UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

THE INTRODUCTION OF A TRADITIONAL NORTH MACEDONIAN FOOD PRODUCT TO THE SPANISH VEGAN FOOD MARKET

Ljubljana, September 2021 EVGENIJA TRAJKOSKA

AUTHORSHIP STATEMENT

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INTRODUCTION

A firm's decision to internationalize refers to the action of performing trade and investment activities across national borders (Peng & Meyer, 2011). Even though international business has been around for centuries, in the past three decades there has been a surge in international business activities. The increase coincides with the phenomenon of globalization of markets. The globalization of markets is an ongoing economic integration and growing interdependence of countries worldwide. The relevance of national borders is fading, making it more difficult to apply the standard definitions regarding internal vs. external economic activities. These conditions compel companies to expand their business activities abroad (Cavusgil, Knight, & Riesenberger, 2012). While international business was previously the domain of large, multinational enterprises (MNEs), the influence of globalization has levelled the business playground allowing for small and medium-sized enterprises (SMEs) to internationalize as well (Cavusgil, Knight, & Riesenberger, 2012).

An SME in Europe is defined as a firm that has fewer than 250 employees and an annual turnover of up to €50 million or a balance sheet total of no more than €43 million (European Commission, 2015). SMEs represent 99% of all businesses in the EU and are referred to as the backbone of the economy, powerhouse of growth, and potential source of jobs (European Commission, 2021a). Needless to say, the internationalization of SMEs is crucial for continuous economic growth (Dutot, Bergeron, & Raymond, 2014).

Krivogashtani Promet is a SME located in the Pelagonia region of North Macedonia. Its main business activity is vegetable processing and production of traditional North Macedonian delicacy roasted products, filled creamy products and traditional sour products. Those products are exported to several countries via contract manufacturing agreements. In the last three years the company expanded their business activities by developing their brand and signature line of products called Gurmano (Krivogashtani Promet, 2021a). All of them are produced according to traditional recipes using high-quality ingredients. The star product of the Gurmano line is ajvar. Ajvar is a pepper-based condiment made principally of roasted red peppers and oil (Falkowitz, 2021). A product that does not contain any animal ingredients or animal-derived ingredients is defined as vegan product, and the product ajvar is part of this category (Vegan Food & Living, n.d.). Other vegan products in the Gurmano line include: ljutenica, malidzano and zakuska (Krivogashtani Promet, 2021b). At the time being the Gurmano line is available only in North Macedonia, but the company is looking to internationalize its products, starting with its star product. The topic of my master thesis would be to research this possibility.

Based on the Harmonized System (HS) of tariff nomenclature, the product ajvar is classified as "2005 Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen (excl. preserved by sugar, and tomatoes, mushrooms and truffles)". Data was obtained regarding the export of this category of products from Macedonia in 2019 and the quantity exported was 15 854 342kg (State Statistical Office of Republic of North Macedonia, 2020b). Upon inspecting the export by tariff and country in 2019 it is clear that the biggest quantities are exported to the Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Montenegro, Romania, Serbia, and Slovenia), Germany, Italy, Switzerland and Australia (State Statistical Office of Republic of North Macedonia, 2020a). The Balkan countries are those with similar food-consuming habits due to their geographical and socio-cultural proximity (Brecic, Gorton, & Barjolle, 2014). The other countries in the group (Germany, Italy, Switzerland and Australia) are those where most North Macedonian emigrants live. A general finding from this research is that the exporters of ajvar are targeting consumers who already have awareness of the product, intimate knowledge of it (connected to their childhood memories) and have used it before. In this case, the segmentation strategy is quite straightforward i.e. defined by variables such as nationality and cultural background of the immigrants, and it is positioned in stores specifically for this target group.

To differentiate the product from its competitors I'll focus my research on a growing market segment – vegan food. The Vegan Trademark scheme began in 1990 (Vegan Food & Living, n.d.). Today, some 44,000 products spanning across 1,300 companies are currently registered with the Vegan Trademark. In 2017, a total of 6,318 products were registered with the Vegan Trademark, and in 2018 the number of registered products rose to 9,590 - a whopping 65% increase (Ruiz, 2020). These products are answering to the increased demand by consumers. Spain was the country with the tenth highest percentage of vegans in the world in 2017 (Fried, 2019). For Spaniards, the three main reasons for giving up animal products are health, the environment and respect for other living creatures (Lantern, 2019). Moreover, Spain has officially been named the healthiest country in the world (World Population View, 2019). Therefore, I consider Spain to be a suitable market destination for internationalization of the Gurmano products.

The purpose of my master thesis is thus to analyze the possibility for internationalization of the traditional North Macedonian product – ajvar – to the Spanish vegan food market. In this context, the underlying premise of my research is that the product's functionality is suitable to the daily eating habits of vegan Spaniards.

The goals of my research are therefore:

- To analyse the producing and export practices of *ajvar* in North Macedonia.
- To undertake an analysis of the macroeconomic environment of Spain in relation to North Macedonia (PESTLE Analysis).
- To analyze the microeconomic environment of the vegan food market in Spain (Porter's Five Forces Analysis).
- To analyse habits and preferences of vegan food consumers in Spain.

- To provide recommendations for segmentation, targeting, positioning and competitive marketing strategy.

Key research questions that will be addressed in this thesis are as follows:

1. Is there an actual untapped potential to export ajvar from North Macedonia to Spain?
2. What is the future potential for the Gurmano brand and its line of vegan products in the Spanish vegan market?
3. What are potential threats and barriers for the company?
4. Which segments should the company target and why?

The thesis relies on secondary sources as well as an empirical study based on primary data. The former were obtained by reviewing relevant literature in this field including books, scientific and research papers, articles and websites of relevant institutions. The empirical part of the study relies on primary data, which was obtained by a paper-and-pencil questionnaire. During the weekend of 05 - 06 October 2019 I was part of the team who represented the Gurmano brand at the vegan fair VeggieWorld in Barcelona. VeggieWorld is Europe's largest consumer fair for the vegan lifestyle. Exhibitors show their latest products and services, while visitors have a chance to try, buy and get detailed information about the entire range of vegan food and non-food-products (VeggieWorld, n.d.). Gurmano's vegan products, including ajvar, ljutenica, malidzano and zakuska were displayed and available for degustation. On this occasion I collected primary data by self-administering a paper-and-pencil questionnaire to the people who tasted the product ajvar. 120 questionnaires were filled out, with 8 of them being inconclusive, leaving me with a sample of 112. To perform the analysis of the obtained primary data I used Microsoft Excel.

The thesis consists of 5 chapters. In the first chapter I review available literature on the internationalization process and expansion strategies. The second chapter is an introduction to ajvar as a product and how it's produced. Moreover, it includes an overview of the ajvar industry in North Macedonia, analysed using the Porter's Five Forces model. Furthermore, the position of Gurmano, the brand as part of the ajvar industry in North Macedonia and internationally is discussed. The third chapter is an overview of the macro environment of the Spanish market. Micro environment analysis focused on the Spanish vegan industry and vegan consumers in Spain. It should be noted that the vegan market in Spain is in an expansion process. Many of the Spaniards have changed their diet which created new product opportunities. The method of research and data collection is presented in the fourth chapter. Finally, the data collected using the questionnaire was analysed and discussed in the fifth and the last chapter. It gives an important view of how the respondents felt about the product they had no previous knowledge about after they tried it.

1 INTERNATIONALIZATION

With the advent of globalization, international business matters are no longer the exclusive subject of large companies. Globalization has brought the international market closer to small and medium-sized companies, which are often national when established. Increasingly fierce competition and changes in the market structure have forced companies of all sizes to seek new opportunities in external markets, markets that have become closer due to homogenization. With the development of the environment and technology changes companies must continuously focus on reducing costs, improving efficiency, adapting and seeking opportunities even beyond national borders (Ruzzier, Antoncic, Hisrich, & Konecnik, 2007).

Addressing internationalization from the perspective of small and medium-sized enterprises can be done with different theoretical bases. The most well-known is the staged theory of internationalization, and its most common model is the Uppsala University model, which is based on gradual integration into the international market (Johanson & Vahlne, The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, 2009). The theory of internationalization that represents a company as a participant in a business network is called network theory. Through their activities, these companies have established long-term relationships with other participants, which allow them to obtain information, markets and scarce resources, thus contributing to the improvement of the competitiveness of the company. The youngest theory of the internationalization of a company is based on resources and strategic management, highlighting that the following four conditions are the basis for obtaining competitive advantages. They are heterogeneity, incomplete imitation, courage, and immobility (Ratajczak-Mrozek, 2017). In addition, it attaches great importance to resources such as organization and human capital, as well as tangible and intangible, because they help shape the company's strategy. Although there are various theories of internationalization, there are other factors that determine the entry strategy, such as the size and experience of the company (internal factors), the size of domestic and foreign markets, trade restrictions and competition (external factors), risk, flexibility and control (the property's preferred entry method). And our knowledge and opinions that are placed under certain factors of commercial behaviour (Ruzzier, Antoncic, Hisrich, & Konecnik, 2007). The final effect of internationalization is mainly reflected in the growth of export quotas or income from sales abroad. The success of internationalization depends on the characteristics of the environment and the organization, as well as the characteristics of the entrepreneurs (Belniak, 2015).

1.1 Dimensions of internationalization

In general internationalization can be expected to be associated with developments along each of the elements discussed below:

Operation Method (How) - as companies increase their level of international involvement there is a tendency for them to change the method/s by which they serve foreign markets (Johanson & Vahlne, 1977). The operational method should be carefully chosen as a means of assessing a pattern of internationalization because it represents an overt manifestation of the general process.

Sales Objects (What) - As a company increases its involvement in international operations there is also a tendency for its offering to foreign markets to deepen and diversify (Benito & Gripsrud, 1995). This may occur at two levels:

- Expansion within an existing, or into a new, product line;
- Change in the whole product concept to include 'software' components such as services, technology, know-how, or some combination. Over time the blending of hardware and software components is often developed into more packaged forms, representing project or systems solutions.

Target Market (Where) - it is hard to develop internationally only by concentrating on a couple of countries. Expansion of the own operations simply means being present on a wider range of foreign markets - typically more distant over time in political, cultural, economic and physical terms.

Organisational Capacity – This is all about the variety of internal company changes which are consequent upon, and therefore reflect, the degree of internationalization but also form the foundation for additional steps forward in the overall process (Cavusgil, Knight, & Riesenberger, 2012).

Personnel - The success of internationalization in any company depends heavily on the type of people both initiating and carrying through the various steps in the process, and on overall personnel policies (Lorange, 1986).

Organisational Structure – When the operations are expanded internationally, there is more need for administrative and organizational work. This means that the organisational structure for handling such demands ultimately needs to respond.

Finance - The growth of international operations also indicates increasing concerns on the availability of funds to support the business activities. The nature and extent of the company's financing activities for international operations provide a further indicator of the degree of internationalization.

1.2 Internationalization of SMEs

When it comes to small business internationalization we must realize that the business owner or manager is the key. Success depends on their international direction. SMEs tend to adopt different strategic combinations in the internationalization process. Compared to large companies, the main problem for small ones is that their activities and market segments are less likely to diversify. It is important for small businesses to maintain their ability to respond quickly to environmental changes, which in turn reduces the ability to specifically achieve long-term goals. When choosing a successful strategic plan, the cultural status of the company and the international positioning of the owner / manager are more important. Establishing a strong international network will help build a good resource base and reduce costs (Lloyd-Reason & Mughan, 2002).

Some people believe that small businesses are most successful when they serve a small number of customers who prefer quality or who prefer to frequently change professional products and are therefore willing to pay higher prices. SMEs are characterized by entrepreneurship, product development and flexibility, and their goal is to develop and challenge existing markets (Lloyd-Reason & Mughan, 2002).

On the other hand, small business problems are often characterized by inadequate administrative and accounting procedures, uneven structures, unsystematic decision-making processes, and an unwillingness to transfer responsibilities to more experienced managers. It often happens that the company cannot function for a long time due to lack of business experience. Therefore, entrepreneurs may have a very good idea, marked by rapid growth, but that has not materialized. Although small businesses have many advantages, the internationalization process is even more demanding. Effective management is necessary, especially in the business and corporate sphere, we must not forget the functional areas that are achieved with experience and knowledge. Usually, the main problem of failure or inability to achieve the established goals is the lack of financial and non-financial resources. We must not forget that the internationalization process is long. A large amount of manpower, financial resources and coordinated investment will lead to the creation of new technologies, new information systems and new products (Andersen, 1993).

International managerial orientation often depends on their characteristics. These include the manager's international experience or their life and education abroad, their experience in the field of international business and knowledge of foreign languages (Lloyd-Reason & Mughan, 2002).

1.3 Barriers to internationalization of SMEs

In previous studies, obstacles to the internationalization process of SMEs were mainly regarded as external obstacles, including constraints, currency fluctuations and fair competition in the market. They include in particular procedural and government barriers and order barriers (Andersen, 1993). The mismatch between financial markets and exchange rates, as well as differences in legal systems, culture and language, are greater obstacles for SMEs, and they are more likely to respond to competitive threats and unfavourable macro events abroad. Recent research mainly examines the very important internal obstacles in the process of internationalization. The size of the merchant, the small scale and independence of the company, therefore, the low financial capability and insufficient international administrative culture are just some internal obstacles to the internationalization of SMEs (Bhatt & Bhandi, 2008). This is a very expensive process, especially if the funds to establish a company in another country come from internal growth. In general, internal obstacles are also extensive experience in the internal market, because the institutional status and image of specific product quality obtained in the internal market cannot be transferred to the external market. Various business alliances in foreign markets can also become obstacles, mainly due to tensions and conflicts and the exercise of power in alliances (Hutchinson, Fleck, & Lloyd-Reason, 2009).

However, the biggest internal obstacles are found to be small business managers' reluctance to take risks and misunderstandings about the path to internationalization, which may be mainly due to their lack of knowledge, human and financial resources. All of these can lead to uncertainty in market choices and appropriate entry strategies, and lack of financial resources can lead to delayed payments, which will definitely prevent owners from internationalizing (Hutchinson, Fleck, & Lloyd-Reason, 2009).

To help managers who lack foresight, are characterised by fear of losing control, lack of market knowledge, and unable to transfer products or concepts to new markets, but still show the ability and willingness to open foreign markets, the literature suggests developing international markets through mentoring and network development. On the other hand, companies can successfully overcome external obstacles by participating in trade shows, assess the competitiveness of the environment and market conditions, and thus better understand the needs and wants of potential consumers. Legislative, logistical and cultural barriers in the target market can be overcome by guiding organizations already operating in specific markets and accessing potential markets (Hutchinson, Fleck, & Lloyd-Reason, 2009).

This kind of learning about foreign markets through networks can be split into two parts. First, managers can learn about foreign markets before their firms venture abroad from networks in the home country, such as from business relationships (Johanson & Vahlne, 2003), competitors (Gaur & Makino, 2008) or firms that belong to the same business group. Managers grasp and evaluate the experiences and knowledge of others about foreign operations, increase their level of knowledge on foreign markets and countries and reduce physical distance. Second, managers can also obtain knowledge about foreign countries and their operations from networks in other countries once the organisation starts selling their offering abroad.

Other challenge may be the access to low-cost factors of production, and that are offshoring and global supply chains. Loosening the barriers of international trade and the ever-going advances in information and telecommunication tech have contributed to the globalization of supply chains. The rise of the economies of Asian countries, like China, and some Latin

American and Eastern European countries as bases for low-cost manufacturing, and the recent rise of Asian countries, notably India, and some Eastern European countries as the bases for low-cost provision of services, are the main factors of emergence of new modern types of internationalization. Business organisations in rich and stable countries took advantage of these events and moved into developing countries to access these low-cost factors of production, which resulted in expanding the global supply chains and the offshoring of manufacturing and services.

Yet another challenge is the access to advanced capabilities such as internationalization of developing-country MNCs. This is mainly about the internationalization process of developing-country firms when they approach developed countries not to sell there, but to use their workforce for production and access certain facilities and capabilities to complement and update their current operations in the origin country. The organisations do not go abroad only to sell their offerings, but also to buy advanced capabilities. Managers of developing-country firms lead their firms to enter developed countries not only to access superior factors of production, but also to access the superior capabilities of specific firms there. Because of this, the process of selecting among countries and the process of entering a particular country really depends on many factors, and not just one.

2 THE AJVAR INDUSTRY AND GURMANO COMPANY

Farmers in North Macedonia have the traditional "know how", vast experience and natural resources which are requisites for growing and processing fresh produce. One of the most popular products from fresh produce is ajvar, a specialty of the Balkans. Ajvar is a type of zest which is becoming very popular in the markets worldwide. Currently, this is truer than ever since the demand for vegan, ethnic and organic food is increasing (Marlen, n.d.). Slow Food is a worldwide movement which seeks to celebrate and care for local food traditions. North Macedonia is part of this movement because of their abundance of organic rural agricultural farms, which makes the nation one of the most appropriate countries for food production in the world. Slow Food culture bears similarities with the Palaeolithic diet that is trendy in some quarters; celebrating how locality and attainability is crucial to sustainable living (Slow Food, n.d.).

2.1 What is ajvar?

Ajvar is a product engrained in the tradition of the Balkans. Its main ingredient is red peppers. Peppers come in many different colours and shapes, but for ajvar you need a sweet, red pepper with shiny skin, known as Kurtovska kapija. Ajvar is prepared in late summer, and is mostly consumed during winter which is why it’s called "menace" (winter food). There are many variations of the ajvar, depending on where it is produced and what other vegetables are grown in the area. You can eat it as bread spread with white and salty cheese, or as a side dish. This traditional appetizer accounts for one of the most popular culinary staples in the Balkans dates back over a thousand years. It's sustainable, organic, vegan and lasts throughout the winter (Falkowitz, 2021). For a long time, the labour-intense processing and preserving of agricultural produce was a ritual that united many families and communities. Nowadays, the ajvar - a product of North Macedonian gastronomy, offers a way for many families in rural areas to diversify and increase their incomes.

2.1.1 Origin

This delicious form of vegetable relish probably came to the Balkans with the Ottomans, who ruled much of the region for around 500 years and imported new world crops like peppers. The first known use of the name ajvar is in the 19th-century, in a prominent restaurant in Belgrade where the owners happen to be from North Macedonia (Falkowitz, 2021). The name ajvar has its origins from the Turkish word havyar, which means "salted roe, caviar" and it shares a history with "caviar", coming from the Persian word "xaviyar".

This history and the similarities with caviar are only linguistic. Ajvar has much more in common with achar, a spicy condiment that originated in the region of South Asian. Ajvar is a Balkan treasure and can be found under a variety of names, depending on who is doing the labelling and what exact ingredients are added to the mix. Ajvar also has a variety of flavours, from mild and fruity to hot and spicy. Also, there is no standard recipe; everyone makes it their own way. So, it may include a portion of chopped tomatoes or fried eggplant or even cheese curds. Usually it is prepared with oil, but the vegetables dominate the mass.

The making of ajvar is a labor-intensive rite, carried out with much gusto in the kitchens and courtyards of the houses. Neighbors usually gather for a sip of homemade rakija before the tedious work of peeling the peppers begins. Whether the dip is spread on bread, nibbled with cheese or served with meat dishes, ajvar fills the shelves of winter pantries every year.

2.1.2 Ingredients

Ajvar is a traditional North Macedonian product made from grated or roasted peppers. It contains about 15-20% dry matter and is refined with a variety of spices, depending on the producer's taste (Markovic & Vracar, 1998). During the manufacturing process the seeds are removed. Ajvar is made by processing (grinding, etc.) red peppers with the addition of one or more other vegetables, then spices, plant extracts and sugar (sucrose), the total percentage of species from other vegetables, except peppers, should not exceed 25% (Ogranic Export Info, n.d.).

Ajvar is a pasteurized product made from roasted, chopped and homogenized peppers that are cooked and fried in open containers to a certain level (Kararashova, Babanovska-Milenkovska, Isaeva, Mehmeti, & Durmishi, 2010). Vegetable oil, the addition of salt, sugar and optionally vinegar, garlic and some other additives can be added to the mixture. The main ingredient of ajvar is red pepper from the Solanaceae family, Capsicum annuum L. It is a type of vegetable crop that is of great importance and always used because of its economic importance and chemical composition. There are many types of peppers in different colours (green, yellow, orange, red and purple), different shapes and sizes and with different characteristic flavours (NC Extension Gardener Plant Toolbox, n.d.). In addition to being used for the production of ajvar or another form of fresh consumption, the pepper is also used in the processing industry as a semi-finished product (semi-frozen, frozen, dried, paprika in vinegar, in barrels). The industrial pepper labelled Kurtovska kapija is the most demanded by the processing industry due to its storage quality. It is also one of the most demanded products worldwide and is usually exported as fresh produce or purchased by domestic traders and manufacturers (Falkowitz, 2021).

Ajvar is a sweet, dry, and deeply complex product. It can be used as a spread, mixed into pastas, or baked with eggs. One can even mix it with a risotto or meatball sauce and serve it with griddled chicken or salty cheese. It has a strong taste and possesses umami intensity.

Figure 1: Gurmano's ajvar (and serving suggestion)

Source: Gurmano (2021d)

2.1.3 Ajvar Alternatives

There are different variations of ajvar depending on what additional ingredients are added to the base. Unlike ajvar, ljutenica is prepared with eggplant, carrots, garlic and tomatoes in addition to peppers. It comes in many varieties: plain; chunky; with small spicy peppers or eggplants; and spicy or mild. Ljutenica is a vegetable relish or chutney that can be eaten as a snack or appetizer on crackers or crusty bread; likewise, it can be enjoyed as a condiment that adds a creative touch to any meal (Gulfood, n.d.). This product is also readily available, conveniently packaged in various jars. Zakuska is another alternative prepared from baked peppers cut into strips, cooked with a pleasant mixture of spices and garlic, with sunflower oil added for better spreadability. This condiment can also be prepared with other vegetables and spices.

Last but not least, malidzano is a spread made from pureed peppers, eggplant, oil, salt and mustard. Its name is derived from the Italian word for eggplant, melanzane. This product is usually served as an appetizer with a spread and a white cheese served with it. In other countries such as Serbia, Bosnia and Herzegovina or Croatia, it is prepared with either green or red peppers, which means that the color of the spread depends on it (Macedonian Cuisine, n.d.).

2.1.4 Harmonized System

The Harmonized System is a universal nomenclature for the classification of a wide variety of products on a worldwide level. It gives participating countries the chance to classify their traded goods on a common basis for customs purposes. At a global level, the Harmonized System (HS) for classifying goods is a six-digit code system. The HS consists of approximately 5,300 article descriptions, and they are divided as headings and subheadings, re-arranged in 99 chapters, and finally grouped in 21 sections. The six digits can be further broken down into a couple of subsections too. The Harmonized System was introduced in 1988 and has been adopted by most of the countries in the world (WCO, n.d.). Based on the Harmonized System (HS) of tariff nomenclature, ajvar is classified as 2005.99.

2.2 The process of producing ajvar

Ajvar is a product that is commonly consumed by the citizens of North Macedonia. This specific Balkan comfort food is commonly made in the late-summer and autumn months.

Kurtovska kapija is a traditional variety of sweet pepper used to make ajvar. The plants are usually about 50-60 cm tall and produce large, flattened fruits with sweet flavoured flesh. The surface of the fruit surface is triangular and smooth with two longitudinal grooves. The colour of the peppers can be dark green or dark red. This variety is suitable for early and late production of ajvar and the production cycle is usually about 140-150 days (Invest North Macedonia, 2021b).

The whole process begins with the harvest of Kurtovska kapija peppers, which are usually ripe by the end of September. The seeds of the peppers are thrown into the fields in February and take 6-7 months to grow. For this reason, ajvar is usually prepared in mid-autumn, when the peppers are most abundant, and stored in jars for consumption throughout the year. Preparation begins with hand-selecting the peppers according to the desired color and size. The peppers are then roasted, chopped and finally cooked. Some industrial producers tend to use freshly chopped peppers that are then cooked with sunflower oil, which usually results in lower quality. The preparation of ajvar is not easy as it requires a lot of manual work, especially when peeling the roasted peppers. It is therefore important to use the Kurtovska kapija variety of peppers, which are large, red, horn-shaped, have thick flesh and are relatively easy to peel. In the production process, the peppers are roasted on a platter on an open fire lit with wood on a stove or in an oven. The roasted peppers must cool briefly so that the flesh can be separated from the skin. Next, the skin is carefully peeled off and the seeds are removed. The peppers are then ground in a grinder or chopped into small pieces. Finally, the resulting puree is stewed in large pots for several hours. At this stage, sunflower oil is added to condense and reduce the water and improve subsequent preservation. Finally, seasonal spices are added and the hot puree is poured directly into sterilized jars, which are then sealed immediately (Falkowitz, 2021). Regardless of the amount of ajvar, either prepared at home in small quantities or on an industrial scale, the preparation is always the same.

2.3 The ajvar industry in North Macedonia

The food processing industry in North Macedonia is one of the fastest growing industries with over 15% growth in recent years (Invest North Macedonia, 2021a). The food processing industry and agriculture are considered by the government of North Macedonia as the key target areas for future investment, growth and development. The government's key priorities for cooperation are improving living and working conditions in rural areas, access to additional knowledge and expertise, and capital investment in the food processing sector.

The most obvious competitive advantages of this sector are the specific combination of continental and sub-mediterranean climate, environmentally friendly production methods, high quality food processing technologies, experienced labour force, good access to regional markets and a prominence for high quality food products. The great natural conditions and current tradition, enriched with modernised skills and competences, offer many opportunities in the food industry waiting to be utilized.

Agribusiness and food processing are undoubtedly the most prominent and promising economic sectors of North Macedonia. Nearly 435.500 people, out of a population of 2.1

million, earn their income from agricultural activities. In February 2020, the average gross monthly wage in this sector was €500. These sectors are very well supported by a solid educational system with 7 faculties specialized in this field (Invest North Macedonia, 2021a).

North Macedonia has excellent potential for the development of the organic sector due to its extensive traditional agricultural production and favourable conditions in terms of soil and climate. It is the right place to develop organic agriculture as traditional methods are still used in agricultural production, organic fertilisers and pesticides are already used in moderation and large areas are free from pollution.

Organic production in North Macedonia is growing remarkably fast. In the last four years, the area certified for organic farming has grown. According to the data, there are more than 800 registered organic farms in North Macedonia producing mainly meat, honey, dairy products, cereals, ajvar, industrial oil crops, wine, fruits and vegetables (Ogranic Export Info, n.d.).

It is an evident fact that North Macedonian companies producing ajvar benefit from the position that this country occupies in relation to other Balkan countries because of the many sunny days in the year. It is well known that the mild climate has a huge impact on the quality and quantity of the product itself. This naturally allows for sweeter peppers to be grown and used, which are the main advantage for making the best ajvar possible. Therefore, it is not uncommon for a company to outsource their production to North Macedonia, the main reason being the high quality of the peppers. North Macedonia is a country with very fertile soil with great potential to further boost its economy through agriculture. Various cooking practises such as these are passed down from generation to generation, but with young people migrating from villages to cities or overseas, the slow food movement has become more important than ever. This local staple is very popular with tourists visiting the Balkans. You can find it in almost every supermarket or smaller shops. There are many different types of ajvar and each of them has a special taste.

As regards the ajvar industry itself, there are only a few important players in the market which produce very large quantities of ajvar which can also compete on foreign markets. However, there are also many small or medium-sized companies producing ajvar whose main purpose is to distribute the jars within North Macedonia. The largest producers are Mama's, Diem and Vipro, all of which have seen increasing profits from 2017 to 2018. More specifically, Mama's profit increased by 10%, Diem's by 17% and Vipro's by 4% (Faktor, 2019).

The same can be deduced in figure 2 below. Namely, over the years, both the quantity and value of exported ajvar have been increasing.

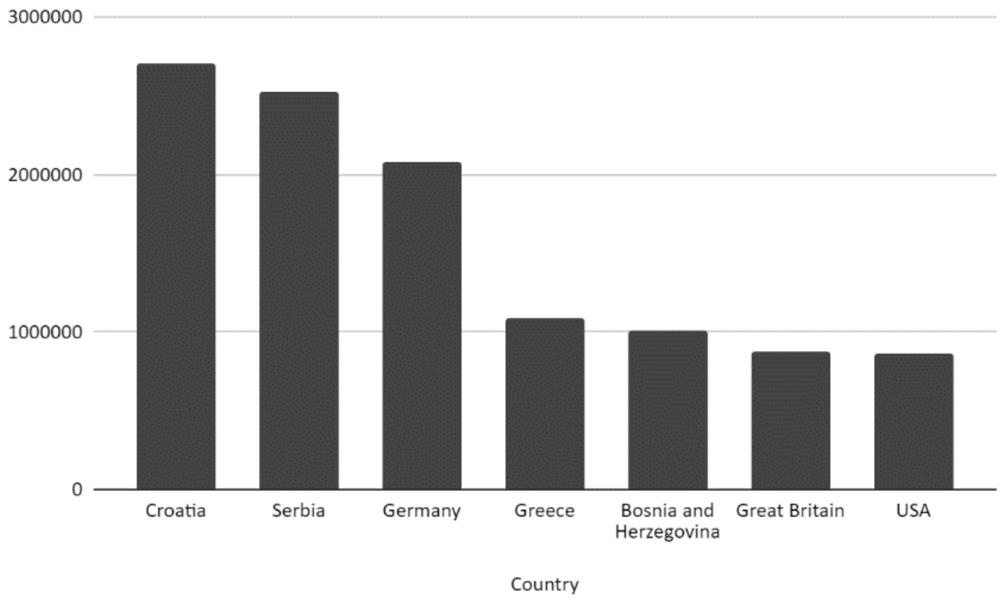
Figure 2: Export of ajvar in the years 2017-2020 expressed in kilograms and euros

Year	**Quantity in KG**	**Value in EUR**
2020	17.163.471	36.812.106
2019	14.634.512	28.401.603
2018	13.646.295	25.903.568
2017	12.680.635	23.745.282

Source: State Statistical Office of Republic of North Macedonia (2020b)

The first two countries that ajvar is exported to the most are Croatia and Serbia which are Balkan countries and very close to North Macedonia, with 2.709.394 and 2.528.513 kilograms exported, respectively. Surprisingly, Germany is on the third place with 2.075.736 kilograms exported in 2020, as shown in figure 3. Because the target market is Spain, it is worth mentioning that in 2020 ajvar hasn't been exported to Spain. This further confirms the main strategy of all producers is to export to countries where the population is already familiar with ajvar as a product, and/or where North Macedonian immigrants live (Invest North Macedonia, 2021a).

Figure 3: Leading export countries in 2020 (in kilograms)



Source: State Statistical Office of Republic of North Macedonia (2020a)

2.3.1 Porter's Five Forces

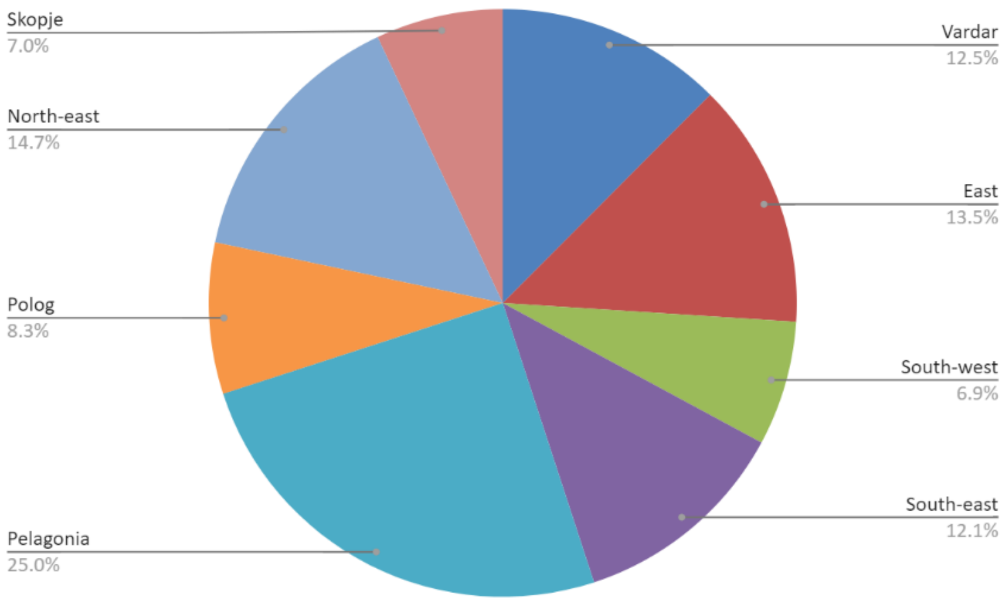
In this segment I will analyse the ajvar industry in North Macedonia using the Porter's five forces model.

1. Bargaining power of suppliers

First of all, it is quite evident that there are a lot of farmers and landholders that are nurturing the peppers needed for production of ajvar. All these individual farmers are selling their peppers to the production companies. The price per kilogram varies around 25 MKD, which is equivalent to 0.4 EUR (Denar, 2017).

The Pelagonia region and Southeast region of North Macedonia are both the biggest producers of peppers. It should be noted that the largest and most successful producers of ajvar are located in the Southeast region, while Gurmano is located in the Pelagonia region and is the only ajvar producer there. It is worth mentioning that there are about 90243 hectares of agricultural land in the Pelagonia region while in the Southeast region there are about 33000 hectares, as shown in figure 4. This is an advantage for Gurmano if they decide to expand, since the available area in Pelagonia is larger and they are the only producer there.

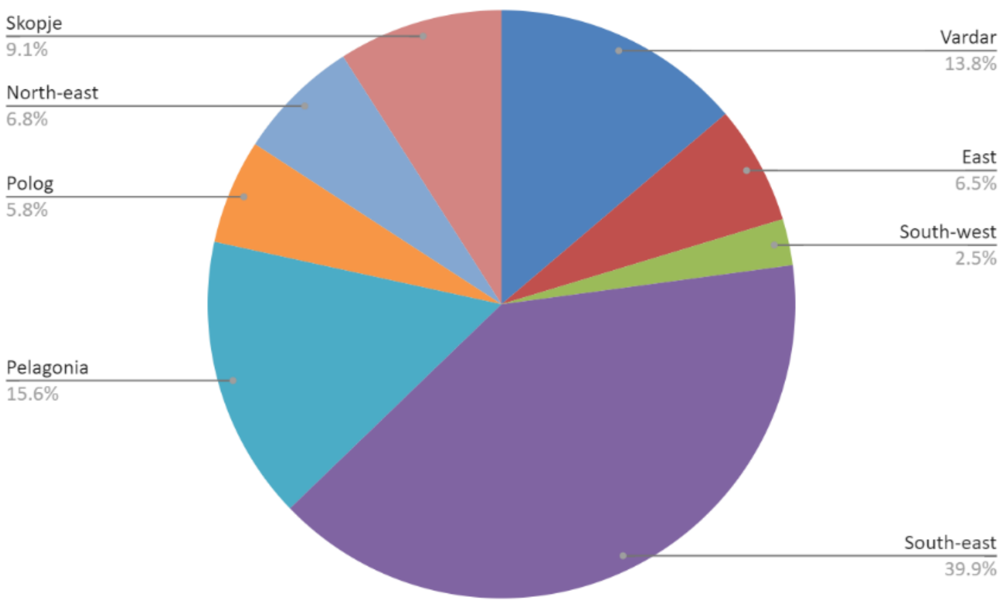
Figure 4:Land available for agricultural activities per region



Source: State Statistical Office of North Macedonia (2021a)

Things change a bit, however, when a more detailed analysis is introduced. Next, the area under vegetables (mainly peppers) is compared between these two regions. As can be seen from figure 5, in the Southeast region about 6722 hectares are used for vegetable production, while in the Pelagonia region it is less with 3772 hectares. This means that there are many individual farmers growing peppers in the Southeast region, but it is also a fact that more production farms and factories are based there.

Figure 5: Land used for producing vegetables per region



Source: State Statistical Office of North Macedonia (2021b)

As seen from the figure above, it can be concluded that the bargaining power of suppliers is low, as most of them are simply individual farmers who usually sell small quantities and cannot compete with large buyers unless they are unionized.

2. Bargaining power of buyers

In North Macedonia, the citizens also produce ajvar on their own, instead of buying it. However, not everyone has the knowledge or the time to do so, as the process is quite time-consuming, very manual and labour intensive. There are households that probably never ever bought a single jar of ajvar because they are doing it in their own homes, but also there are hoseholds that will always buy ajvar from the local supermarkets. As the time goes by, less and less families actually produce ajvar at home.

This all goes in favour with the growth of Gurmano, as it will probably have to produce more and more in the future because more households tend to purchase instead of making ajvar by themselves.

3. Competitors

The main competitors are described below. All competitors are located in the Southeast Region. Being located in the Pelagonia region brings some advantages, such as better access to available acreage and to individual farmers, i.e. producers of peppers. By analysing their trade practises we find that they all have different strategies for exporting. It is also worth noting that many of the companies producing ajvar also produce other types of preserves, from pickles to cabbage preserves.

- Mama's

The most serious competitor is the widely known company Mama's coming from the region of Strumica. To maintain original flavour of the products they use only carefully collected ingredients that are harvested in the peak of their freshness. Mama's also possesses a unique production process which enables all of those fresh ingredients to be processed straight from the fields, within 12 hours. All of their products are crafted in limited quantities without adding any artificial colours, additives, preservatives, thickeners or starch (Mama's Food, 2021a). Mama's possesses certifications for Vegan, Authentic taste, Gluten free, kosher and halal. All of these certifications are important for this product. Mama's is offering a wide variety of products, including home-style ajvar, malidzano, ljutenica and something fairly new – ajvar with cheese (Mama's Products, 2021b).

- Diem GP

Diem-GP is a production and trade company for production and processing of fruits and vegetables. It possesses a quality standard - ISO 9001 and a food safety management standard - ISO 22000, which includes the HACCP standards. Diem-GP offers a wide variety of products, including ljutenica, malidzano and zakuska. Diem-GP is exporting to many countries including Serbia, Bosnia, Montenegro, Croatia, Slovenia, Switzerland, Austria, Czech Republic, Canada, USA and Australia (Diem GP, n.d.). However, Diem GP does not possess vegan certificates and thus is not offering vegan products.

- Vipro

Vipro has a wide selection of canned goods, but their focus is on ajvar. The company also offers ajvar related products such as zakuska, ljutenica and malidzano. However, Vipro's products are not certified vegan. Vipro exports 70% of its own products outside North Macedonia to countries such as Switzerland, Canada, USA, Australia and some countries in Europe such as Bulgaria, Albania, Greece, Kosovo and Romania. It can be noted that Vipro does not export to Spain (Vipro, n.d.).

- Vori

Vori has been established since 1991. Their products are made from selected ecologically grown fruit that can be found in abundance in the Southeast region. The ingredients used in the production are 100% natural without any artificial colours and flavours. Similarly like the companies above, they also don't have vegan certification nor some vegan products (Vori, n.d.).

- Pajdakov

Pajdakov was founded in 1997 and is a slightly smaller company than those mentioned above. Their star product is ajvar, but they also produce ljutenica and malidzano, but not zakuska. Pajdakov has their own farmland and the vegetables and fruits are grown on that very land. They use their own ingredients and do not buy from individual farmers. The vegetables are grown in an ecologically clean environment. All recipes are homemade and traditional. They export to Europe (including Spain), Australia and the USA. At the moment Pajdakov does not offer vegan homemade ajvar and does not have the necessary certification for it (Pajdakov, n.d.).

4. Threat of new entrants

The threat from new entrants is low because it is a high barrier industry. New entrants are usually small manufacturing companies that operate only locally and do not export abroad. In recent years, there has not been a case where a small producer has demonstrated a significant growth. Some of the barriers of enrty are: the market is highly regulated, there are a lot of certifications that you have to obtain but they cost a lot, and the fixed costs are really high. All this means that this type of company has to perform really well in order to survive in the market, and this is not easy for the new entrants, because they are under pressure from the big competitors like Gurmano, who can afford to work even with negative margins for a while in order to get rid of the new entrants who are trying to disrupt the market. It takes a lot of money and effort to enter the market and compete effectively, and the key machines used are well protected so that rivals cannot enter the market so quickly and weaken Gurmano's position. Thanks to the strong and durable barriers to entry, a favorable position is maintained.

5. Threat of substitutes

Threat of substitutes is low. The only substitutes are products such as maldizano, ljutenica or zakuska, but at the same time they can't be considered as substitutes because all of these products are manufactured by the same companies and their price is not that different. This would be one of the rare products that are tough to find a substitute, just because it is a specific homemade product.

2.4 Presentation of Gurmano

Gurmano is a North Macedonian brand of processed agricultural products from the Pelagonia's region prepared and manufactured according to original traditional recipes. Gurmano is all about increasing the value, visibility and recognition of North Macedonian brands from the food processing industry in foreign markets. As shown in figure 6, their logo was created to convey these values.

Figure 6: Logo of the Gurmano brand

Source: Gurmano (2021a)

The firm Krivogashtani Promet was founded in the year of 1990, originally as a company which dealt in the retail space. Shortly after, the company chose to expand its services by offering catering and accounting services. It's around 1997 when the company begins with purchasing and sales of agricultural products – putting a main accent on peppers. The sales of vegetables and agricultural products were focused mainly within the market of Yugoslavia. In parallel to this, they became one of the main suppliers within the home canning industry. In 2010, the company evolved into a packaging centre, placing lots of fresh peppers in the Scandinavian, English and Slovenian market. Over the span of 30 years, the company had transformed its business model from the sales of vegetables to vegetable processing and production of commodities based on vegetable-processing. This came as a natural progression to their business, so in 2013 they chose to refocus on developing products from processed vegetables, mainly processed peppers. Seven years later, their products are present in more than 20 countries worldwide (Krivogashtani Promet, 2021a).

Their processing plant is located in an Industrial zone called Slavej which is around 6.5km from the municipality of Krivogashtani. The industrial zone has access to electricity, water, a treatment plant, drainage, telecommunication connections, but doesn't have line infrastructure. The whole area of the industrial zone is 66,220 m2 and its ownership is 100% private. The industrial zone is just 73km away from one of the key highways – E-75 and is 190km away from the Skopje Airport (Krivogashtani Promet, 2021a). The firm is an SME and has around 70 core employees, with the number of employees doubling around the season for pepper roasting. These seasonal workers and the demand of seasonal workforce is a challenge highlighted by the owners of the firm (Rastoder, 2021).

2.4.1 Production capacities

For the production of vegetable-processed delicacies the company uses raw materials, i.e. raw vegetables grown in the Pelagonia region – North Macedonia's biggest valley which has access to natural waters from the Crna and Krushevska rivers throughout the year. This region is very suitable for the growth of horticultural crops, among which are peppers – the main ingredient of more than one of Krivogashtani Promet's products. The number of produced jars of conserved foods is around 2 million units. Ninety percent of those units are designated for exports. The Gurmano brand currently takes up around 20% of the total production of the firm. The other 80% of the production is under the brands of their buyers (Rastoder, 2021).

2.4.2 The Gurmano brand and products

The company Krivogashtani Promet had been exporting the delicacies made from processed vegetables to markets such as Australia, the USA and Europe. Finally, after around 20 years of exporting, the company had chosen to enter its home market, placing its products under the name Gurmano. The company has split its assortment of products into 3 main categories: traditional pickled (sour) products, delicacy dairy products and delicacy roasted products (Krivogashtani Promet, 2021a). Among the traditional pickled (sour) products produced under the Gurmano brand name are: mild fefferoni peppers; hot fefferoni peppers and yellow piquant hot peppers (Krivogashtani Promet, 2021a).

Within the Gurmano brand's delicacy dairy products we can find: hot peppers in sour cream; hot pepperfeto; red, orange, green and yellow peppers with cheese and hot furgesa. Lastly, under the delicacy roasted products, the company produces: mild pindzur and hot pindzur; mild and hot ljutenica; mild and hot malidzano; roasted somborka peppers; roasted red peppers; macedonian mild and hot ajvar; mild and hot battered peppers; and mild and hot zakuska.

Figure 7: Products under the Gurmano brand

Source: Gurmano (2021c)

The company has been awarded many times and has won numerous accolades for its products and the quality of its workforce. Examples of such awards are the 'Macedonian Quality award 2019' and the 'Entrepreneur of the year – 2019' award.

2.4.3 Certificates

The quality and integrity of the ajvar product is guaranteed by strict compliance with the HACCP system and the requirements of IFS (International Food Standard). The HACCP requirements and the requirements for good commercial and hygienic practices (communication with customers; procurement; regulation of production facilities; technological equipment and infrastructure; traceability, etc.) are included in the standard IFS.

Compliance with HACCP and IFS requirements allows production workers to delete and correct any errors in the production process. It also prevents, as far as possible, defective products from reaching the shelves. The fact that the quality of the products is of vital importance to the customers is well known, so the companies try to ensure the quality at all times - from the production line to the sales, procurement and inspection departments and other services as well. In this way, every employee contributes to the higher value of the products.

The Gurmano brand has obtained these certificates which guarantee the quality of the Gurmano products internationally (Gurmano, 2021b). However, in order for the product to be recognized as a vegan product, it must receive recognition from a vegan certification body. The expansion of the vegan market has brought the presence of more vegan products on supermarket shelves than ever before. Given these circumstances, vegan certifications offer a way of relating to the customer which denote standardization and trustworthiness. Therefore, the vegan certifications act as means of capturing market share. As a matter of fact, there was a 128% surge in new trademarks registered for vegan food in the UK in 2019 (Divoka, 2020), a trend that’s followed globally. A trusted vegan certification symbol on product packaging builds trust with consumers, and that's a win-win for the company because it means higher sales for that product. Therefore, obtaining vegan certification is crucial for Gurmano if the company decides to enter the vegan market.

The following are most frequently used vegan certificates:

1. **Certified Vegan** is administered by the Vegan Awareness Foundation (official name of Vegan Action), a non-profit organization with its own goal of educating the public about veganism and assisting vegan-friendly businesses. he Certified Vegan logo is a registered trademark that guarantees that no animal products or by-products have been used in the manufacture of the products and that no animal testing has been carried out at any stage. It also guarantees that no GMOs derived from animals are included. The manufacturing processes must be taken into account and confirmation from the manufacturer is essential for the products to be labelled vegan. The seal is awarded to individual products and not to entire companies (Certification, n.d.).
2. **Vegan Trademark** is managed by The Vegan Society. Registration is required to use the brand, which involves a four-step process leading to a 12- or 24-month licence. However, pricing will only be disclosed upon request. The Vegan Trademark is recognised worldwide and is used by both well-known brands and independent companies (Vegan Society, n.d.).
3. **V-Label** is a commonly used label for vegetarian and vegan products. It was invented by the European Vegetarian Union (EVU), which brings together a number of companies and organisations that want to promote and support animal-free lifestyles. One potential downside to this brand is that it can be a little confusing, as the logo includes both the word vegan and vegetarian (European Vegetarian Union, 2021b).

Figure 8:V-Label

Source: European Vegetarian Union (2021)

3 ANALYSIS OF THE SPANISH MARKET FOR VEGAN PRODUCTS

As everyday life continues to change and evolve, there is certainly a lack of fresh agricultural products on the market, and thus the demand and price for this kind of products is increased because of their scarcity. The importance in terms of what this actually means for the customers is yet another criterion that has an effect in this topic. General research establishes that women, who make the majority of the purchasing population in the world today, are increasingly buying vegan food. Furthermore, the person with higher personal income and higher education level is more likely to buy organic and vegan products, which is also very logical and makes perfect sense. A significant segment of customers are young married couples with small children, and people with health problems. Interest in vegan food is also shown among young people who are mainly environmentalists (Dahm & Samonte, 2009).

3.1 Macro environment analysis

The increasing tendency towards vegan food and the analysis for both external and internal aspects are essential to the ultimate comprehension of the vegan food market and industry vertical. Using a well-known model like PESTLE analysis causes one to understand crucial factors in the vegan food market and eventually it extends the view of the need for the future. The PESTLE analysis model framework is established to help entrepreneurs understand the macro environment changes, its impact on the industry and involvement in the organic food industry (The Power MBA, n.d.). The analysis consists of answering questions about the specific effects in the present time and also in the near future. According to this model, the lists of the external factors are actually key elements that have influence or effect on the mentioned industry. In this specific case, it refers to the implication on the vegan food industry now and in the near future. The implications that affect the Gurmano company will be evaluated in order to react accordingly if needed. The study also includes evaluation on the key drivers of change in the external environment that will affect the vegan food industry in Spain. In this study, the elements that are observed in the framework are of political, economic, social, technological, legal and environmental manner.

3.1.1 Economic environment

Spain is the thirteenth largest economy in the world. Its GDP for 2018 was 1426.2 billion which represented approximately 2.3% of the global economy. The country is one of the biggest contributors to the eurozone. The Spanish economy has been growing well recently, not considering the recent effects of the health pandemic on the economy (Heritage, 2021).

An important political and economic factor is the high fiscal deficit that Spain has generated in the past 10 years, meaning that the government is spending more money than it earns.

This has led to a growing sovereign debt. In fact, in the days prior to the health pandemic, Spain's public deficit was projected to 1.8% of GDP for 2020. During the pandemic, in October 2020 the Minister of Finance of Spain, Maria Jesus Montero discussed a revised deficit of 11.3% - almost a tenfold increase. On top of that, the International Monetary Fund (IMF) has estimated that Spain's deficit for 2020 will further grow to a record 14.1% of GDP.

This imbalance translates to 140 billion euros – roughly equal to what the government spends on pension payments for Spain's nine million retirees. The deficit will result in new financing needs. In addition to the growing financing needs, there will be lower tax revenues. The financing needs will make Spain the 16th most indebted country in the world according to the IMF. Compared to last year, when Spain's public debt was at 95%, this year Spain's public debt will reach up to 123% (Heller, 2021).

The coronavirus has contributed to an economic crisis, which has resulted in a forecast for an economic contraction of 12.8% of GDP this year which is the biggest in all advanced economies according to the IMF (Heller, 2021).

The above-mentioned deficit will impose stricter fiscal policy rules and cost-cutting measures within Spain in order to get a grasp of the deficit figure and bring it lower towards the European Union's Growth and Stability Pact which stipulates a deficit not greater than 3% of GDP which Spain will not be able to hit as a target till at least 2025. The IMF isn't expecting Spain to drop its deficit below 3.9% before 2025 (AP News, 2021).

Regarding the impact of the global pandemic on the economy, the Bank of Spain has formulated a couple of scenarios: an early recovery (now most likely to not occur), and a gradual recovery. The decline in GDP for Spain will be more marked in 2020 in both scenarios. Yet, in the early recovery scenario the exit from the recession would have been quicker. In the early recovery scenario according to the Bank of Spain the GDP would decline by 9%, before a rebound of 7.7% and 2.4% respectively in 2021 and 2022. However, in the gradual recovery scenario, the rebound will occur much later and the decline in GDP this year would be 11.6%.

Regarding Spain's job market, things are not looking better here either. This has been traditionally one of the weak points of the Spanish economy. According to recent IMF estimates, Spain is not expected to return to the unemployment levels before the health crisis till at least 2026 (IMF, 2020). Unfortunately, the jobless rate is expected to be in the range of 16.8% for the next 2 years. The entire job creation in 2021 will only make up for 1 out of 5 jobs lost this year, i.e., less than 200,000 job positions will be created and it won't be enough to cover the 1,000,000 jobs lost this year. The IMF predicts that the unemployment rate in Spain will remain above 14% at least until 2025.

Currently there are around 728,000 workers on the government's so-called ERTE furlough scheme who do not count as unemployed. In Europe, only Europe is expected to fare better in the economic crisis caused by the coronavirus (Doncel, 2020).

In terms of imports, in 2016 Spain had imported close to 26 million tons of food and beverages from EU countries worth more than 19.4 billion euros. This is close to 6% of all agri-food transactions in EU countries. In terms of volume, the following categories of food were notable: grains (16.1% of EU total), fish, shellfish and molluscs (11.9%), vegetable juices and extracts (7.2%), spices (5.6%) and legumes and vegetables (5.2% of EU total). Spain also imports lots of food from non-EU countries with almost 15.8 billion euros in 2016, that same year. Again, one of the top categories for non-EU imports was vegetable plaiting material (15.7%), vegetable juices and extracts (13.4%), legumes and vegetables (12.6%) and food industry waste (12.2%). Clearly, a large percentage of Spain's total imports regarding agriculture and vegetable products comes from non-EU countries (World Bank, 2016).

3.1.2 Socio – cultural environment

A lot of sociological factors have led to changes of lifestyle and diet - an increased number of women in the workforce, less and less family meals, and the increased use of snacks are some of them (Redman, 1980). Economic and environmental factors also play a crucial role in changing the overall behaviour of consumers. Natural environment on the other hand has been polluted to such an extent that it cannot be farmed optimally, so it needs a lot of extra help in terms of energy and chemicals. A large number of plants and animal species that played a very important role in the maintenance and reproduction of natural systems have been extinguished (Sredojevic, Oljaca, & Kresovic, 2002). Consumers now do not have the opportunity or time to find ingredients in order to make healthy, fresh dishes by themselves and thus they are in the constant pursuit for food products that would compensate for the lack of fresh homemade food. Because the consumption of industrial, junk and unhealthy food has already shown a significant negative impact on people's health, consumers are now oriented towards increased safety and quality of the food, so the awareness of organic and vegan food is now on the rise. Moreover, Spain is extremely unique when it comes to society and culture. Much of the country's population follows a workday schedule which differs from the rest of the working world – they have long, lunchtime siesta breaks and a late bedtime (Business Culture, n.d.). Regarding demographics, with a population of 46.7 million, Spain has an almost 50/50 split between biological males and females, with the vast majority being Spanish-born Caucasians. Birth rates have been declining in recent years. The country has experienced increased immigration where more than 6 million people have migrated the country. The country has an ageing population of over 65 which is projected to reach 20% of the total population in 2020 (Worldometer, 2021). This will markedly impact economic growth, loss of productivity and impact the pension system. This combined with the decline in births mean that Spain will have a shrinking workforce in the future. Work conditions are stricter and tighter because of increased competition in Spain (Bank of Spain, 2020).

Another social issue in Spain is its youth which is opting to get more and more higher degrees without seeing the demand for much employment on the other side when they complete their higher education. With this, young Spanish people are seeking employment elsewhere in Europe – emigrating from Spain (Selva, 2018).

Social division is also prevalent in the Spanish society, with 2 regions being Basque and Catalonia (which has called for full provincial autonomy and even held a failed referendum (Gardner, 2019). This has resulted in a lot of tension and a distrust of a fraction of the Spanish population in their government. Moreover, the country of Spain has one of the highest Gini coefficients in the European Union. A Gini coefficient or a Gini index is a measure of statistical dispersion which indicates income inequality, i.e., wealth inequality (FRED Economic Data, 2021).

We cannot neglect the impact of the recent COVID-19 pandemic on the social factors of Spain. People cannot really travel much, as tourism was the main industry impacted within Spain – being a very high performing one previously.

Thus, from a socio-cultural standpoint, businesses need to be aware that Spain is an aging country, dealing with a decreasing birth rate, cultural divisions, youth emigration and an increase of immigration. There might be a shortage of skilled workforce on the Spanish market in future years, coupled with a slowdown in economic growth as the whole demographic landscape gets a tad bit older.

3.1.3 Environmental conditions

The environment is a serious topic when it comes to Spain – companies and individuals are subjected to various regulations regarding the pollution they create, the resources they use and even the segregation and recycling of waste per household. On a state level, the Ministry of Ecological Transition and Demographic Challenge is the main regulatory body which covers these regulations and it is separated into several areas:

- Energy
- Biodiversity
- Quality and environmental assessment
- Coast and marine environment
- Water
- Climate Change
- Environmental education (Ministry for the Ecological Transition, 2018)

Non-compliance of businesses or individuals can result in either administrative or criminal sanctions. The sanctions are aimed to encourage taking preventative action and administrative sanctions are issued whenever possible. Sanctions for infringement cost the businesses fines which range from 10.000 to 50.000 euros for less serious infringements and up to 1 million euros for serious breaches in environmental policies (European Commission, 2002). In practice however, many cases of breaches in environmental regulations are not prosecuted due to lack of resources or a difficulty in discovering breaches. This would have important implications for the entry of a vegan product on the Spanish market, as the business entity would have to ensure they don't breach any environmental policies with their activities within the country. They would have to get the necessary environmental permits to avoid heavy sanctions which could potentially put them out of business.

On the other side, more that 70% of Spain's energy consumption relies on fossil fuels. The use of alternative energy sources, such as renewable energy is growing. Currently, around 12% of Spain's energy comes from nuclear energy which is a leading source of alternative energy in the country (World Bank, 2016). From the current state of affairs regarding energy, we can conclude Spain has been slower to adopt renewable energy, compared to other more advanced (Scandinavian countries). From an environmental standpoint, businesses need to be aware they are entering a state which is slow to adopt progressive energy policies, with strong environmental policies which in practice get rarely applied or followed through to the end.

3.1.4 Political environment

The political form of the Spanish States is a constitutional monarchy based on a parliamentary democracy. Power in Spain is highly decentralized with autonomous communities having a high level of legislative, executive and fiscal autonomy. The Head of State is King Felipe VI and the legislative power resides in the Spanish Parliament which monitors the executive branch. Spain is a multi-party country and since 1982, the governments in power have been mainly from the People's Party (Patrido Popular) and the Spanish Socialist Workers' Party (Patrido Socialista Obrero Espagñol). The current Head of Government is the Prime Minister - Pedro Sanchez, since 2018 and he's from the Spanish Labor Socialist Party (European Commission, 2020b). Among the main political factors discussed in this section will be: the Catalan's desire for independence and their failed referendum, the rampant corruption in Spain and Brexit.

After the 2017 Catalan referendum to achieve independence from Spain, in which the secessionists obtained a majority, there was a hard reaction from the central government regarding this. 2019 also was characterized with political uncertainty for Spain. That year, 9 out of 12 Catalan political leaders were accused and found guilty of sedition and condemned to prison sentences ranging from 9 to 13 years by the Supreme Court of Spain. This decision was characterized by strong protests in the country. After the failed referendum, the movement for Catalan independence had quieted down, with the political power behind it being split in their preferred approach to move forward: a section wanting to preserve and maintain pressure politically, and a section wanting to continue negotiations on a more peaceful level (Jones, 2019).

Corruption is also ripe in the country with several high-profile examples being identified in the last 5 years. Some of the examples we are going to elaborate on are the Punica, Gurtel and Palau de la Musica.

The Punica corruption scandal involved kickbacks for government contracts schemes involving local political leaders from the Popular Party and several Spanish businessmen. The funds that were defrauded amounted to 250 million euros over a 2-year period. The secretary general of the Popular Party in Madrid was in the center of the investigation along with another businessman for money laundering crimes. The investigation revealed lots of government officials who had awarded public contracts to a variety of businessmen in exchange for bribes amounting to 2-3% of the total public contract's value (Reuters, 2014).

The Gurtel case has been described as Spain's Watergate scandal. This was another kickbacks-for-contracts scheme which involved a Spanish businessman and local leaders of the Popular Party in Madrid and Valencia. The Popular Party's treasurer was in the center of the scheme. This case uncovered corruption of around 123 million euros in bribes paid to PP officials used to illegally fund the party. Around 35 officials, mostly political figures and businessmen were sentenced to time in prison (Edwards, 2019).

The Palau de la Musica case basically involves the president of the Catalan Palace of Music who from 2000 to 2009 with the help of his right-hand man and general manager of the institution defrauded the institution for approximately 23 million euros. This was yet another kickbacks-for-contracts scheme which implicated the Convergencia Democratica de Catalunya (CDC) Party. This case ended up with an almost 10-year prison sentence for the president of the Institution (ACN, 2017).

These corruption scandals show a deep and common lack of oversight of public officials in Spain at the local and regional levels. These were some actions connected to these cases, such as the launch of the Democratic Regeneration Plan which implemented some initiatives to promote better oversight of politicians. Yet, a 2019 report of the European Council's Group of States Against Corruption (GRECO) remarked that most of the initiatives were piecemeal and not integrated in a comprehensive strategy (GRECO, 2019). Additionally, a draft of an Anticorruption and Whistleblower Protection Law, which includes the establishment of an Anticorruption Authority has been stuck in Parliament since 2014. As recently as June 17 2020, the Spanish Congress voted against an anti-corruption proposal which aimed to transpose the EU Whistleblower Directive into national law- blaming the creators of the law that it was a weak proposal which was 'opportunistic and insufficient' (Simmons & Simmons, 2018).

A considerable political factor with many implications for Spain will be Brexit. As the United Kingdom invoked Article 50 (to indicate they will proceed with Brexit) years ago – this already had an impact on Spain, causing an economic slowdown. Spain's exports to Britain which account for 5-10% of Spanish sales abroad fell by more than 6% in 2017 alone. As the UK has now (in 2020) chosen that they are leaving under a 'hard Brexit' – where the UK will leave the single market and customs union, this will have further impacts on the Spanish economy, by also affecting the tourism industry. After all, British tourists represent the majority of tourists in Spain (Chislett, 2021).

3.1.5 Legal environment

There are several unique factors in terms of Law in Spain, one of which is Judicial Independence. This is one of the building blocks of Spanish Law. It is characterized with 3 traits:

1. Impartiality – judicial decisions aren't influenced by a judge's personal interest.
2. Respect – once issued out, the judicial decision of a judge is respected.
3. Freedom from interference – any interested party in the outcome of a certain judicial case, must not influence the allocated judge's decision (Tapia & del Campo, 2018).

A very useful policy that the Spanish government has implemented is the prohibition of judges to hold positions of popular election and to be members of any political parties (this is actually a very serious fault of the judges which might result with their dismissal from function). There are also strong anti-collusion measures implemented when allocating cases – that the judge hasn't had any family relationships in the case, friendship with the parties involved in the case or any prior involvement in litigation with them – impartiality really matters when it comes to spanish law (Tapia & del Campo, 2018).

On the other hand, Spain is one of the countries which limits judicial liability, as judges have judicial immunities. The only way a judge can be arrested in Spain is through an order by another judge for flagrant crimes.

As in most European countries, they have strict copyright and data protection laws with a legislative structure ready for the digital era. The country has a reputation as being highly bureaucratic when it comes to opening a business or bringing an outside investment.

3.1.6 Technological environment

Spain is one of the top 20 spenders on research and it spends about 19.2 billion on Research and Development (World Data Atlas, 2019). The country has developed ports and railways, making the movement of heavy industrial machinery very easy across the country. It was one of the first countries to issue all national identity cards in an electronic format. The

Spanish population is very technologically savvy with internet usage rates of above 65% (European Commission, 2020a). Spaniards are also known for their widespread use of social media. Generally, Spaniards are adopters of the new – be it technology or in other aspects mentioned below.

Young people are used to spending most of their days next to computers, working or playing video games that do not stimulate all senses - therefore, the appetite for food is growing as an alternative incentive. Inconsistent contact with the natural environment encourages curiosity for "the story behind organic and vegan food" and this is found to be especially displayed among millennials. Thus, they are inclined to learn more about what is in it and how it was made: 80% of millennials said that they like "behind the scenes" commercials for food they consume, meaning that they want to know more about how their food is being manufactured, and they think companies do not disclose enough information about their food products. Representatives of Generation X are less interested, while the baby boom generation is behind the millennials by about 15 points on each question (Gara, 2016).

It is a widely known and general fact that people have always tried to find a way to express themselves through fashion, the status symbols they own, or the music they listen to, but the millennials have found something new - today they are identifying themselves through the food they tend to eat. Food has become another platform for self-promotion and branding, for both consumers and food producers (Gara, 2016). These consumers are kind of more informed and educated than the previous ones, and this is mainly coming from the fact that they are aware of the impact that agriculture has on the environment as a whole. Millennials are born, raised and educated in an environment that has a very high opinion on ecology and health. The change in consumers' taste uncovers an excellent opportunity for various ways of food branding and creating food with extra value for the consumers. Modern customers think of organic agriculture as a common well-known brand – and they tend to perceive it as a guarantee which assures the fulfilment of their needs for natural, responsibly made, and healthy vegan food. Because of this extra value that is added, customers don't mind paying a higher price for vegan products.

For a business looking to place vegan food products – as commodities, they could be looking at Brexit as a favourable factor, as it would create a hole in the Spanish Economy which they could partially fill in with increased exports to Spain. Technological and psychological trends in the Spanish food customer are favourable for the business.

3.2 Micro environment analysis

Veganism is a modern and trending concept which has its origins in the 20th century. This phenomenon was deepened based on vegetarianism, known by the practice of Hinduism in the East and Greek philosopher and mathematician Pythagoras (500 B.C.) (Preece, 2008). Besides the lifelong attempt to exclude animal products from daily consumption, the modern society of humans in the 21st century still discusses the definition of the terms "vegan" and "vegetarian" as there are no official legal definitions in the food industry so far. Hence, the label of "vegan" or "vegetarian" on product packaging is voluntary and equivocal (European Vegetarian Union, 2021a).

However, veganism is still a new concept that is under continuous development. The perception of this phenomenon was invented in 1944 by Donald Watson, the founder of the Vegan Society in the United Kingdom to end the exploitation of animals for humans and by humans (Vegan Society, n.d.). This concept not only deals with food consumption but also broadens its scope in all goods categories, testing on the animal, transportation, entertainment, etc. Many vegans argue that if they respect the animal and do not stress nor physically abuse, such as not using metal shoes for horses or using vegan saddles and bridles for them, then the idea of living in harmony with the animal should be accepted (Vegan Life, 2018). As the simplest definition of vegan, according to Cambridge English dictionary, the concept of "a person who does not eat or use any animal products, such as meat, fish, eggs, cheese, or leather" is rather hard to be followed as, still, it is impossible to trace all the animal origin in our daily consumption, such as crushed animal bones as a replacement material in concrete in the construction industry.

Vegan is a type of a healthy diet that completely excludes meat, dairy, eggs and all other animal derived ingredients like honey, collagen & gelatine. The main point of these healthy meal plans relates to increased consumer behaviour about the benefits of vegan food such as lower levels of cholesterol, insulin, stress & anxiety-inducing hormones like adrenaline and cortisol. All of this is changing consumer attitudes on animal derived products which are likely to accelerate vegan food market growth.

3.2.1 Industry analysis

The size of the vegan food market in Spain and globally is likely to experience steady gains in the near future mainly because of the changing consumer behaviour towards vegetarian healthy meal plans as well as its potential advantages in controlling cholesterol and insulin levels.

Vegan food answers to variants of nutrition meals without the use of animal products and final products like fat, stock, caviar, roe, eggs, milk, cheese, and meat. Worldwide, over 7% of millennials considered themselves as vegan reflecting increased consumer inclination towards healthy nutritional habits and changing outlook towards vegan products. The Increased consumer inclination to substitute such products may hasten the vegan food market growth.

The increased consumption of vegan food generally happened because of the rising consumer inclination to try western dishes that overall take less preparation time, and compatibility with respect to flavour and texture with other vegan products such as tofu, vegan vinaigrettes, vegan wine, and solidified vegetable oil-based cheese may foster market growth for vegan food. Rising customer attitudes towards healthier lifestyles, an increase in awareness to attain a healthier diet, desire to lose weight and to reduce cholesterol and fat may also accelerate market share for vegan food products such as plant-based vegan foods. Increased demand for vegan chocolates owing to its various health benefits, strengthens the immune system against a wide variety of bacterial and viral infections. All of the above-mentioned trends actually play a crucial part of the increased consumption of vegan products.

Market share can also be triggered by changing consumer perceptions towards healthy food habits and increasing awareness of musculoskeletal health diseases like osteoporosis and osteosarcoma.

Global vegan food market share is quite saturated as the market consists of various players. In Spain, companies such as Mercadona (Kioene), Carrefour (Garden Gourmet), Alcampo (Vegreen, Garden Gourmet), El Corte Ingles (Beyond Burger), Lidl, Aldi (Gut Bio) and, of course, Amazon are the key players in this sector.

The number of restaurants and food stores catering exclusively, or partially, to vegetarians and vegans has more than doubled since 2011; with a total of 800 on record by the end of 2016, The Green Revolution claims (Lantern, 2019).

Although the meat industry could potentially suffer if the trend grows too fast, the vegetarian and vegan food production sector has already reported massive growth in Spain.

Besides the obvious challenges for veggies in the Spanish context of a poor vegan offer of the final products, there exist 4 general issues to transition to a plant-based diet:

1. Poor offer in hospitality for veggies;
2. Myths and ignorance;
3. High-cost products;
4. Lack of vegan products in supermarkets shelves.

Regarding the last point, there is something of a revolution underway in the supermarkets. The shops have started to fill their shelves with veggie food and beverages. With every decision the consumer takes, the landscape is shaped both in and beyond the supermarket. So, it is worth mentioning that vegetarian and vegan choices are becoming increasingly common.

Although initially aimed at a small target group, it's clear that responding to the call of values such as environmentalism, sustainability, animal welfare and health, is slowly but surely becoming more and more important to having success with the general public.

3.2.2 The Spanish vegan consumer

In the last decade, there were not many examples of vegetarianism in Spain, mainly because it was very frequently frowned upon with even doctors claiming that it was impossible to follow a meat-free nutrition plan without lacking in essential nutrients. However, things are changed now and we can realise some examples and cases of this phenomenon in which the consumer does not use any animal produce whatsoever.

In general, the three main reasons for giving up animal products are:

1. Health concerns;
2. The environment;
3. Respect for other living creatures.

A survey of 2,000 people was carried out in Spain in 2017, and it is found that 6.3% consider themselves as flexitarians – which means they generally avoid meat but have not totally turned their backs on it. Vegetarians, who eat dairy, eggs and honey, account for 1.3%. And at the far end of the spectrum, 0.2% are vegan, avoiding any product that might be linked to the slaughter of animals, including clothes and cosmetics. In total, 7.8% of Spaniards over the age of 18 – or more than 3.6 million – are driving a market that is predicted to be worth €4.4 billion globally by 2020 (Hernando, 2019). Two-thirds are female and 51.2% live in cities with populations exceeding 100,000 while most fall into the 20-to-35 age bracket.

Almost one in 13 Spaniards are vegetarians or vegans, and restaurants and food stores are rising to the challenge of catering to a market worth over US$4 billion per year worldwide (Lantern, 2019). It is quite evident that the number of non-meat eaters has risen sharply in the last five years.

The growing number of vegans in Spain is connected to a growing awareness of environmental values among the whole society. More and more Spaniards are concerned about cruelty to animals and begin to implement these concerns into their daily life - for example, by following a meat-free or even vegan diet. A vegetarian or vegan diet, if balanced in the correct way, is healthy for any age group and is also suitable during pregnancy and breastfeeding. It is even perfectly adequate and commonly used by many professionals for athletes around the world.

4 METHODOLOGY

4.1 Purpose and objectives of the research

The purpose of my master thesis is to analyse the possibility for internationalization of the traditional North Macedonian product – ajvar – into the Spanish vegan food market. In this context, the underlying premise of my research is that the product's functionality is suitable to the daily eating habits of vegan Spaniards. The thesis aims to deepen the knowledge about the North Macedonian ajvar market and its current state. Furthermore, through consumer decision-making factors the thesis will attempt to answer whether or not vegan Spaniards think of ajvar as something that can become part of their eating routine. The following section presents and describes the research method for data collection and an explanation of the sampling procedure which was used.

4.2 Methodology

The empirical part of the thesis relies on primary data. collected through a paper-and-pencil questionnaire. On the weekend of October 5 and 6, 2019, I was a member of the Gurmano brand representation team at the vegetarian exhibition VeggieWorld Barcelona.

Figure 9: Gurmano's products at the VeggieWorld Barcelona fair

Source: Own work (2019)

VeggieWorld is the largest vegan lifestyle consumer expo in Europe. Exhibitors showcase their latest products and services, while visitors have the opportunity to try, buy, and get detailed information on the full range of vegan food and non-food products (VeggieWorld, n.d.). Gurmano's vegan products, including ajvar, ljutenica, malidzano, and zakuska, were on display and available to taste.

During the fair, I collected raw data by filling out paper and pencil questionnaires from people who had tried the ajvar product. The questionnaire included different tools, including closed and open questions. Participants were asked to answer 10 questions, two of which consisted of sub-questions. The questionnaire was divided into two parts. The first part focused on the respondents' behaviour in food consumption. The second part focused on the respondent's first impression of the ajvar. There were different types of answer options, including a colon, multiple nominal points, and multiple ordered points. A total of 120 questionnaires were filled out, of which 8 were inconclusive, leaving 112 valid questionnaires.

To analyse the obtained primary data, I used Microsoft Excel to perform different types of analysis, starting with descriptive statistics. Based on the end data and using comparison as a method, I tried to compare the results and give sound and logical conclusions.

4.3 Sample description

The respondents of the survey were picked at random during the presentation of the product ajvar at the VeggieWorld vegan fair in Barcelona which happened in September, 2019. Once they expressed a desire to taste the product, they were asked if they were willing to fill out the survey. This precaution was taken in order to avoid bias.

The respondents were practicing vegetarian or vegan diet and they were residing in Catalonia, Spain.

5 ANALYSIS AND DISCUSSION OF THE RESULTS

The main goal of the discussion section is to explain, interpret and discuss the significance of my findings in light of what was already known about the research phenomenon that is being investigated and to describe any new understanding or insights that emerged as a result of the study of the issue. The results section is a section containing a description about the main findings of a research, whereas the discussion section interprets the results for readers and provides the significance of the findings.

5.1 Analysis of survey results

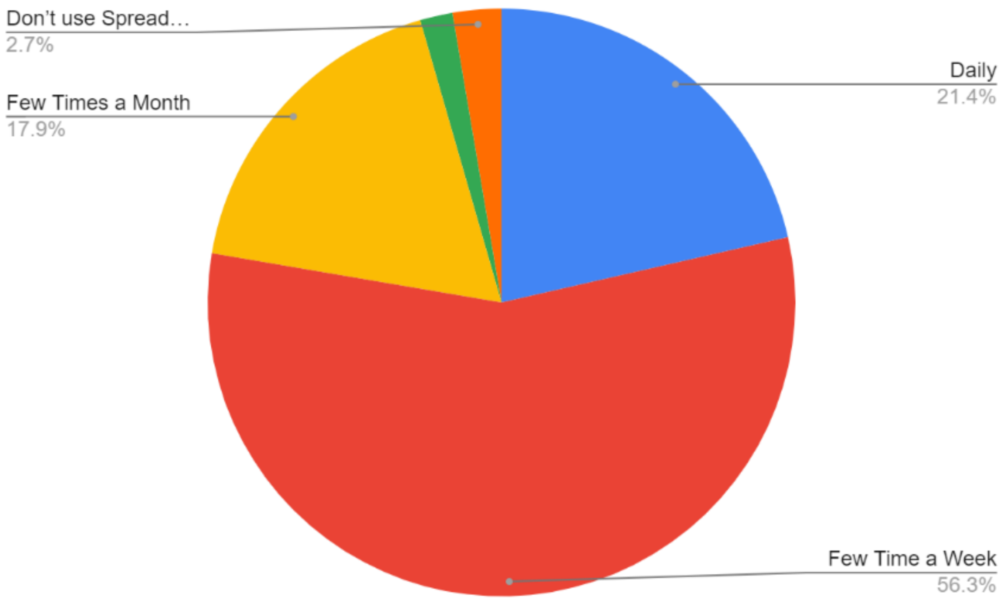
The following section contains an overview and analysis of the feedback of the respondents to the survey. For this purpose, the answers have been grouped in several categories based on their characteristics.

The first section is grouping the answers which relate to and explain the consumers' behaviour when it comes to dips. Its aim is to help the reader understand the frequency, repetition and conditions under which dips are consumed. The section that follows is closely related to the former one and is related to the places of purchase of dips. This will inform the decision as to where the product should be placed if the brand decides to enter the Spanish vegan market. The third section elaborates on ajvar as a product and the previous knowledge respondents have of it. In the following section the first impressions and reactions of the respondents to Gurmano's ajvar are recorded. These can serve as pointers for the company as to how the respondents are perceiving the taste and packaging of the product. Finally, the last section is an overview of the respondents' comments regarding pricing.

5.1.1 Consumer behaviour regarding dips

More than 97% of participants indicated that they are using spreads or dips such as hummus, salsa or guacamole as part of their meal plans. This result indicates that spreads and dips are part of the daily eating habits of the majority. To conclude, this information points me in the direction that the need for using spreads already exists.

Figure 10: How often do you use spreads or dips in your diet?



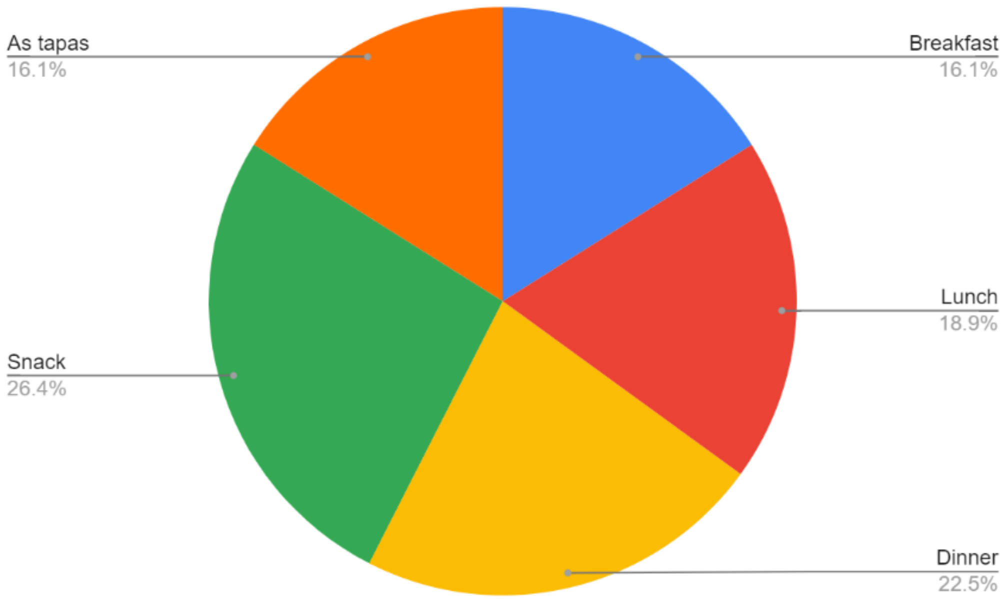
Source: Own work (2019)

Out of the 109 participants that are using spreads, 63 of them, or almost 58% are using it on a weekly basis. It is also nice to see that 21.4% use spreads on a daily basis. This indicates that their need is frequent and recurrent.

These results are positive indicators for the company due to the following reasons. Firstly, the Spanish consumers are familiar with spreads as product. Therefore, if ajvar is marketed as a spread it's likely the main attributes of the product will be successfully translated to the customers. Secondly, the fact that their need is frequent and recurrent indicates a product with short usage cycle that repeats consistently or decreased storage costs.

The answers are different when asked as part of which meal are the participants usually use spreads or dips. The participants are consuming spreads as breakfast, lunch, dinner, snack or as tapas. As shown in figure 11 most of them use it as a snack, but we can also see that they combine these spreads in their breakfast, lunch or dinner meal plans. Even though they're using it as a snack most commonly, the rest of the options are represented in a significant number as well.

Figure 11: As part of which meal do you use spreads or dips?



Source: Own work (2019)

Furthermore, the majority of the participants or almost 60% of them, answered that they consume the spreads or dips at home. The rest 40% said that they consume the spreads at the restaurant. Since customers are consuming spreads both at home and at restaurants there are two different routes the company can take i.e. pitching the product to stores and/or restaurants.

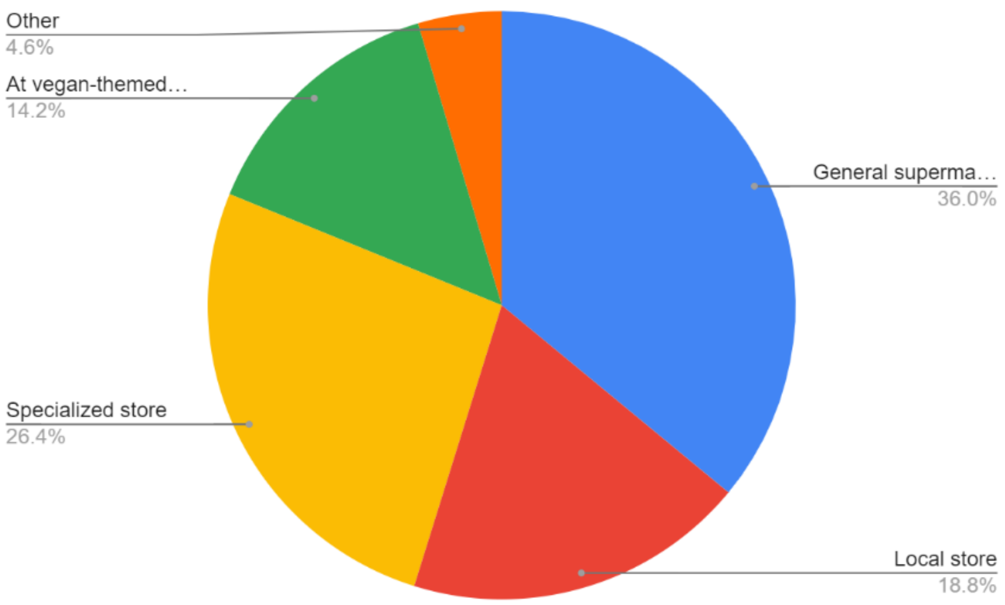
We can conclude that there exists a trend of using dips and spreads. Furthermore, their usage is versatile i.e. the consumers are using these products as part of any meal throughout their day. This can serve as a useful pointer when marketing the product. Namely, the company can try to bring the customers closer to their product by marketing different ways it can be used, which in this case are numerous. Including different recipes which illustrate the possible usage of the product along with every meal of the day can serve as an incentive for purchase. This is especially important since ajvar isn't common product in Spain and marketing it properly will determine its success.

5.1.2 Places of purchase

Moving to the second section, it is noticeable that the majority of the participants, 36%, shop for vegan products from supermarkets, while the specialized and local stores come in the 2nd and 3rd place, respectively, with 26% and 19%. Big supermarket chains such as Lidl, Dia and Mercadona all have vegan products on their shelves, a trend that is continuously growing in the last decade.

Based on these results, it is reasonable to conclude that the product will more easily stand out at specialized stores and fairs. These are places which customers visit with the goal of finding new products, so they'll already be in a more open-minded state.

Figure 12: Where do you shop for vegan products?



Source: Own work (2019)

5.1.3 Previous experience with ajvar

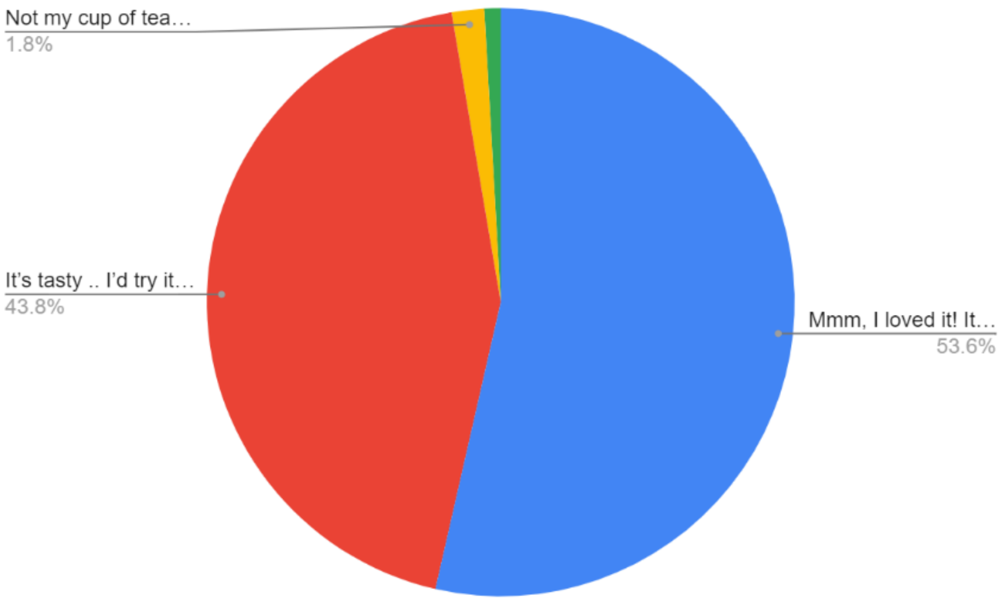
The focus of the next section is regarding the previous knowledge of all the participants about ajvar. Surprisingly, 68% of the respondents have never heard or didn't have any previous knowledge about our product. Moreover, 79% of the respondents have tried ajvar for the first time as part of this survey.

These results point out to the fact how the initial strategy of entering the market will be crucial in presenting the product. Therefore, the company should design their initial strategy carefully.

5.1.4 Reactions to Gurmano's ajvar

After they have tasted the product, it was interesting to see their reaction and also their answer about whether they liked it or not. Since the survey was anonymous, the participants didn't have any motive to lie about it, which was exactly what we needed. As shown in figure 13, the majority of the answers were divided between the options: *"Mmm, I loved it, its finger-licking good"* and *"It's tasty – I'd try it again"*. Only two respondents said that they don't like it, but that's only 1.8% of the total respondents. These are amazing results, especially when taken into account that majority of respondents haven't heard nor tried the product before.

Figure 13: What's your first reaction to the Gurmano product you tasted?



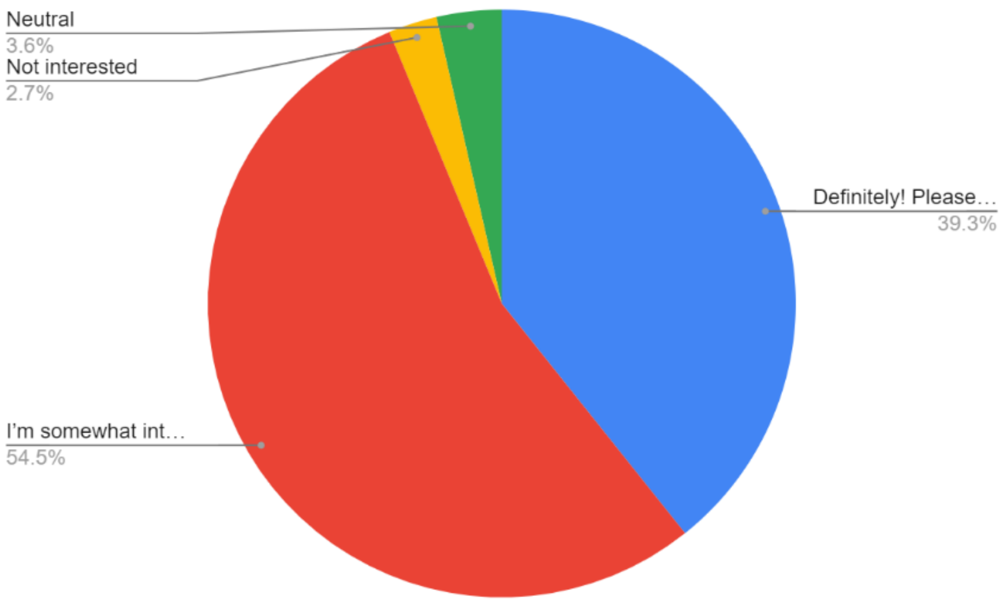
Source: Own work (2019)

To validate the conclusion above, the next question actually asked them if they were interested to include Gurmano's ajvar in their diet. The results are presented in figure 14. The fact that the majority of votes were distributed between the first two answers, namely "Definitely!" and "I am somewhat interested" just strengthens our initial thought regarding the Spainsh consumer habits. If we combine the percentages, it turns out that more than 93% of the participants are interested in our product.

The fact that even though the majority of the respondents were tasting ajvar for the first time, and their first reactions are positive is a very promising indicator. This should serve as a pointer to the company as how to introduce the product. Namely, giving the customers the option to taste the product should help towards bridging its animosity on the Spanish vegan market.

Therefore, the next question is logical, and it is whether our participants would end up buying the product if it was available today. 42% said that they will definitely buy it and 50% said "maybe". Even if all 56 participants that said maybe didn't buy the product, I think that the 47 people that will definitely buy the product is a satisfactory result. This further confirms that people visiting fairs are more open to discovering new products which may prove as a feasible promoting strategy for the company if they decide to introduce their product to the Spanish vegan market.

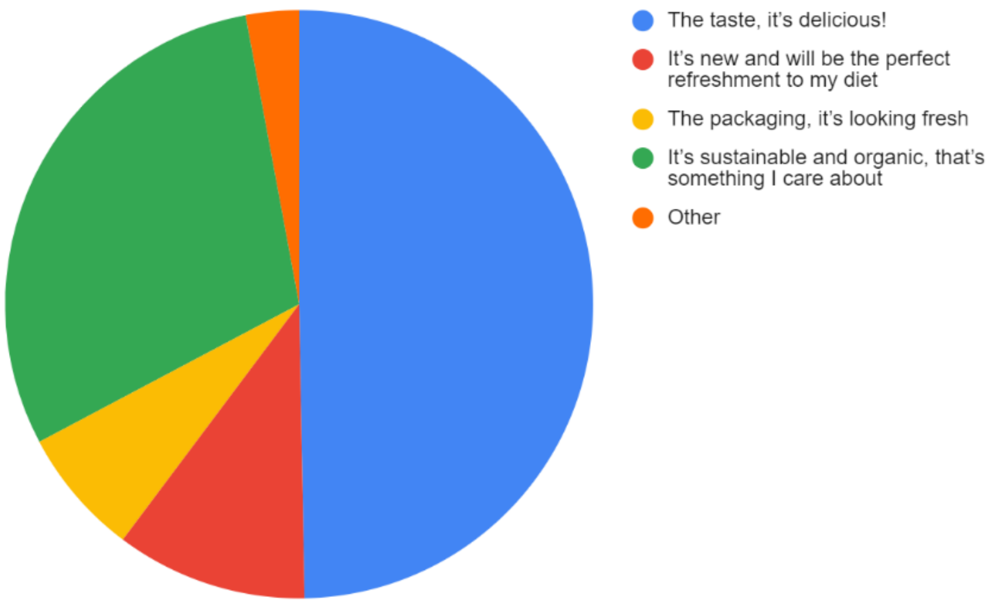
Figure 14: Would you be interested in including the Gurmano product in your diet?



Source: Own work (2019)

The next question focused on what exactly the respondents like about the product the best. In other words, what is that specific factor that made them want to buy the product? As shown in figure 15, the quality that stood out the most is the delicious taste – 50% of the respondents have chosen this answer. Followed by 30% is the fact that this product is sustainable and organic. Evidently the product is resonating with the target audience and their lifestyle. It can be concluded that the taste and the organic nature of the ajvar are its main advantages.

Figure 15: What do you like the most about it?



Source: Own work (2019)

Furthermore, 80% of the respondents answered that they would recommend ajvar to their friends. All of these questions had one main goal and that is to see whether the vegan ajvar would get enough interest from the Spain consumers in the vegan food sector. Judging from the answers, we can definitely say that this group of questions brings back very positive feedback about the product and we can conclude that the consumers would definitely want to buy it and have it at home.

The last question was not a multiple-choice question, like the previous ones. In this one, the participants were asked what they would improve in this product.

First of all, it is worth mentioning that 55% of the participants didn't leave any comment. Second of all, we already know that the taste and the organic & sustainable nature is something that the customers already liked so much.

Now, when analysing the responses, the majority of them were pointing out that the product is actually perfect and nothing needs to be changed. However, there were also answers that did point out the "weaknesses" or the pain points of this product. It was mainly about: the brand image, the poor distribution, the fact that the packaging is not looking organic, too many or not enough flavours, the availability in Spain, too hot and spicy, new flavours, and the fact that it is not so spreadable.

5.1.5 Opinions regarding pricing

When I was sure that the product was welcomed in the Spain vegan food market, I wanted to know what kind of price range customers would want to pay to have it at home. They all came up with a different price range. I took the liberty of taking an average number of all the inputs in the survey. According to this, the average price is 5.6 euros per jar. The jar in question weighs

5.2 Summary of the findings and recommendations for the company

Based on the results, the overall consensus among the majority of respondents is that ajvar is a product suitable to their daily eating habits as vegans. Almost all of them are using similar, spread-like products as part of their eating habits. While some of them do it daily, most of them are using spreads few times a week. This indicates the purchase of these types of products is occurring regularly and frequently. Also, Spaniards use spread-like products as part of every meal, which means the usage of ajvar can be wide.

The majority of respondents are using spreads at home, however, 50% are using them both at home and at restaurants. This points at the possibility of introducing ajvar to restaurants and other places which offer food. Spaniards shop for vegan products at general supermarkets and local stores. However, they also visit specialized vegan stores, and vegan-themed fairs and events. These types of places offer access to more precisely defined target audience, and can represent a feasible avenue of introducing this new product.

The majority of respondents didn’t have knowledge or have tasted this product before. Still, almost all of them either loved it, or said they’d like to try it again. Only 3 of the respondents didn’t like it, which amounts to 3%. Similarly, 97% of the respondents said they’d like to incorporate ajvar in their diet. This is extremely positive, and indicated that if marketed properly the interest for ajvar can be huge. As a matter of fact, 53% of the respondents expressed interest at buying the product on the spot! Besides the taste, they expressed appreciation of the fact that the product is organic and sustainable.

The average price they would pay for it amounts to 5.6 euros per jar. This should serve as a good indicator when calculating the costs of importing the product to Spain. Among the comments regarding improvement of the product stood out the one regarding the packaging. Namely, the product didn’t have vegan feel to it. This would be a good avenue for improvement, especially if the company decides to target specialized vegan stores, where the price per jar can also be higher.

Based on the results my conclusion is expanding to the Spanish vegan market is a feasible strategy. Firstly, the vegan market has been gaining momentum over the last years and it provides an untapped potential. Secondly, the product is resonating well with the target audience. Lastly, this type of strategy will enable Gurmano to differentiate from the other producers of ajvar from North Macedonia who are placing their product only in countries where people already have knowledge of ajvar, or where North Macedonian immigrants live.

I recommend the initial placement of the product to be in specialized stores. If the product is placed in such a store, it would be more feasible to sell it for higher price. Furthermore, the main reason people visit specialized stores is to discover new products, which means their attitude is more open towards trying and accepting new products. Furthermore, the brand should promote the product on vegan markets and/or fairs. The logic behind this recommendation is the following. Firstly, the visitors will be able to try out the product, which is immensely important in a situation such as this one i.e., when they're likely unfamiliar with the product. Secondly, this will give access to a precisely defined target audience i.e., the people who visit those events are already interested in vegan products. In this way the company will tap in a niche market which will enable them to make specific and detailed conclusions regarding the success of the strategy. A general, market-wide strategy doesn't offer this advantage.

5.3 Limitations of the research

Considering that there is no perfect research, the researchers realize that the research conducted is subject to certain limitations. These limitations may have a certain impact on the results discussed in the paper and the results of the research. Therefore, this research must address the limitations that have occurred and emphasize recommendations for future research.

Since the study included sampling procedures and used self-selection techniques to collect the necessary data, it is important to emphasize that the samples used are very narrow and concentrated, which means that only people who attended the vegan fair in Barcelona are respondents. Also, because this study included a relatively small sample group, it can be difficult to summarize the results. The actual duration of the data collection process is relatively short. To obtain a larger sample group, the duration of the data collection process should be longer. Therefore, we can say that the data collection process is also a limitation.

Given the vegan fair was happening in Barcelona, I believe the results are representing the likes of the Catalonian region, but not rest of Spain. Further research can be done by analysing the likes of the rest of Spanish consumers.

CONCLUSION

The purpose of my master thesis was to evaluate and determine if the market entry of ajvar as a traditional North Macedonian product to the Spanish vegan market is feasible. Furthermore, the goal of this thesis was to give the reader a deeper understanding of what ajvar is, overview of the Spanish vegan market and if and how the two could be combined.

This was put to test by the attendance of the vegan fair in Barcelona where Spaniards who tested the ajvar shared their opinion on it by filling out a questionnaire, resulting in 112 survey responses.

The analysis of the Spanish market showed that vegan market is expanding, not only in Spain, but also globally. The lifestyle changes made by consumers are the main factor affecting this expansion. As for the consumers, they're motivated to make the changes by individual reasons such as health concerns and collective reasons such as fair animal treatment and climate changes. This further emphasises the requirement of environmentally friendly products produced with naturally grown and sourced ingredients.

The premise that ajvar is a product which can be rebranded from a traditional product to an upcoming vegan product was further confirmed by the survey's main findings. Even though most of the respondents have never heard of nor tried ajvar their first impressions were positive. They like the taste, but also the fact the product aligned with their personal lifestyle and beliefs. The majority of the respondents are already using other spread-like products on regular basis as part of their diet. They are using spreads both at home and when eating out, and as part of any meal, or even as a snack. This allows for incredibly versatile usage of ajvar. Most importantly, this market hasn't been explored by other producers of ajvar, which can give Gurmano the advantage of defining the versatile usage of their product and introducing it to consumers who already have a need for it.

My overall recommendation to the company is that diversifying ajvar as a vegan product is a feasible strategy. It would allow them to put a spin on a product that has been perceived in a single manner over a long period of time. Moreover, the segment they would diversify in is one that's consistently growing over the last few years, and there are indicators vouching the expansion of that market would continue.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Namen moje magistrske naloge je bil oceniti in ugotoviti, ali je izvedljiv vstop ajvarja kot tradicionalnega makedonskega izdelka na španski veganski trg. Poleg tega je bil cilj diplomske naloge bralcu globlje razložiti, kaj je ajvar, narediti pregled španskega veganskega trga ter ali in kako bi lahko oboje združili. To sem preizkusila na veganskem sejmu v Barceloni, kjer so udeleženci, ki so poskusili ajvar izpopnili vprašalnik.

Na začetku študije se bralec seznani s procesom internacionalizacije s teoretičnim pregledom internacionalizacije MSP.

Drugo poglavje je uvod v ajvar in njegov izvor. Način priprave ajvarja je bil podrobno obravnavan, začenši s potrebnimi sestavinami, njihovo pridelavo ter proces izdelave ajvarja. Poleg tega dodajanje različnih sestavin v osnovo za ajvar ustvari različne alternative, ki se lahko štejejo za njegove nadomestke. O industriji ajvarja v Severni Makedoniji sem poglobljeno razpravljala z uporabo modela Porter's Five Forces. Na koncu sem predstavila blagovno znamko Gurmano in njihovo vlogo v industriji ajvarja v Severni Makedoniji.

V tretjem poglavju je ocena španskega trga veganskih izdelkov. Naredila sem analizo makro in mikro okolja. Analizo makro okolja sem predstavila z uporabo modela Pestle. V analizi mikro okolja sem se osredotočila na vegansko industrijo v Španiji ter na španskega veganskega potrošnika. Treba je omeniti, da se veganski trg v Španiji širi. Mnogi Španci spreminjajo svoje prehranjevalne navade, kar odpira priložnosti za nove izdelke.

V četrtem poglavju sem predstavila metodologijo raziskovanja in zbiranja podatkov.

V petem, zadnjem, poglavju sem analizirala in obdelala podatke zbrane z vprašalnikom. Odgovori vprašalnika ponujajo pomemben vpogled v to, kako so se potrošniki počutili potem ko so poskusili izdelek, ki ga prej niso poznali. Zadovoljive so ugotovitve, da je večini bil okus zelo všeč ter da bi ta izdelek zlahka postal del njihovih vsakodnevnih prehranskih navad.