
- Buyer switching costs,
- Pre-emption of valuable assets,
- Brand loyalty and
- Seizing profits.

But the advantages are hard to sustain and are more temporarily, till other (competitive) firms start exploring the same foreign market. Firms that enter market later (later movers) can exploit on resolution of uncertainties, discontinuities in the marketplace or incumbent inertia and by this they can revoke the advantages of early movers. Later movers can also have more innovative approach and use their own resource and strategies to succeed on the market. Similar goes for non-market actions (litigation) taken by followers and in this way capture certain market share from the first movers. One of the ways to erode advantages that first movers acquired, is to imitate their products and strategies (Dykes & Kolev, 2018).

Despite the long history of observations of firms entering foreign market, still the best choice is to be the first mover (first mover advantages or FMA). FMA is logical and it shows the best results on the market and that is why the firms that are the first movers also show the best results at entering foreign market then the firms that follow first movers (Dykes & Kolev, 2018).

#### **4 HOST MARKET ANALYSIS**

The foreign market I choose to expand the business is Austria's capital city Vienna. Firstly, I will explore the market in general, to get familiar with it based on PESTEL analysis and continue with microenvironment analysis employing Porter's Five Forces.

The analyses will be conducted for Austria and where possible also on the country's capital city Vienna. The analyses will provide for better decision which business or businesses



will likely to expand on the foreign market, in this case Austria and more specific; Vienna.

PESTEL analysis (or macro environment) is why it is also widely used management method that assess major external factors. These factors are Political, Economic, Social, Technological, Environmental and Legal that influence operation to become more competitive on the market. Political aspect focusses on government stability and changes in legislation that affect economy, specific industry and the organization in question. Economic part covers exchange rates, economic growth, employment rate, inflation and interest rate. Social factors are demographics, age distribution, cultural attitudes and lifestyle trends. Technological component takes into consideration development of technologies in the country or specific sector (Kenton, 2020). Environmental factors are new in this analysis due to increasing supply shortage of raw materials, pollution etc. and include environmental and ecological point of view. Legal factors can lap over with political factors, but are more specific about the law concerning the business in the foreign country (David, 2021).

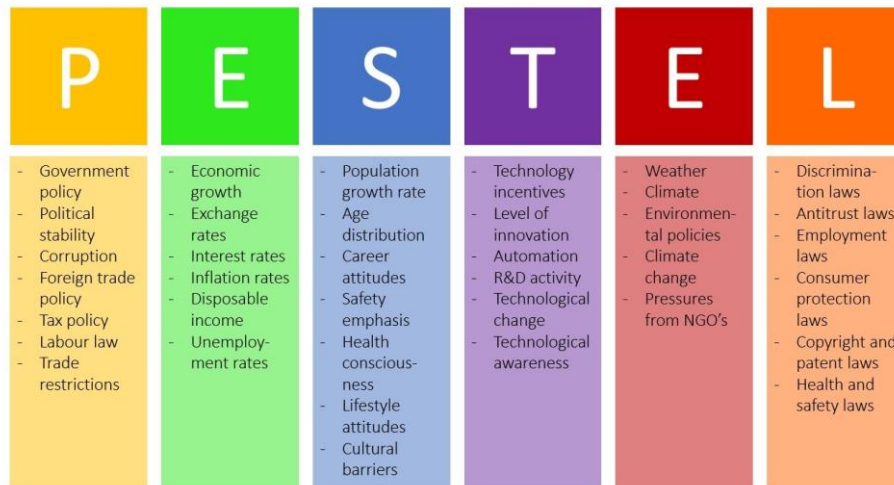
Microenvironment is in the near surrounding of the company and with a good collaboration with macro environment it can contribute to a successful and consistent business operation. Micro and macro environment are working together and if something is wrong in one environment it can be felt in another environment (Pratap, 2017). For the purposes of this master thesis, the Porter's Five Forces will be conducted. The model will be used to analyze the target marker and its industry.

#### **4.1 Macro analysis of Austria**

As mentioned above, PESTEL analysis is a tool to analyze and observe the macro-environment factors that may affect the business on the market. PESTEL analysis is derived from PEST analysis, where political, economic, social and technological factors were being observed, but recently, due to the increasing meaning while conducting business, environmental and legal aspect were added to the analysis.

Each of the PESTEL factors has a lot of "ingredients" to be analyzed, but for the purposes of this master thesis this "ingredients" are identified in the Figure 4 (on the next page) and will be the best for my analysis of macro-environment.

Figure 4: PESTEL factors to be analyzed



Source: Business-to-you (2016).

#### 4.1.1 Political factors

These factors are the ones that tell you how and to what degree a government intervenes in the economy or industry. In Austria Chancellor submits a government policy statement and it consists of the policies the newly elected government would like to pursue. It is not a legal obligation to follow it, but it is a commitment.

Austria is a democratic constitution state, which is also proven by analytics performed at Sustainable Governance Indicators on Austria in 2019 (Sustainable Governance Indicators, n.d.d). Its Quality of democracy rating has not changed since 2014, ranking it 15 among 41 OECD (Organization for Economic Co-operation and Development) countries. Having fair elections, well developed voting and civil rights but on the opposite side some problems touching the media structure (social media opened the options to hate speech, which is already trying to be suppressed) and discrimination against women and minorities pushes them in upper-middle rank Sustainable Governance Indicators identified political stability as one of the things that needs to be improved (Sustainable Governance Indicators, n.d.b). They issued a suggestion to use a Swiss alike model; establishment of long-lasting coalition consisting out of all major parties with substantial improvement for direct voter participation. Long-lasting coalition will provide political stability, while direct voter participation will enable the cartel-like government structure an option for more correct decision making (European Commission, n.d.).

Transparency International yearly analyses corruption in 180 countries from all over the world and then ranks them accordingly to the score perceived. The latest data are for 2020, where Austria scored a score of 76 out of 100 (perceived level of corruption in public sector, meaning 0 highly corrupt and 100 very clean). This score is relatively the same over

the last four years and it ranked them 14 out of 180 countries being taken into the account (Transparency International, n.d.). Even though Austria is ranked high on the list, the score perceived is still bad. Some improvement should be made in this area. They have established an independent branch of public prosecutor's office dealing just with corruption, which already has an impact on it and improvement has been detected, but is still far from perfect, especially dealing with political independence (Sustainable Governance Indicators, n.d.d).

As per the foreign trade policy, Austria is a member of the EU's customs union, hence it implements common EU trade policy. Concerning the trade measures in Austria the EU Common Custom Tariff applies (European Commission, n.d.):

- Common external tariff
- Import/export embargo of specific goods (for example; ingredients that harm the ozone layer, goods originating/selling them to selected countries like Iran, North Korea, etc.),
- Import/export control of specific categories of goods (cultural and luxury goods, products and material containing greenhouse gases, control on animals and goods, etc.) and
- Limits on quantity.

Corporate tax in Austria is set at 25 percent and the business environment of Austria is perceived as one of most business-friendly country. For 2020 a further reduction was announced. Compared to other European countries, Austria is doing very well with attracting new investors thanks to tax reduction (Invest in Austria, n.d.).

The last thing concerning political factors is employment law. Austria's employment law consists out of different statutory regulations, like white collar workers statues, working hours legislation, paid vacation, labor protection act, etc. Together with legal resources also collective agreements are used (Loescher & Popp, 2019).

#### 4.1.2 Economic factors

In the table 7 the most important economic factors are stated, which are explored more in details under the table.

*Table 7: Main economic indicators for Austria in 2020*

<b>Economic indicator</b>	<b>Value</b>
GDP (in US dollars/capita)	55.340
Short-term interest rate (in %)	-0,54
Inflation rate (in %)	1,38
Household disposable income (annual growth rate in %)	1,50
Unemployment rate (in %)	5,80

*Adapted from Organisation for Economic Co-operation and Development (n.d.).*

These factors show the picture of countries economy. Economic growth in Austria is and also was in plus since 2000, except in 2009 when economic growth hit -3,8% because of world economic crisis. In the last 4 years, Austria experienced more then 2% economic growth (Wirtschaftskammer Österreich, 2021), but it is predicted that the economic growth will slow down. Based on the historic data, Austria central bank predicts that domestic consumption (one of the biggest driver of GDP) will grow at the same rate as in previous year and the government spending will slightly rise. On the other side, export will go down, but not as much as import, which has predicted fall for almost 2 percentage point (Wirtschaftskammer Österreich, 2021).

Austria is using Euro as official currency since 1<sup>st</sup> of January 2002. The same currency is used by the 18 rest Euro area members (the same currency is also used in Slovenia). Considering that both countries are using the same currency, exchange rates can not be applied here. From 1998 until 2019 interest rate in Euro Area averaged 1,88% and it is 0% since March 2016. Austria interest rate is set by European Central and its main function is the main refinancing operation (Trading Economics, n.d.a).

Inflation rate in Austria is measured by the change of prices that the consumers spends on standard basket of goods. At the end of the 2019 inflation rate was at 1,1% and is remaining at down low since September 2016 (Trading Economics, n.d.b).

Average net-adjusted disposable income per capita in OECD is 33.604 USD (converted on 6<sup>th</sup> January 2020 to 30.019,56 EUR), while in Austria net-adjusted disposable income per capita is just slightly below average in OECD at 33.541 USD (converted on 6<sup>th</sup> January 2020 to 29.963,37 EUR). Nevertheless, Austria ranks above the average at income and wealth comparing to other countries that are taken into the account in Better Life Index created by OECD, where 11 social indicators are examined and compared (OECD Better Life Index, n.d.).

In December 2019 unemployment rate reached 8,5%, meaning altogether a bit less then 350.000 people were unemployed. In last half a year the unemployment rate arose for 2 percentage points. Average unemployment rate from 1960 to 2019 is 5% (Trading Economics, n.d.c).

#### 4.1.3 Social factors

Each country population has its own preferences on customs, values, characteristics as well as population trends (population growth rate, age distribution, etc.). At the beginning of the year 2020 Austria population is a bit less than 9 million and population growth rate is declining. In 2019, yearly population growth rate in Austria was recorded at 0,72% and it is estimated to reaching 0,57% in 2020.

At the starting of the year 2020, population distribution was following (Worldometer, n.d.):

- 0 – 14 years old: 14,40%,
- 15 – 24 years old: 10,70%,
- 25 – 54 years old: 41,50%,
- 55 – 64 years old: 14,20% and
- 65+ years old: 19,20%.

As it can be read from the list of age distribution, the biggest proportion of population is in its middle age, while the rest of population distribution is evenly distributed.

Based on the knowledge gathered on Austrian population during writing this master thesis, I can say that older population attitude towards career is more traditional orientated, meaning they want a steady job in one organization, which provide them stability and security. Younger population in their 20s are keener on newer look on the careers, meaning they want to craft their own career path by changing employer frequently.

Austria is considered to be one of the safest countries in Europe, there is no specific risk to threaten its residents and tourists. The biggest concern that can be addressed about safety is theft or to be more specific pick pocketers, which operate on public transport and at most visited tourist sights. The second biggest danger in Austria is natural danger, which is all around us (Lonely Planet, n.d.).

In 2018 website RunRepeat conducted an analysis on the 4 categories; eating, workout, rest and misc. Altogether in all 4 categories, there were 38 topics, based on healthy lifestyle. Based on this analysis, Austria was ranked 18, which puts them quite high on how health conscious Austria is (Khan, 2021). Its health system is perceived to be very well developed and health insurance covers 99% of their residents.

Lifestyle in Austria is considered to be relaxing with gratitude for quality food. Austria offers a lot of different activities to be done outdoor, which are easily accessible by public transport, accomplished by good working conditions (The Local Europe AB, 2015). All these are very valuable and attractive to tourists that decide to visit Austria, and it also make it very desirable to live in.

There are no huge cultural barriers in Austria, their values are common to those found in the rest of Europe. They put an emphasis on family values (spending weekends with family and eating dinner together), their home (place to relax, where only family and close friends can visit), conservatism (prudent and moderate behavior and very organized) and appearance matters (presentation and dressing nice is important, even when informal). As said before, there are not a lot of cultural barriers to look after and Austrians are very open and adaptive (Commisceo Global Consulting, n.d.).

#### 4.1.4 Technology factors

Technology is playing bigger and bigger role in ever changing environment and doing business is also one of them. In this category, it is analyzed how the technology is perceived in the country and what effect does it have on doing business. Austria is perceived to have developed information and communication technology, for what their technology initiatives can take all the credit, such as Silico Austria Labs. Technology plays an important role in Austrian economy and is expected to continue to expand. One of their goals is to become a leader in the digital world, which can also be seen through investing a lot of money in information and communication technology innovations and research (Baghdady, 2019). In the favor of how developed information and communication technology sector is in Austria, is the data from 2017, where this sector brought 3,9% of their GDP and 7,0% of the total trade in goods. From 2014 to 2018 Austrian Ministry for transport, Innovation and Technology spent more than 385 million US dollars on further developing of information and communication technology (International Trade Administration, n.d.).

Based on nine indicators analyzed in 19 Eurozone countries, Austria is rated 5<sup>th</sup> in terms of its innovativeness. This is all thanks to large investments made on research and development (further R&D) in Austria and individual development on the nine federal states, which accompany each other well. Investments made on R&D between Eurozone members puts them on the first spot in connection of GDP. They also have a large number of patent application and the potential of their younger population is also perceived as high (Invest in Austria, 2019).

From large spending on R&D in Austria I can say that technological change in Austria is turning fast, that means that the process of invention, innovation and diffusion of technology is a fast process in Austria. Austria is spending a lot of money on R&D that boost new inventions and innovations and the whole economy in Austria is working well to diffuse new technology through the industry, where new inventions and innovations are needed. Consequently, the technological awareness is spread among the employers that pass the knowledge and the technology among their employees. This is a must, if the owners of companies want to grow further in a future and adapt to change and be ahead of competitors (Invest in Austria, 2019).

#### 4.1.5 Environmental factors

Weather in Vienna is the same as it is across the whole country; continental weather, with colder winters and hot summers with modest rainfall/snowfall through the whole year. May, September and beginning of the October are considered to be the driest months, while the wettest months are April and November (WeatherOnline, n.d.). From December to March usually the snow is present through the lowest parts of country, but snow presence in Vienna is rare. The coldest month of the year is believed to be January with

average of 0,5 degrees Celsius. Maximum temperature in the summer reaches 26 degrees Celsius with cool nights (Climates to travel, n.d.).

Austria has been known to accept environmentally conscious decisions, but the recent governments are less dedicated to lower the carbon-dioxide discharge. This can be seen from the saying of the government to be dedicated to Paris climate agreement, but they are sending out an opposite signal. Overall Austria scores low rank of 24, regard to environmental policy among 41 OECD countries. The government also try to act in national interest and tries to speed up authorization of new projects and in consequence avoid environmental regulation. Output of carbon-dioxide in the transport, industry and commercial sector has also raised in the last couple of years. Lobbyists are also playing a crucial role with emission output, by keeping carbo-market prices low and additionally eliminate the efforts to lower industrial greenhouse-gas output. Even through the country leaders are aware of the consequences of high emissions released in the environment, they try to reach high economic growth and as a consequence the carbon-dioxide levels can not be lowered (Sustainable Governance Indicators, n.d.a).

#### 4.1.6 Legal factors

Regarding the legal factors, Austria has a well-established legal basis. Discrimination law prohibits discrimination on many different levels:

- Ethnicity,
- Religion/beliefs,
- Disability,
- Age,
- Sexual orientation and
- Gender.

And it applies on all characteristics of work, social benefits, education, social protection and publicly available goods and services (Federal Ministry of Labour, Social Affairs and Consumer Protection, 2016).

Concerning the antitrust laws in Austria, they have established an organization on government level; Federal Competition Authority. It has been established in 2002 and they are performing investigations of possible infringements of antitrust law and European competition law. Their main role is to guarantee and sustain competition with the use of means on their disposals, such as merger control, detection and prosecution of cartel agreements and the mistreatment of market power. At the same time, they want to build awareness, transparency and external communication in directive to eliminate antitrust behavior. They do not work only on national level but are also trying to reach foreign public authorities to increase proficiency and enable even better antitrust and cartel regulations (Federal Competition Authority, n.d.).

Austria's employment law consists mainly on various statutory regulations such as white colour workers statute, work statute on working time, statute on paid vacation and labor protection act. More than 95% of employment relationship also use collective agreements together with statutory regulations (Loescher & Popp, 2019).

Consumer protection law in Austria (Austrian Federal Act on Consumer Protection) mainly covers contract law, damages, housing and tenancy law, financial services, unfair competition, utility services, legislation on displayed prices and product safety. They are based on consumer law accepted by EU in 1990s. The act differs from sector to sector, depending on buying in the store, online or type of transaction being made (Klein, n.d.).

Austrian Patent Office is responsible for invention needed for protecting the interest of scientists and developers and are dealing with following federal statutory laws (DLA Piper, 2021):

- Copyright,
- Patent,
- Utility Models,
- Trademarks,
- Semiconductors,
- Designs and utility patents and
- Trade secrets.

As already discussed above, they have a high application rate of patents and other shapes of intellectual protection and the government is also in favor of it and are encouraging younger population to innovate and to be creative.

As a developed country, Austria has a strict rules regarding the safety on workplace. The employer is required to ensure safe and healthy work environment and if it is needed also a safety expert and an occupational physician should be used. Work council has to be set in all the companies that employ 5 or more workers. Company that has more than 10 workers a health and safety representative should be appointed, while in the company where more than 100 employees (or 250 in offices) a health and safety committee should be set up (Etui, n.d.).

## **4.2 Micro analysis of the target market of Vienna**

Republic of Austria is located in Central Europe and Vienna is its capital city and at the same time it is also a state. It is the biggest city in Austria and is a home to approximately 1.8 million people (data from January 2017). As it is common to most capital cities also Vienna is a cultural, economic and political center of Austria, with a rich heritage.

Vienna was founded by Romans in the first century CE and it was on the border to its



enemies from the north; Germanic tribes. It played a huge role in the world history, by hosting Habsburg court for several centuries; seat of the Holy Roman Empire, latter becoming a capital of the Austrian Empire as well as Austro-Hungarian Empire, which fell in World War I in 1918 (Wikitravel, n.d.). In the World War II, it was part of Adolf Hitler's "Greater" Germany. After the war, Austria was occupied by Allies forces and divided in five zones. By State Treaty in 1955, Austria became independent again and Vienna became a capital city of a sovereign Austria (Ehrlich, Hill & Holzner, 2019).

Population of Vienna consists of mostly elderly, the density of population is being decentralized from the city center and it is known for its low birth rate and small family size. It is being estimated in the beginning of this century that one-fifth of Vienna population is coming from other countries and this percentage has certainly increased in the past two decades. Religious believes among the population is divided in two-thirds of Roman Catholics and small number of Protestant.

European capitals economies are known for being driven by commerce and industry and Austrian capital city is no different from others. One of the biggest employers in Vienna are government institutions and public administration on all levels. Since the city is known for its rich history and playing an important role in it, one of the most important economic activities is tourism (approximately two million visitors per year). One quarter of the jobs in Austria are centralized and provided by the capital city and it is deserved for on-third of gross national product (GNP). But the city is facing a problem. As mentioned above, the majority of population are elderly people and the reduction of active workers is lowering in Austria's capital. This has led to increase of demand of workers from other countries, which are needed mostly in service sector (Ehrlich, Hill & Holzner, 2019).

Vienna's industry plays an important role on the national level as it produces a bit less than half of consumers goods in the whole country. Below are listed some of the industries that are leading in the capital city:

- Electric machinery,
- Transportation equipment,
- Electrical products,
- Chemicals and
- Metal products.

In wider surrounding of Vienna, the important role plays also oil processing, brickmaking and cement works.

Vienna is also known by its unique products, such as jewelry, ceramics, textile, music instruments, laboratory equipment, furniture, leather and carpets.

There is an increasing number of "whit-collar" workers, civils servants and public employees, as service industries provide half of the employment in the whole country

(Ehrlich, Hill & Holzner, 2019).

#### 4.2.1 Vienna street food market diversity

Austria's capital is also a home to certain Austrian specialties when it comes to food. World famous is so called Wiener Schnitzel, which is also one of Austria's national dishes. It is basically a thin veal outlet (it can also be chicken, pork or turkey meat), that is breaded and fried. Another dish that is specialty from Austria is Tafelspitz; a stew that contains boiled beef, horseradish, applesauce and chunks of potatoes. Next dish is similar to those you can find in Hungary and Czech Republic and it is called goulash. It is also a stew, containing beef meat, potatoes, different condiments (paprika, tomato, etc.) and other spices. On the cheaper side there is so called Würstel (Viennese Sausage) and it comes in different types and is considered as fast food in Austria. It is a simple sausage, sliced, with mustard or other sauce and bread on the side (Sturzaker, 2018).

Vienna is also known Sachertorte (chocolate cake), Apple Strudel and other dishes, which serve more as a dessert. When it comes to street food, Vienna is famous for, as it is mentioned above, Würstel; Viennese sausage that comes in many flavors and different toppings of your choice. It can be described as a hotdog, but it is still different, as you get bread separately and not the sausage in the bun, like hotdogs usually look like. As in most Europe, also in Austria, Turkish style street food is very popular and is broadly dispersed across Vienna. They offer kebabs, wraps, falafel etc. Sandwiches are also quite popular in Vienna throughout the year, while in winter maroni (roasted chestnuts) become popular. Pizza and Asian food is also popular among population (Culture Trip, 2017).

Conclusion from the analysis of the food that is offered and consumed (preferred) by population and tourists in Vienna, no burger restaurants came across our list. But after searching deeper, I came across quite a lot of burger restaurants positioned in Vienna. They did not make the list, from the reasons, that this trend is not that popular in Austria as it is in Slovenia at the moment, but the trend is growing and an opportunity can be scented to expand to the market and capture certain market share.

#### 4.2.2 Vienna's "burger" competitor analysis

For the purposes of this master thesis, I conducted an analysis of offering and prices of burgers offered in 13 burger restaurants in Vienna, based on the article "13 of the best burgers in Vienna posted by Vienna Würstelstand" where they have explored the market of burgers and decided to post 13 of the best burgers offered in Vienna. In this way, it will be easier to identify preferences of the consumers and what kind offering is already present in Vienna, what new can selected companies bring to the market, prices etc. (Vienna Würstelstand, 2019).

Burger restaurants analyzed from the article are:

- Weinschenke,
- Burger's Bar,
- Rinderwahn,
- Omnom Burger,
- Beaver Brewing Company,
- Burger de Ville,
- Flatschers,
- Said the Butcher to the Cow,
- Hawidere,
- Die Burgermacher,
- Hotel Daniel,
- Cavallo and
- Ulrich.

According to Vienna Würstelstand's Team (Vienna Würstelstand, 2019) five essential things were noticed. First thing that is different to most of the burger restaurants in Slovenia is the working hours. Closing times in Slovenia is usually around 10pm during the workdays, midnight on weekends and on Saturdays this type of restaurants are closed. In Vienna, most of burger restaurants are opened till midnight or even longer throughout the week. There are some exceptions, when they close earlier or have special working hours, some of them open towards the evening, at around 5pm. This can be written to bigger and more active population. Having more things going on in the city and at the latter hours also during the week, the people who attend these events want to go grab something to eat and drink afterwards. The number of tourists visiting Vienna is also higher, which tend to explore the night live of the city (Vienna Würstelstand, 2019).

Second thing being noticed is the offering. When it comes to “normal” burgers, they are pretty much the same as in Slovenia. Bun (different types, what you also find in Slovenia), beef minced meet, vegetables and toppings (BBQ souse, mayonnaise mixes etc.) are the main ingredients and here we can find no difference compared to Slovenian market. The sizes of the burgers vary from the restaurant to the restaurant in Vienna, while in Slovenia there is a little difference between the size of the burgers being offered in Slovenian burger restaurants (except if you wish so). The so-called specialties (stakes etc.) have also been on the menu in Vienna's burger restaurants, they have also been exploring American barbecuing and putting it on the menu, what is similar to the offering found in Slovenia. The side dishes, such as French fires and other type of potatoes, are the same as in other burger restaurants in Slovenia, not much of the difference, as well as when it comes to barbecuing style. Preferred style of preparing the meet is on gas or electric barbecues, some restaurants use charcoal, but are very rare (Vienna Würstelstand, 2019).

The third thing identified is an offer for vegetarians and vegans. Compared to Slovenian burger restaurants offering, you can find some small offerings for vegetarians/vegans in some of the restaurants they do not even have this kind of menu. According to the article, in Vienna it is much easier to find vegetarian/vegan burgers, so also people who prefer different tastes or do not like meat. In addition, they do not just offer one version, but usually more versions of vegetarian/vegan burger, so they can satisfy different tastes. In comparison to Ljubljana, where you usually need to go to a specialized vegetarian/vegan restaurant if you want to satisfy even the most demanding taste. So, when entering the Vienna burger market, the company entering the market would have to reconsider about putting more vegetarian and vegan options on the menu.

My fourth notice is the price. In Vienna, there is a rare burger restaurant that offers burgers under 10€. The price of a burger is averaging at around 15€, which is almost 200% more than a buyer spends in Slovenia for a burger. To find out why the prices are higher in Austria compared to Slovenia, a PESTEL analysis was performed. Derived from it, the price is higher because of the higher income of the population, higher prices of ingredients and overall higher purchasing power (Vienna Würstelstand, 2019).

Fifth and the last thing noticed from the preferences of consumers of burgers in Vienna is the drinks. As in Slovenia, the trend of craft breweries is being spread over Austria and the preferred drink when eating a burger is beer. There are many types of beer being offered and the taste is pretty much the same as on the Slovenian market. The prices of the beer in Austria are also higher, compared to already pretty high prices in Slovenia. When it comes to non-alcoholic drinks, the most popular are different fizzy drinks and juices (Vienna Würstelstand, 2019).

To conclude, the Vienna burger market is not that much different compared to the burger restaurants being taken into the observation in the master thesis. Preferences of the consumer are practically the same when it comes to the burgers, side dishes and drinks. Prices are higher and working hours are different, which may affect the business which will be selected to expand to Vienna. But the company could easily adapt and function normally on the Austria capital street food market.

#### 4.2.3 Porter's Five Forces

As indicated in the name, the model consists out of five competitive forces, found in every industry and they help identify specific industry's weaknesses and strengths. Those five forces are (Porter, 1980):

- Competition in the industry,
- Potential of new entrants into the industry,
- Power of suppliers,
- Power of customers and

- Threat of substitute products.

The model is used to pinpoint the structure of the certain industry to define corporate strategy; to get to know your competition and enhance a company's long-term profitability.

#### *4.2.3.1 Competition in the industry*

This factor explores the rivalry among the firms on a foreign market, before expanding on a foreign market. The rivalry on the foreign market encourages companies to keep innovate them self and be creative. This gives them the ability to compete internationally and, in this way, give them certain competitive advantage (Porter, 1980).

All the companies in Vienna analyzed above have the same strategy; try to prepare and offer the taste as similar as it can get to the American style burger. They try to achieve that with use of the sauces (for instance BBQ sauce), different ingredients (like bacon), style of preparing the meat (use of charcoal grill), etc. To conclude, they all want to make the best copy of American style burger. But at the same time, they also want to be different from each other, with experimenting with new tastes and styles and that is what differs them from one another.

Since all the companies on the Austrian market are smaller, usually only one location. There are four different basic types of organization being recognized: functional, divisional, matrix and flatarchy. Because of the size of the companies, number of employees and division of work, all of them use functional type of organization. This type is simple; work divided in smaller groups, which has its intended role. This role gives an advantage of every employee being designated for a job he is best at. This means that chefs are in charge for preparing the food, helpers are designated to need help to the chefs (at preparing the food, serving the food) and people working on the cash register are designed to take care of orders, serve drinks and take care of the tables. This type also has a down size, because there is no rotation and bad communication between the divisions and can influence the business in the bad way; employees can develop "tunnel vision", meaning they see company only from the work position they work on, and not as a whole entity (Porter, 1980).

Based on the size of the thirteen companies being analyzed, the managerial system is quite simple. All of the companies are relatively small. The ones with only one location, there is usually owner, manager, shift leader and others. If there are two ore more locations, there is just a more branched out managerial systems, since there are multiple locations to be managed, but with the same mentality.

There are thirteen companies that are being analyzed from Vienna's market and there are plenty more companies that are offering burgers in Vienna; some are smaller, and some are bigger competitors. But population of Vienna is more than 2 million people (same as the

whole Slovenia) and taste varies from person to person. Since Vienna is culturally much more diverse compared to Slovenia, there is still room for new entrants on the market and competition is not that harsh yet. The prices of the product (in this case burgers) in Vienna are higher, if we compare a price of a “standard” burger from Vienna and the Slovenian brands being analyzed in the paper, but at the same time the ingredients also cost more in Austria, which brings the price of the products up. The margin being made on the burger in Vienna, compared to Slovenia, is still much higher, since the purchasing power of consumer is also higher.

#### *4.2.3.2 Potential of new entrants into the industry*

Since this type of fast food is becoming more and more popular also in Austria, there could be even more competitors trying to enter Austrian market from other neighboring countries. For example France and Germany are well known for their gourmet kitchen, which is appreciated all around the world and enjoyed to be consumed by the tourists. Companies from France and Germany may also be searching a way to enter a new foreign market with their products and at the same they also have much better equity compared to companies coming from the South European countries.

In addition in the food industry, there are many new entrants every day as well as many companies which are leaving the industry, because they did not reach a break even point. Food industry is ever changing and quite easy to enter it, so certain threat of new entrants always exist, but to survive in the industry, you have to be unique.

#### *4.2.3.3 Power of suppliers*

The ingredients needed for normal everyday work for this kind of business are better to be taken from local suppliers. There are many reasons for this. To prepare high quality food you need fresh ingredients and the best way to get them are local suppliers. The best for providing the freshness are local farms and butchers, that provide home grown and raised ingredients. For higher quantities of ingredients, larger supplier is needed to satisfy these needs, but usually they still provide locally produced ingredients. So, it makes no sense in this line of business to import them from the home country (in this case Slovenia), because local ingredients ensure better quality and in consequence also competitiveness. On the other hand, also customers prefer to eat products from local suppliers for many reasons; it makes them feel good to support local businesses, prefer to eat local than imported food, they get a feeling that company notices the importance of local environment, gives them security of eating fresh and not frozen food, etc.

There are many local suppliers found on the Austrian market, which offer local ingredients for an industry as this. In this way the company trying to go abroad could negotiate a better price and get the top notch (by quality and demand) ingredients for their product.

#### *4.2.3.4 Power of customers*

This factor analyzes demand more in detail. More complexed the demand, more it pushes companies to be creative with their product, quality etc. And this also gives them ability to grow attributes that would help them with expansion on international market.

Food is a people's basic need and as a result, there is a huge demand for it. Of course, there are different preferences and tastes for it, depending on habits, religion, resources, etc. Since the burger became really popular in less couple of years and are a popular choice for lunch and dinner for individuals, couples, families, small and large groups, etc. the size of the domestic market is quite big, as we can also see from the supply (of burger restaurants) there is on the market. The demand for food is present all around the world, and the markets of Slovenia and Austria are quite similar regarding the preferences of food. But in all together the customers do not have a sophisticated and demanding taste (at least not the majority). There is a small group of gourmets that have a high-end taste for the specialties that can be found in the land of BBQ, America. These specialties are mostly pork ribs, pulled-pork, briskets, beef jerkies, etc. And the six brands taken into the account of this master thesis are trying to prepare and bring these tastes to the customers. Usually these specialties cost more and are a seasonal offering and can not be accessible through the whole year. So, there are people with sophisticated and demanding taste, and it can be satisfied by the suppliers on Austrian market. But the need for food can also be satisfied with different food, the one that is not burger. As already analyzed, there are other types of street food or fast food that can act as a substitute to a burger; kebab, big chains of fast food (such as McDonald's), etc. And if the customer also has time and is more patient, it can satisfy it's need in a proper restaurant, where is also a larger selection of different food.

#### *4.2.3.5 Threat of substitute products*

It often happens that in order to create additional value and increase competitiveness, related companies sometimes need to form alliances, just to create that. The most important role in creating additional value and competitiveness are suppliers. If the suppliers are already competing out of the borders of home country, they can create better, higher quality products, which are relevant for the company (Porter, 1980).

As already discovered, there are many related competitive industries present on Austrian market, but because of the nature of the industry, they do not want to collaborate. Each of the burger joints has its own style, value, mission and vision. They do not want to collaborate, because they do not want to share their recipes to a competitive company, as they can take an advantage of it. But on the other side, this forces the company to be more innovative and search for higher quality inputs and as a result also present more innovative and a higher quality output. And this alone increases companies' competitiveness and increase their chances of presence on the foreign market.

## **5 SWOT ANALYSIS OF SELECTED SLOVENIAN BRANDS ON VIENNA MARKET**

SWOT analysis is a 2x2 matrix and consists out of four factors:

- Strengths,
- Weaknesses,
- Opportunities and
- Threats.

And its purpose is to explore internal factors (strengths and weaknesses) and external factors (opportunities and threats). The analysis will answer what company has the best chances surviving on the international market, from the view of what it already possess in its knowledge and equipment to be competitive on international (Humphrey, 2005).

SWOT analysis is simple to conduct and answers many questions that can company identify what their potential is and where they are harmful at and they have to improve. It gives them a better picture of their business, their position and their direction on the market. For the purposes of this master thesis, it will give me a better picture, of what strengths company possess and what are their weaknesses. If the company wants to grow and improve, they need to be aware of their weaknesses. Strengths and weaknesses together form internal environment. On the other side, there are opportunities and threats, which together form external environment. Opportunities tell the company, what is their potential and forces them to be innovative and identified threads teaches them be open to change. The matrix also form helpful factors, consisting out of strengths and opportunities and harmful factors, consisting out of weaknesses and threats (Humphrey, 2005).

### **Strengths**

Strengths can also be expressed as companies' competitive advantages; highly valuable, rare and hard to copy. Some examples of competitive advantages are brand reputation, innovative products, know-how, etc. This makes one company different from another as they can produce and offer something unique, of what competitors can make just a bad copy. It also gives them the ability to grow further (Humphrey, 2005).

### **Weaknesses**

Weaknesses express shortcomings of the company. Companies need to be aware of them, since they can be damaging. Couple of examples is bad reputation on the market, poor leadership, incompetent production and workforce, etc. Only if the company is conscious of them, it can give them a chance to undo the weaknesses and turn them into strengths (Humphrey, 2005).



## Opportunities

This is an external factor and may have a beneficial result on the company, if they manage to turn them into their advantage. The best way to analyze this external factor is with PESTEL analysis and Porter's Five Forces (Humphrey, 2005). PESTEL analysis was done for the Vienna and opportunities on the foreign market will be explored.

## Threats

Threats is also an external factor and can cause problem in the future for the company. To manage them, the company has to be prepared for them and if it necessary, avoid them. PESTEL analysis can also be applied here (Humphrey, 2005).

### 5.1 Pop's place SWOT analysis

Pop's place is very popular among the population of Ljubljana and often you can see famous faces entering the restaurants. The name is very known among the Slovenians and the prices of their products are equivalent to the reputation of their brand. Even through the charcoal use for grilling is more and more popular as well as preferred from the customer point of view, they use an charcoal oven, which brings certain limitations, such as dependence on charcoal, skilled professionals to operate it, appropriate environment etc.

Table 8: Pop's place SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"><li>- Charcoal oven (for the barbecuing style),</li><li>- Brand name,</li><li>- High quality ingredients,</li><li>- Unique, high end products,</li><li>- Skilled employees,</li><li>- Unique experience that can be enjoyed also on foreign market,</li><li>- Product that satisfy tastes also abroad (not complicated product),</li><li>- Location of the restaurant in home market and</li><li>- Innovativeness.</li></ul>	<ul style="list-style-type: none"><li>- Use of charcoal oven produces unwanted gasses, can be harmful to the employees and can cause unwanted accidents,</li><li>- Size of the charcoal oven (bottleneck),</li><li>- The charcoal oven also needs skilled professionals that have knowledge on how to operate with it,</li><li>- Small offering of the drinks,</li><li>- Appropriate working environment for the charcoal oven need to be satisfied (ventilation, fire extinguishing devices, area with a lot of air etc.),</li><li>- Price to size ratio of the product and</li><li>- Price of the ingredients.</li></ul>

table continues

Table 8: Pop's place SWOT analysis (cont.)

Opportunities	Threats
<ul style="list-style-type: none"> <li>– Population has higher purchasing power, meaning they are also more willing to spend more money and</li> <li>– Use of charcoal to prepare food is increasing and is more and more popular among the customers.</li> </ul>	<ul style="list-style-type: none"> <li>– Problems with supply of charcoal,</li> <li>– Increasing prices of charcoal,</li> <li>– Lack of work force that have knowledge on how to operate with charcoal grill,</li> <li>– Problems with supply of unique ingredients found on home market maybe can not be found on foreignmarket,</li> <li>– (continues on the next page)</li> <li>– Price of the ingredients,</li> <li>– loyalty domestic brands,</li> <li>– Higher prices of rents and</li> <li>– COVID-19 is proving to be a huge threat to restaurant businesses in</li> <li>– terms of intervention laws of</li> <li>– necessity to be closed to help prevent the spread of the virus consequently losing the profits.</li> </ul>

Source: own work.

## 5.2 Hood burger SWOT analysis

Hood Burger has introduced the burger as we know today on Slovenian market and most of the younger and middle age population has heard off. But Austria's capital city already has some big names on the burger scene, so the name would not bring them as much attention as they get on domestic market. On the contrary their history could add the value to their products on the foreign market if they would market it in the proper way. Their products are diverse and ready for new customers, but only if they ready to accept it (ingredients and price wise).

Table 9: Hood burger SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>– Beginner of this type of street food on the Slovenian market,</li> <li>– Highly recognized brand among domestic consumers,</li> <li>– Known products for which people are prepared to spend a little bit extra,</li> <li>– Use of high-quality domestic grown and raised ingredients and</li> <li>– Offering limited edition burgers as well as improving their offer for the customers.</li> </ul>	<ul style="list-style-type: none"> <li>– Very complex ingredients for some of their burgers, which cost more and consequently higher price,</li> <li>– With complex ingredients, the taste becomes more high-end, not something what an "average Joe" is looking for,</li> <li>– Size to price ratio of the product,</li> <li>– Use of electric grills, which are already big, can cause a bottleneck on the turnover,</li> <li>– Price to size ratio of the product,</li> <li>– Presence in only two cities on domestic market and</li> <li>– Small offerings of drinks.</li> </ul>

table continues

Table 9: Hood burger SWOT analysis (cont.)

Opportunities	Threats
<ul style="list-style-type: none"> <li>– The complexity of the ingredients could attract new customers with higher purchasing power,</li> <li>– Offering ingredients from its surrounding (in the case of expanding to foreign market) could attract more customers and</li> <li>– Peoples desire to try new tastes.</li> </ul>	<ul style="list-style-type: none"> <li>– Price of the ingredients used could be harder to find and more expensive to buy on the foreign market,</li> <li>– Higher price of the ingredients would consequently increase the price of the product,</li> <li>– Competition which already offers similar products, which could be at a lower price,</li> <li>– Higher prices of rents and</li> <li>– COVID-19 is proving to be a huge threat to restaurant businesses in terms of intervention laws of necessity to be closed to help prevent the spread of the virus consequently losing the profits.</li> </ul>

Source: own work.

### 5.3 Lars&Sven burgers SWOT analysis

Lars&Sven burgers are very popular among Ljubljana and their surrounding residents as well as among wider population of Slovenia, which is proven with the award by customers as the best “Burger Spot” in Ljubljana, which they have received four years in a row (2016, 2017, 2018 and 2019). This award can indicate their popularity which could also be explored on a foreign market. They reach the wider population of Slovenia with their Foodtruck, meaning they can set up on any location in Slovenia and prepare fresh food right out of it. If the same would be introduced on a foreign market, they could become very popular. On the other hand, they also use high-quality ingredients, which usually cost more and could bring the prices of the product up as well as presence of competition.

Table 10: Lars&Sven burgers SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>– Highly recognized brand among domestic consumers,</li> <li>– Known products for which people are prepared to spend a little bit extra,</li> <li>– Use of high-quality domestic grown and raised ingredients,</li> <li>– They have been recognized four years in a row as a best “Burger Spot” in Ljubljana (by customers),</li> <li>– Six physical locations,</li> <li>– Strong marketing with public figures working with them for a day and participating in charity events and</li> <li>– Foodtruck, which can deliver their products all around Slovenia.</li> </ul>	<ul style="list-style-type: none"> <li>– Very complex ingredients for some of their burgers, which cost more and consequently higher price,</li> <li>– With complex ingredients, the taste becomes more high-end, not something what an “average Joe” is looking for,</li> <li>– Size to price ratio of the product,</li> <li>– Use of electric grills, which are already big, can cause a bottleneck on the turnover and</li> <li>– Small offerings of drinks.</li> </ul>

table continues

Table 10: Lars&Sven burgers SWOT analysis (cont.)

Opportunities	Threats
<ul style="list-style-type: none"> <li>– The complexity of the ingredients could attract new customers with higher purchasing power,</li> <li>– Offering ingredients from its surrounding (in the case of expanding to foreign market) could attract more customers,</li> <li>– If they would introduce Foodtruck also on a foreign market, it would give them a competitive advantage and</li> <li>– Already present in a foreign market (Zagreb, Croatia), which gives them an experience from the foreign market.</li> </ul>	<ul style="list-style-type: none"> <li>– Price of the ingredients used could be harder to find and more expensive to buy on the foreign market,</li> <li>– Higher price of the ingredients would consequently increase the price of the product,</li> <li>– Competition which already offers similar products, which could be at a lower price,</li> <li>– Higher prices of rents and</li> <li>– COVID-19 is proving to be a huge threat to restaurant businesses in terms of intervention laws of necessity to be closed to help prevent the spread of the virus consequently losing the profits.</li> </ul>

Source: own work.

#### 5.4 Jack&Joe steak and burger club

Jack&Joe is very popular among the Maribor residents, but it fails when it comes to being known among the other residents of Slovenia. If they can not explore the possibilities on the home market, they can have similar problems on a foreign market. They have a competitive advantage with the use of an charcoal grill, but it demands people who know how to operate it.

Table 11: Jack&Joe steak and burger club

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>– Charcoal grill (for the barbecuing style),</li> <li>– Brand name in the near surrounding, where the restaurant is located,</li> <li>– High quality ingredients,</li> <li>– Unique, high end products,</li> <li>– Skilled employees,</li> <li>– Product that satisfy tastes also abroad (not complicated product),</li> <li>– Use of charcoal to prepare food is increasing and is more and more popular among the customers and</li> <li>– Innovativeness.</li> </ul>	<ul style="list-style-type: none"> <li>– Use of charcoal grill produces unwanted gasses, can be harmful to the employees and can cause unwanted accidents,</li> <li>– Size of the charcoal grill (bottleneck),</li> <li>– The charcoal oven also needs skilled professionals that have knowledge on how to operate with it,</li> <li>– Price to size ratio of the product,</li> <li>– Appropriate working environment for the charcoal oven need to be satisfied (ventilation, fire extinguishing devices, area with a lot of air etc.),</li> <li>– Price of the ingredients and</li> <li>– Presence on only one location which does not give them an experience on managing multiple locations.</li> </ul>

table continues

Table 11: Jack&Joe steak and burger club (cont.)

Opportunities	Threats
<ul style="list-style-type: none"> <li>- Population has higher purchasing power, meaning they are also more willing to spend more money and</li> <li>- Use of charcoal to prepare food is increasing and is more and more popular among the customers.</li> </ul>	<ul style="list-style-type: none"> <li>- Problems with supply of charcoal,</li> <li>- Increasing prices of charcoal,</li> <li>- Lack of work force that have knowledge on how to operate with charcoal grill,</li> <li>- Unique ingredients found on home market maybe can not be found on foreign market,</li> <li>- Presence of domestic brands,</li> <li>- Higher prices of rents and</li> <li>- COVID-19 is proving to be a huge threat to restaurant businesses in terms of intervention laws of necessity to be closed to help prevent the spread of the virus consequently losing the profits.</li> </ul>

Source: Own work.

### 5.5 7 Burger SWOT analysis

7 Burger management decided for a drastic decision a year ago to change their charcoal grills with a broiler. The cost of the broiler is around 20.000 EUR and the nearest servicing office is in The Netherlands. It can also bring the unwanted results because it has a conveyor belt and for different type of meat, the different speed of conveyor belt has to be used (bottleneck). If it breaks down at one point, you have to shut down until the repairs. The management also changes their suppliers a lot and they have high turnover among their employees. All of this could bring them troubles while expanding to a foreign market.

Table 12: 7 Burger SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Strong brand name in the narrow area of their operations,</li> <li>- Huge offerings of drinks,</li> <li>- Having a first franchise of burger type restaurants in Slovenia which gives them an experience with managing the franchise and</li> <li>- Innovativeness.</li> </ul>	<ul style="list-style-type: none"> <li>- Use of the broiler; <ul style="list-style-type: none"> <li>• which is slow and can cause bottleneck,</li> <li>• Broiler demands skilled workers that know how to operate is,</li> <li>• High servicing costs,</li> <li>• Price of broilers itself,</li> <li>• It takes out the “people touch”,</li> </ul> </li> <li>- Not using the local vegetables, which could attract new customers,</li> <li>- Changing their suppliers often,</li> <li>- Price to size ratio of the product,</li> <li>- Appropriate working environment for the broiler need to be satisfied (ventilation, fire extinguishing devices, area with a lot of air etc.),</li> <li>- High rotation of their employees and</li> <li>- Most of their employees are students.</li> </ul>

table continues

Table 12: 7 Burger SWOT analysis (cont.)

Opportunities	Threats
<ul style="list-style-type: none"> <li>– Purchasing power of population is higher and they would be more willing to spend the money on something different.</li> </ul>	<ul style="list-style-type: none"> <li>– Broiler needs skilled professionals that have knowledge on how to operate with it,</li> <li>– Presence of domestic brands,</li> <li>– Higher prices of rents and</li> <li>– COVID-19 is proving to be a huge threat to restaurant businesses in terms of intervention laws of necessity to be closed to help prevent the spread of the virus consequently loosing the profits.</li> </ul>

Source: own work.

## 5.6 Stari pisker SWOT analysis

Stari Pisker is known among most of the population in Slovenia, because of their unique branding and offering. With one of their product (FAT JOE) they became world famous; it is a big burger with 10 patties weighing more than 2 kg and it immediately became popular on the social medias all around the world. They offer a lot of specialties (different type of stakes and fishes) and also offer a whole menu (appetizer, desserts, salads etc.). They also have a special portable smoker, which they can bring on location and prepare food. But on the other hand, they rely on the charcoal which brings some difficulties; skilled employees, environment for their use etc.

Table 13: Stari pisker SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>– Charcoal oven (for the barbecuing style),</li> <li>– Brand name,</li> <li>– High quality ingredients,</li> <li>– Unique, high end products,</li> <li>– Skilled employees,</li> <li>– Unique experience that can be enjoyed also on foreign market,</li> <li>– Product that satisfy tastes also abroad,</li> <li>– Online store,</li> <li>– Portable smoker,</li> <li>– Use of charcoal to prepare food is increasing and is more and more popular among the customers and</li> <li>– Innovativeness.</li> </ul>	<ul style="list-style-type: none"> <li>– Appropriate working environment for the charcoal grill need to be satisfied (ventilation, fire extinguishing devices, area with a lot of air etc.),</li> <li>– Size of the charcoal oven (bottleneck),</li> <li>– The charcoal oven also needs skilled professionals that have knowledge on how to operate with it,</li> <li>– Only one location in Slovenia,</li> <li>– Price to size ratio of the product and</li> <li>– Price of the ingredients.</li> </ul>

table continues

Table 13: Stari pisker SWOT analysis (cont.)

Opportunities	Threats
<ul style="list-style-type: none"> <li>- The complexity of the ingredients could attract new customers with higher purchasing power and</li> <li>- Offering ingredients from its surrounding (in the case of expanding to foreign market) could attract more customers.</li> </ul>	<ul style="list-style-type: none"> <li>- Problems with supply of charcoal,</li> <li>- Increasing prices of charcoal,</li> <li>- Lack of work force that have knowledge on how to operate with charcoal grill,</li> <li>- Unique ingredients found on home market maybe can not be found on foreign market,</li> <li>- loyalty to domestic brands,</li> <li>- Higher prices of rents and</li> <li>- COVID-19 is proving to be a huge threat to restaurant businesses in terms of intervention laws of necessity to be closed to help prevent the spread of the virus consequently losing the profits.</li> </ul>

Source: own work.

## 6 COMPARATIVE ANALYSIS OF ENTRY POTENTIAL

As identified as a strength, with three out of six potential firms, they use a charcoal oven which can produce different tastes and it is becoming more and more popular among the customers because they value the use of charcoal much more than the standard electric grill. Those firms are:

- Pop's place,
- Jack&Joe steak and burger club and
- Stari pisker.

But these same firms are facing the weaknesses from using a charcoal oven in a way that it produces potentially harmful environment if the place used for running the charcoal grill is not ventilated properly and workers could get burnt if they are not careful when using it, that it is why the skilled workforce is needed, so this kind of accidents can be avoided. If it comes to a bigger accident while using the charcoal grill the working environment can catch fire and cause much bigger damage if not detained properly.

While the use of charcoal is becoming more and more popular among customers, which gives the businesses the opportunity, the potential threat on the other side is supply of charcoal as well as increasing prices of the fuel used to power the grill. These weaknesses and threats these three companies could face higher costs with entering a new market to satisfy the law regulations and get the appropriate permits to start their business on unfamiliar market. Skilled workforce could also be quite hard to find and if it is not available the training costs could be much higher and time costly. For the reasons mentioned above, these three companies are not suitable to expand to the foreign market since the costs could be bigger than return, even though they have built good brand name

on the home market as well as the unique experience can be enjoyed in their restaurants.

On the other side 7 burger is using a completely different style of grilling, i.e. broiler. They have built the strong name on the home market, are very innovative with their products and are the first burger franchise in Slovenia which gives them an experience on how to run a franchise and this is the biggest strength that they have. But the use of broiler brings a lot of weaknesses and threats, such as longer time to prepare food (in their case meat), skilled workforce is needed to operate his kind of “machine”, high purchasing prices of the broiler as well of high servicing costs. Together with not using the local ingredients, which could turn the potential customers away and having hard time to keep their full-time employees, gives 7 Burger a big disadvantage and bad chances to succeed on a foreign market and for that reason 7 Burger might not an appropriate candidate to expand on a foreign market.

Two burger restaurants are left from the list; Hood burger and Lars&Sven burgers. Both of them have similar strengths, such as their name is well known and popular among domestic population, customers are willing to spend more money on their products, use of high-quality domestic grown products (they could use domestic grown products as well on Austrian market), both have multiple locations on the domestic market and strong marketing. Their strengths differ in being the beginner of this type of burgers offered in case of Hood burger, while Lars&Sven burgers is already on a foreign market (Zagreb, Croatia). On the downside (weaknesses and threats) for both burger restaurants, the ingredients used are more expensive, which brings the prices of the burgers up, and complexity of the ingredients (not usual tastes) could not bring the “average Joe” to their restaurant. Even through, both of them are using electric grills, which could cause bottleneck when preparing meet, they are much cheaper to buy as well to maintain.

Because of the reasons mentioned above, Hood burger and Lars&Sven burgers have the higher chances to expand on a foreign market and manage to succeed. However, Lars&Sven ‘s brand seems to be better equipped for the Austrian market according to the analysis. Their brand is highly recognized among domestic consumers as well as their products. They use high quality ingredients from near surroundings (which are expensive but make the product better) and that is also what attract new customers. They are operating on six physical locations and have a strong marketing, additionally they also use Foodtruck to deliver their products to the cities, where they do not have physical establishment and in that way also reach new customers. Their biggest advantage is already being present on a foreign market (Zagreb, Croatia), which gives them experience on how to run the burger restaurant on a foreign market, how to adapt to a new market and potential costs that may be unpredictable when expanding to a new market. However, there are also challenges they are facing. Complex ingredients may not be found on a foreign market and additionally it brings the price of their product up and maybe that is not something average consumer is looking for and is willing to pay additional costs. Electric grills could be a source of bottleneck, but they cost less and are much easier to maintain. With the proper size of the grilling area, also the bottleneck could be avoided. They could



face a fierce competition that is already established on the market, but Vienna is a big market compared to Slovenia and new customers could be easily found.

All of the six burger restaurants analyzed are facing the same threat, that is a pandemic of COVID-19 virus spreading all over the world. Some of the prevention measures accepted by the governments are to close down the restaurants and bars to prevent people from gathering and eventually slow down the spread of the virus. Because of these preventive measures accepted from the governments the restaurants are facing a challenge to fund their operations; keep up with the rents, manage to pay their employees that are on hold, managing to pay their liabilities etc. Covid-19 is proving to be the biggest threat to all of the businesses operating in the food and beverage offering business, such as bars, pubs etc.

In the chapter 3.3, based on Hollensen, four factors with 16 different determinants have been recognized that have positive and negative effect on the process of internationalization. These factors will be used to identify the entry mode decision. Four main factors are used in the analysis are:

- Internal factors,
- External factors,
- Transaction-specific factors and
- Desire model characteristics.

Internal factors take into the account firm size, international experience, product complexity and product differentiation advantage. Burger restaurant identified to expand on a foreign market is identified as small size firms, even though they have multiple business units established. But compared to others, at least they have an experience on running multiple establishments, which gives both firms an advantage and additionally, Lars&Sven burgers also have international experience and that is another advantage for them. They are using basic and more complex ingredients, but the main product (burger) is not so much complex, that this would be a disadvantage for both of the firms. Concerning the product differentiation advantage, the burger restaurants are offering food, in their case burgers. Burgers on their own are not hard to prepare and be quite simple, but they still differ from one another from ingredients used and the tastes and, in a way, they are different from one another.

External factors take into the account sociocultural distance between home country and host country, cultural risk and/or demand uncertainty, market size and growth, direct and indirect trade barriers, intensity of competition and small number of relevant export intermediaries available. Since Slovenia (home country) and Austria (host country) are similar, sociocultural distance is not that big between the countries and the product itself is already prepared for the foreign country. The same is with the cultural risk, the two nations are fairly similar to one another, while the demand would be much higher on the Austrian market. At the end of the year 2019 almost 2 million people have been livening in Vienna,

while the whole population of Slovenia is a bit more than 2 million. Because of that, the market size is much bigger which gives the potential entrants the advantage. Both countries are the members of European Union and because of that, there are far less restrictions concerning the trade barriers. And because Lars&Sven burgers would not be exporting their product, but it would be prepared in the host country, trade barriers itself do not carry much value with the decision on selecting the proper entry mode decision. As already identified in the analyses of Austrian market, the certain competition is present in the host country, but Vienna has much more population and therefore more potential customers. Relevant export intermediaries are not so much relevant, because all the ingredients needed to prepare a burger could be easily found in the host country, there is just the question of suppliers, but as already identified both countries are fairly similar and also suppliers would not be hard to find, but prices of the ingredients could potentially be higher.

Transaction-specific factors consist out of tactic nature of know-how, opportunistic behavior and transaction cost. Know-how of selected entrant is not so much complicated and could be easily transferred to the host country in a case of contractual entry modes or could be easily taken with the company in a host country, if the entrant decide to enter foreign market on their own. Lars&Sven burgers has multiple establishments on a home market and their brand is already present on another foreign market, and this makes them quite opportunistic. Transaction costs are quite small, since the product delivered to a host county is not so complex and not so expensive compared to something being exported, such as a car or similar product.

Desire model characteristic consist out of risk averse, control and flexibility. Entrant is not risk-averse, since they are present with multiple establishments on a home market and Lars&Sven burgers is also present on another foreign market, so the owners are able to take on risk associated with the branch they operate in. But when it comes to the control they have the full control over the already established business units present on a home market as well on a foreign market. From this it can be also derived that both of potential entrant is not that flexible with running their business.

Based on Hollensen four factors that have positive and negative effect on the process of internationalization the most appropriate entry mode selected is a type of contractual modes; franchising. This type would fit, because of its advantages:

- Low entry cost,
- The possibility of rapid foreign expansion and
- The possibility of a simple expansion of both the large and distant markets.

Low entry cost means that Lars&Sven burgers would have to invest less money into expanding to a foreign market and in that way most of the risk would be transferred on the franchisee. Lars&Sven burgers would need to provide their know-how, trademark and/or company name. Choosing this entry mode would also give them a possibility to expand

much faster over a foreign market as they could find more than one buyer of their franchise. At the same time, they would achieve simpler expansion to a much larger market, since the franchisee would already be familiar with Austrian market and could only focus on running their business. But there are also some disadvantages associated with franchising:

- Requires some control cost,
- Sharing profits gaining from foreign markets between the foreign franchisee(s) and a domestic franchisor,
- Requires appropriate qualifications of franchisees,
- The possibility of potential conflicts between the partners, the possibility of difficulties in maintaining uniform standards and quality and
- The possibility of franchisee(s)' disloyalty.

Because Lars&Sven burgers would be giving a franchise in the hands of someone that is from another, quite distant market the control could be an issue, and to maintain the control over the franchisee more costs would be associated with it. Usually when you sign a franchise agreement, you specify the monthly fee that has to be paid to the licensor and usually you also specify the percentage needed to be paid on the revenues in a month, but sometimes this clause is not specified. If the licensee becomes successful, licensor could be missing out on the profits they could potentially generate if they would choose one of the equity orientated entry mode. When Lars&Sven burgers would be selecting a franchisee (if there would be more to choose from) they need to select someone who already has the experience from this kind of business. That would give them the assurance that franchisee knows what he is doing and would give everything to succeed. When selecting someone with no experience with this type of business or no experience with running the business at all, they could be facing a quick failure when expanding to a new market. Because of the licensee being distant (in terms of market) they could easily go out of the contract way and they would start looking just what is good for their own business and do not concern about the franchise and this could bring potential conflicts and disloyalty. But with the well written contract and frequent checking on the licensee most of the disadvantages could be overtaken and a success story could be easily written.

When it comes to timing on entering foreign market, right now it would not be the perfect timings, since epidemic of the new virus COVID-19 is taking the world in its claws. Both, Slovenian and Austrian government took extreme measures in 2020 on closing restaurants and forbidding people to socialize in bigger groups. In Slovenia, restaurants had to be closed from middle of March till the end of May 2020 to help prevent new virus to spread among population. This took a large impact on the revenue of all the restaurants in the country, some took a huge punch, meaning they had to close their businesses. Some businesses saved some of their profits with offering only pickup service or delivery (which was allowed during the pandemic). Austrian government had to take similar measures, meaning businesses could not even expand if they would want to on Austrian market. In

October 2020 another punch was given to businesses that provide food, they had to close their establishments once again to help prevent the new virus COVID-19 from spreading.

## CONCLUSION

The purpose of this master thesis is to analyze Slovenian “street food” market and identify if any of the vendors present on Slovenian market is the right fit to expand on a foreign market, in this case, Austria’s capital city, Vienna.

It has been identified that Vienna is a good foreign market to expand to:

- Population shares similar tastes as population on Slovenian market,
- Longer opening hours of “street food” vendors,
- Higher prices of products, could generate higher profits,
- Similar taste for drinks,
- Austria is a member of EU, as well as Slovenia, which would make it easier to expand on the foreign market,
- Political stability and openness to accept foreigners (people as well as companies),
- Use of same currency,
- Higher purchasing power,
- More population,
- High demand for high quality and fast prepared food, etc.

Vienna as a whole is also not too far located from Slovenia (around 400 kilometers) in which case if you decide to enter the market on your own, you can easily maintain control over what is going on with your foreign branch. The market as a whole is familiar with “street food” but it did not get “hit” by the wave of burger joint popularity as it was the case in Slovenia in last couple of years. This could be a competitive advantage, meaning that the burger offering has not been explored by the consumers yet, especially if something new would be brought to the market. In general Austrians are believed to be open for trying new things and exploring new tastes. A well-established company from a foreign market, which has a good strategy, mindset and product could easily take over hearts of Vienna and become an instant hit.

For the purposes of this master thesis, six highest rating burger restaurants in Slovenia on TripAdvisor were taken for a closer look, as I would believe, they have the biggest potential to expand on a foreign market. For them, a SWOT analysis has been performed, where I identified for each strengths, weaknesses, opportunities and threats. All of the burger brands analyzed in this master thesis have their own specialties and competitive advantages to one another, but there are also some setbacks. Based on the analysis performed, Lars&Sven Burgers brand has been identified as the brand with the highest entry potential in Vienna’s market.

When they came on Slovenian market, they were an instant hit; high quality products, simple offering, very good marketing, good locations for their restaurants, etc. Over the years they became better and better and known to the general public in Slovenia. Their prices have always been “somewhere in between” (not too expansive and not too cheap), offering of the popular drinks (soft drinks as well as craft beer), cooperation with different charity organizations (giving back to the public), use of local ingredients (supporting local businesses), giving a chance for mentally challenged to get a job and grow (collaborating with bakery which employees people with special needs works within Center Janeza Levca, preparing burger buns for their products), etc. All this brought them a very good picture among the Slovenian consumer and gave them a competitive advantage compared to others.

In addition, they also have a so-called food truck, which brings all of their products to the wider surrounding on Slovenia, so most of the population has a chance to consume their products. At the end of the year 2019 they also expand on one foreign market; Croatia capital city Zagreb. On this foreign market they are already enjoying the success and it also gives them another competitive advantage: experience from foreign market. In this way they already know what and how to prepare on entering a foreign market and it would make them easier to penetrate on the Vienna “street food” market and a higher chance to succeed.

In the case of Lars&Sven Burgers, if they would want to expand to a foreign market, they have to wait, till the pandemic is over and they will be able to assess the damages to their business the “lock-down” has caused. Its certain that income will be much lower than in previous years. Some of the business will even end their financial year in the red and will have to evaluate if it is even profitable for them to continue with their business on the home market.

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## **APPENDICES**



## **Appendix 1: Povzetek (Summary in Slovene language)**

Namen tega magistrskega dela je analiza slovenskega trga "ulične hrane" in ugotoviti, ali je kateri od ponudnikov, prisotnih na slovenskem trgu, primeren za širitev na tuji trg, v tem primeru glavno mesto Avstrije, Dunaj.

Ugotovljeno je bilo, da je Dunaj primeren za širitev na tuji trg, ker:

- prebivalstvo Avstrije ima podoben okus za hrano, kot prebivalstvo na slovenskem trgu,
- daljši odpiralni čas prodajalcev "ulične hrane",
- višje cene proizvodov bi lahko ustvarile višji dobiček,
- podoben okus za pijačo,
- Avstrija je članica EU, kot je tudi Slovenija, kar bi olajšalo širitev na tujem trgu,
- politična stabilnost in odprtost do tujcev (ljudi ter podjetij),
- uporaba iste valute,
- višja kupna moč,
- večje prebivalstvo,
- veliko povpraševanje po visokokakovostni in hitro pripravljene hrani itd.

Mesto Dunaj ni preveč oddaljeno od Slovenije (približno 400 kilometrov) in v primeru odločitve, da ponudnik na trg vstopi sam, lahko preprosto ohrani nadzor nad dogajanjem nad podružnico v tujini. Trg je seznanjen z izrazom "ulična hrana", vendar ga val priljubljenosti burgerjev, kot ga je bila v zadnjih nekaj letih deležna Slovenija, ni zadel. To bi lahko bila konkurenčna prednost, kar pomeni, da potrošniki ponudbe burgerjev še niso raziskali, še posebej, če bi bilo na trgu predstavljenega nekaj novega. Na splošno velja, da so Avstrijci odprti za preizkušanje novih stvari in raziskovanje novih okusov. Dobro uveljavljeno podjetje iz tujega trga, ki ima dobro strategijo, miselnost in produkt, pa bi zlahka prevzela srca prebivalcev Dunaja, ker tako postalo takojšen hit.

Za namene tega magistrskega dela je bilo na spletni strani TripAdvisor podrobneje pregledanih šest najvišje ocenjenih burger restavracij v Sloveniji, za katere verjamem, da imajo največ možnosti za širitev na tuji trgi. Zanje je bila opravljena SWOT analiza, kjer sem za vsako opredelil prednosti, slabosti, priložnosti in grožnje. Vse blagovne znamke burgerjev, obravnavane v tem magistrskem delu, imajo svoje posebnosti in konkurenčne prednosti, vendar obstajajo tudi nekatere pomanjkljivosti. Na podlagi opravljene analize je bila blagovna znamka Lars & Sven Burgers prepoznana kot blagovna znamka z največjim vstopnim potencialom na dunajski trg.

Ko se je znamka Lars & Sven Burgers predstavila na slovenskem trgu, so bili v trenutku hit; visoko kakovostni izdelki, preprosta ponudba, zelo dober marketing, dobre lokacije za njihove restavracije itd. Z leti so postajali vse boljši in poznani širši javnosti v Sloveniji. Njihove cene so bile vedno "nekje vmes" (ne previsoke in ne poceni), ponudba priljubljenih pijač (brezalkoholnih pijač in tako imenovanega "craft" piva), sodelovanje z

različnimi dobrotelnimi organizacijami (vračanje javnosti), uporaba lokalnih sestavin (podpora lokalnih podjetij), dajnje priložnost duševno prizadetim, da se zaposlijo in rastejo (sodelujejo s pekarno, v kateri delajo ljudje s posebnimi potrebami v Centru Janeza Levca, kjer pripravljajo pekovske izdelke za njihove burgerje) itd. Vse zgoraj našteje stvari jim je med slovenskimi potrošniki ustvarilo zelo dobro identiteto blagovne znamke in jim ustvarilo konkurenčno prednost v primerjavi z drugimi blagovnimi znamkami.

Poleg tega imajo tudi tako imenovani tovornjak s hrano, ki vse njihove izdelke pripelje v širšo okolico po Sloveniji, zato ima večina prebivalstva možnost preizkusiti in uživati v njihovih izdelkih. Konec leta 2019 so se tudi že razširili na en tuji trg; glavno mesto Hrvaške, Zagreb. V Zagrebu že uživajo v uspehu, kar jim daje še dodatno konkurenčno prednost: izkušnje iz tujega trga. Na ta način že imajo znanje, kaj je potrebno za vstop na tuji trg in kako se pripraviti na vstop na tuji trg. Z temi izkušnjami bi tako še lažje prodrali na dunajski trg "ulične hrane" in imeli še večje možnosti za uspeh.

V primeru, da bi se znamka Lars & Sven Burgers, želela razširiti na tuji trg, morajo s tem počakati, dokler se pandemija korona virusa ne konča, ter tako lažje ocenijo škodo, ki jo je njihovemu podjetju povzročil tako imenovani "lock-down", ko so bili prisiljeni zaustaviti poslovanje. Gotovo je, da bodo prihodki precej nižji kot v preteklih letih. Nekatera podjetja bodo svoja zaključke finančnega leta, zaključile z negativnim rezultatom in bodo morala oceniti, ali jim je sploh donosno, da nadaljujejo s poslovanjem na domačem trgu.