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# Market Entry Strategy for Healthy Chocolate in UAE

Case company Biomeal

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Market Entry Strategy for healthy chocolate in UAE: Case Company Biomeal

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Globalized wellness concepts are leading to more people taking care of their health and eating healthier foods. The UAE market is not an exception. This thesis aims to develop a market entry strategy for the Biomeal company, which produces healthy vegan chocolate without added sugar.

The favorability of the UAE market was evaluated. The competitive environment is analyzed, and predictions are made regarding the development strategies of direct competitors. Furthermore, a strategy for entering the market was developed in light of the information received, and recommendations regarding marketing activities necessary for the sale of goods and the development of brand awareness were given.

Data collection for the thesis is primarily based on secondary sources using both quantitative and qualitative research methods. The research was conducted using a variety of business literature sources and digital sources. In order to plan a strategy to enter the UAE market and collect the necessary information, tools such as a PESTLE analysis, Grant's framework for competitive analysis, a SWOT analysis, and Pritchard's risk concept were used.

As a result, a detailed plan was prepared for Biomeal to enter the UAE market and increase its coverage with the assistance of a marketing plan.

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# 1 Introduction

## 1.1 Background

The world is changing rapidly, and various innovative solutions for creating new products and services play an essential role (Blaschke, Demel & Kotorov 2021a). Innovative solutions change market conditions, consumer behaviour and preferences (Blaschke et al. 2021b, 7–21). Consumers surrounded by the Internet of Things look at their lives differently (Yuloskov, Bahrami, Mazzara & Kotorov 2021). One of the important transformation directions is related to health and healthy food (Lartey, Meerman & Wijesinha-Bettoni 2018, 193–201).

The wellness concept takes on wider, broader forms. It is no longer just about nutrition and sports. Wellness includes mindfulness, proper sleep and a better appearance. Demand generates supply. Thus, the wellness market is growing every year, including healthy natural products that help people to achieve their wellness goals. (Callaghan, Lösch, Pione & Teichner 2021.)

This thesis explores the United Arab Emirates (UAE) market as a promising environment for the export of healthy chocolate. The case company Biomeal is a Russian producer of wellness food products such as plant-based snacks, chocolate nut spreads, coconut condensed milk, cookies, and chocolate bars without added sugar, gluten, and lactose. (Kamenev 2023.)

Due to the mass departure of the company's target audience from Russia, the market for healthy products in the country has greatly decreased (Forbes 2022). As a result, the management of Biomeal decided to modify the company's growth strategy and to consider more favorable markets, including the United Arab Emirates for the export of some products. This will enable the company to attract new customers, expand global awareness of its brand, and increase profit. (Kamenev 2023.)

Chocolate was chosen as an export item. Specifically for this, the company's technologists have developed four flavors of chocolate: almond crunchy dark chocolate, raspberry latte white chocolate, cashew milk chocolate and strawberry matcha latte white chocolate. All chocolates consist of 100% natural ingredients. The main ones are cocoa mass, cocoa butter, freeze-dried berries, nuts, coconut milk powder (vegan) and isomalt. Besides not adding sugar, gluten, soy, or dairy products to its ingredients, Biomeal also activates nuts: it soaks them for 7-18 hours and dries them at a low temperature to preserve their useful properties. Isomalt is used as a sweetener, which does not cause sudden spikes in blood sugar and is a prebiotic that improves the functioning of the gastrointestinal tract. Also, the chocolate is stored for 12 months, which is optimal for exporting the product. (Kamenev 2023.)

## **1.2 Aim of the thesis**

The purpose of this thesis is to develop a strategy for entering the UAE market with healthy chocolate produced in the Russian Federation. The following four questions are addressed in this thesis:

- How favorable is the UAE market for chocolate exports?
- What competition among healthy chocolate awaits the company in UAE?
- What market entry strategy would be most appropriate for Biomeal?
- What marketing plan can be implemented to attract consumers and increase brand awareness?

In order to answer these research questions, a variety of frameworks and methods will be used (Kloos et al. 2021, 447–454).

## **1.3 Research Method**

In this thesis, a mixed methods research approach is used to investigate the business environment and competition on the UAE market for healthy chocolate. Since the 1960s, this approach has become increasingly popular

(Johnson & Onwuegbuzie 2002). The mixed methods research include quantitative and qualitative research methods. This methodology combines two approaches in order to provide a more comprehensive analysis of a particular project. Qualitative research uses secondary data to collect, analyze and interpret information to form conclusions and ideas. Quantitative research aims to collect and analyze numerical data. These studies are mostly controlled and objective. Their results are reflected in statistics and other mathematical models. (Kandel 2022.)

Most of the information is collected from digital sources, as this is the most convenient and provides quick access to information (Kotorov et al. 2022, 01–08). Most up-to-date insights about competitors and the business environment are available there. Literature sources were also used to search for fundamental ideas and frameworks (Krasylnykova, Kotorov, Demel, Mazzara, & Bobrov 2023; Pérez-Sanagustín et al. 2022, 413).

#### **1.4 Outline of the thesis**

The outline of the thesis includes six parts. The introduction chapter describes the company and the product, the research methods, and the thesis aim and structure. The theoretical framework chapter discusses the tools used to analyze the market and the competitive environment in UAE. A chapter about the UAE's business environment covers this analysis. There, with the help of theoretical tools, the economic, political, legal, environmental and social environments of the UAE market for exporting chocolate from Russia is revealed. The fourth chapter summarizes the analysis and reveals the results of the study. Chapter five presents a communication strategy that guides Biomeal in launching chocolate for export in UAE based on the data obtained. The conclusion chapter summarizes the thesis.

## 2 Theoretical framework

### 2.1 PESTLE Analyzis

In order to gain a macro view of the industry environment in a particular country, a PESTLE analysis is used. A PESTLE analysis includes factors such as political, economic, social, technological, legal, and environmental factors that influence local and foreign businesses. (The University of Sydney 2023.)



Figure 1. PESTEL analyzis

Figure 1 contains the six different factors used in a PESTLE analysis. A political environment refers to the influence of government structures and activities on a business or project. It includes such factors as: trade tariffs, conflicts, taxation, fiscal policies, etc. The economic environment directly influences business operations since it relates to inflation rate, disposable

income, unemployment rate, interest rates, foreign exchange rates, economic growth patterns and so on. Social factors reflect the demographic situation in the country, as well as the cultural and lifestyle characteristics of the society. They cover religion and ethics, consumer buying patterns and health, opinions and attitudes. Technological factors do not always adversely affect an industry, as they include automation, technological development, communication, etc. Legal factors consist of laws and regulations that affect foreign and local businesses in terms of employment, consumer protection, safety and so on. Lastly, there are environmental factors associated with environmental offsets: weather, climate change, and domestic environmental challenges. (The University of Sydney 2023.)

The PESTLE analysis will enable the Biomeal company to gain a full understanding of UAE as a country and the market for healthy chocolates there.

## **2.2 International expansion entry modes**

Market entry modes are methods of the planning, distribution and logistics of goods on the international market that help companies achieve their goals (Indeed 2022). There are several criteria by which the relevance of a strategy for a particular firm is assessed: the speed of entering the market, the level of risk, costs, control, etc. (LibreTexts 2020).

Companies take into account a number of factors before making a decision regarding the method of entry that would be most suitable for their plans. For example, they consider if there is a target audience in the selected market and how to sell a product to it. They also consider if it is more profitable to export goods, work with distributors, build production inside a new market or buy an existing local company and what the level of competition within a given market is, along with consumer needs. (Indeed 2021.)

There are several international expansion entry modes that can be used to enter the international market, such as exporting, franchising and licensing,



partnering and strategic alliance, acquisition and greenfield venture. (LibreTexts 2020.)

### **2.2.1 Exporting**

Exporting is often chosen by firms that are starting out in new markets, since it is the easiest and cheapest way to reach a target market. They do not need to take on the costs of organizing operations in an unfamiliar market and carry high risks. So a company could quickly enter the market through contractual agreements with a local company or distributor that will take care of it. However, the company also incurs some costs. For example, it should be involved in PR and marketing as well as fulfilling all packaging, labeling, and pricing requirements. Furthermore, the company has less control over the processes, and logistics costs and distributor fees can adversely affect profitability. (LibreTexts 2020.)

### **2.2.2 Franchising and licensing**

Licensing is a transaction involving the transfer of intellectual property from the owner to another party in exchange for payment or some other considerations. It may be a brand name, technology, patent, etc. (V De Luna 2021).

There are three factors influencing the company's choice of this particular strategy. Firstly, the licensed company gains significant economic benefits from the acquisition of information containing the key competencies of another company. Secondly, licensing provides a steady income on an international market for financially stable small businesses and startups. Thirdly, it allows a firm to quickly enter a foreign market and be one of the first to declare unique advantages. (V De Luna 2021.)

Licensing enables a company to quickly enter an unfamiliar market and is accompanied by a low level of risk. However, risks still exist. An example is the

risk of incorrectly choosing a licensing partner or the risk of insufficient quality when the licensing company provides a low-quality product. (V De Luna 2021.)

Franchising is when a business that sells a franchise to distribute its products or services and involve a franchisor and franchisee. It works on the principle that a franchisor transfers his intellectual property to the franchisee in exchange for an initial fee and royalty payments. (International Franchise Association 2023.)

Franchising enables the company to enter the foreign market quickly, with a low level of risks, strong trade mark and a working business system that allows to accumulate resources (International Franchise Association 2023). There are also some disadvantages that include initial and ongoing capital investments and limited control (The Internicola Law Firm 2021).

### **2.2.3 Partnering and strategic alliance**

Some companies choose to enter into a strategic alliance with a local partner to reach a foreign market. It is a contractual agreement between two or more enterprises, providing for cooperation for a certain period and the achievement of a common goal. (LibreTexts 2020.)

This entry mode is suitable for both large firms and small businesses, as the local company is most likely well acquainted with the local market and business culture. Also, if a local partner has a strong brand and reputation among customers, then this will contribute to faster achievement of the goal. In addition, the partnership could attract the necessary investments to enter a new market. (LibreTexts 2020.)

In some countries (especially in the Middle East) there are laws obliging foreign companies to have a local firm in partnership to operate on its territory. Partnering entails several risks. To begin with, the lack of direct control associated with shares owned by partners. There is also the possibility of a

mismatch of the company's goals with the partner's goals, leading to disagreements and operational difficulties. (LibreTexts 2020.)

#### **2.2.4 Acquisition**

An acquisition is the purchase of one firm by another by buying its shares, exchanging shares for their own, or paying the purchase price to the owners. Using this entry mode, the company has a strong advantage in entering the market quickly due to its already established business process, team and brand name on the local market. It is usually selected during the scaling strategy. However, opportunities come with risks. About half of all acquisitions do not grow in value above the investment. (LibreTexts 2020.)

#### **2.2.5 Greenfield venture**

A greenfield venture is also called as a wholly owned subsidiary. This entry mode is suitable for those firms that want to have maximum control over their company in a new country and earn above-average profits. However, the costs and risks are quite high, because the company essentially needs to independently organize a business in a foreign country, hire local staff and probably a consultant. (LibreTexts 2020.)

### **2.3 SWOT Analyzis**

SWOT analyzis is an abbreviation that stands for company strengths, weaknesses, opportunities and threats. Using this tool, the current situation of the company can be assessed from both an external and internal perspective.

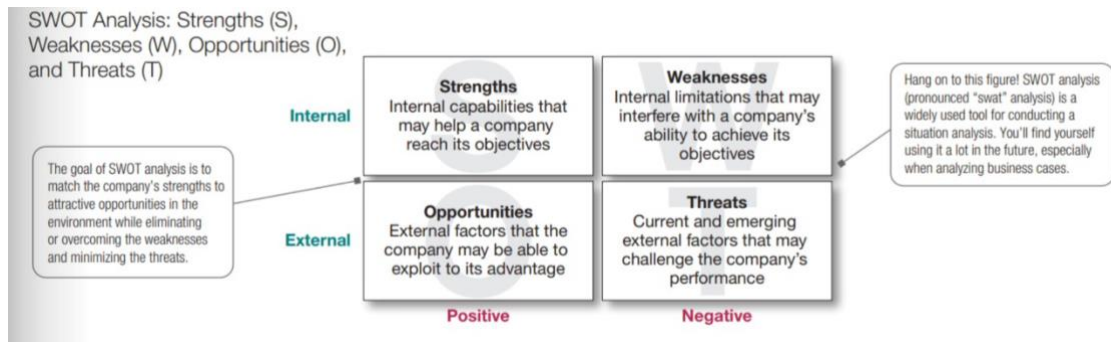


Figure 2. SWOT Analysis: Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T) (Kotler, Armstrong 2021).

As reflected in Figure 2, the strengths of a company are those factors that help it attain its goals and satisfy its customers' needs. Weaknesses include internal limitations that may prevent the company from achieving the desired results. Opportunities are favorable factors in the external environment that a company can take advantage of. And threats are unfavorable external factors that can interfere with the effectiveness of the company. (Kotler et al. 2021.)

The purpose of this analysis is to combine strengths with opportunities, eliminate weaknesses and reduce the impact of threats to a minimum (Kotler et al. 2021).

## 2.4 A framework for predicting competitor behavior

In order to analyze the competitive environment of the United Arab Emirates in the niche of healthy chocolate without lactose, gluten and refined sugar, a system for predicting competitors' behavior will be used. The purpose of this approach is to understand Biomeal's competitors.

There are four components in Porter's system for predicting competitors' behavior: strategy, objectives, assumptions, resources, and capabilities (Figure 3). Then, predictions will be formulated with their assistance. (Grant 2018.)

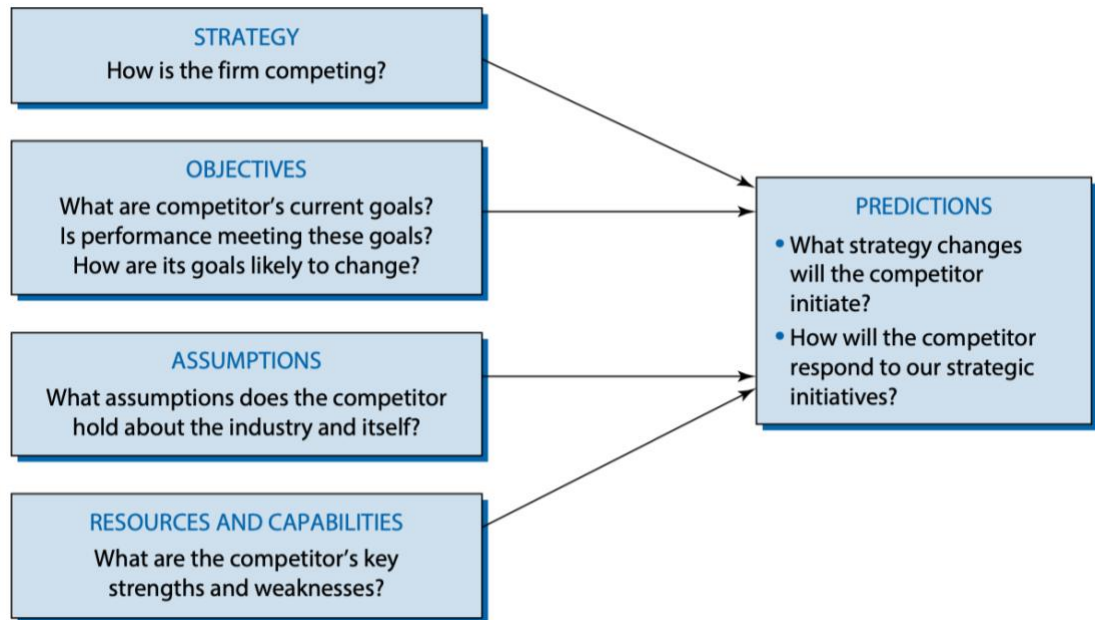


Figure 3. A framework for competitor analysis (Grant 2018).

**Competitor's current strategy:** To predict a competitor's future strategy, an analysis of the current strategy is necessary, since it allows to understand how the opponent is competing at the moment. Most often, companies broadcast their strategies through different statements: mission, values, vision, goals, advantages and business scope. In other words, it is needed to look at what a company says and does to determine its strategy. (Grant 2018.)

**Competitor's objectives:** Predicting possible changes in the opponent's strategy can be accomplished by determining the company's goals. These may be financial or market-oriented. More aggressive competitors seek market share. And the most difficult ones are those who are not interested in making a profit, for example, state-owned enterprises. (Grant 2018.)

**Competitor's assumptions about the industry:** Strategic decisions made by competitors are determined by their perceptions of themselves, as well as their rivals. These viewpoints are usually stable and inherent in many industry companies. As a result, the top management of the company may not be able to adequately assess a potential threat and respond appropriately. (Grant 2018.)

Competitor's resources and capabilities: It is important to assess a competitor's resources and capabilities in order to identify its weaknesses and understand where it may be difficult for it to respond. (Grant 2018.)

## 2.5 Risk concept

Risk is the probability of an uncertain event occurring that has a positive or negative effect on the project goals. Therefore, risk cannot be equated with uncertainty, since it implies complete unawareness of probability. (Pritchard 2015.)

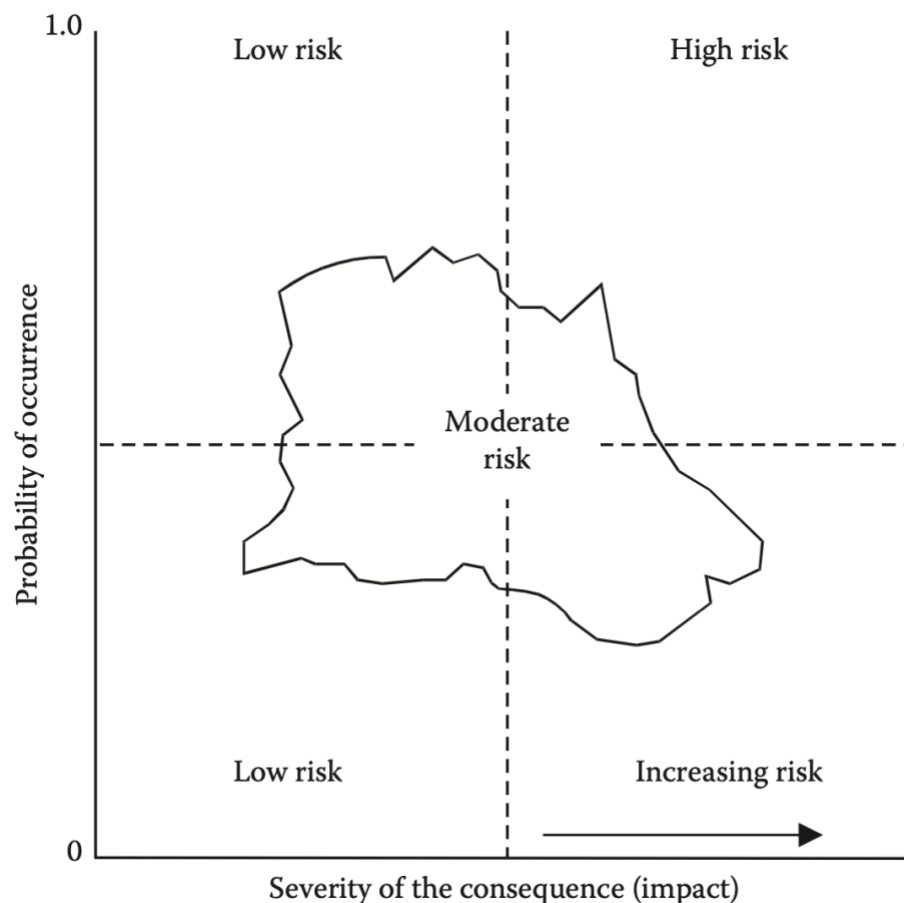


Figure 4. Concept of risk (Pritchard 2015).

First, it is necessary to clearly and in detail define a risky event, since without this it is difficult to identify its probability and impact strength. Afterwards, a severity level and risk impact strength are determined. There is, after all, a

possibility of estimating the probability. Data analysis and likelihood theory can help at this stage. (Pritchard 2015.)

By using the following classifications, disagreements about the level of risk can be minimized:

- Low probability and low impact equal low risk
- High probability and high impact equal high risk
- High probability and low impact equal low risk. (Pritchard 2015.)

### **3 Business environment of United Arab Emirates**

#### **3.1 Political environment**

The UAE is a constitutional federation consisting of 7 Emirates (The UAE Government portal 2023). Different emirates may have different laws regulating imports and turnover of food products based on their general federal law as well as their individual local laws (Agroexport 2021).

The Federal Supreme Council of UAE is the highest constitutional authority that includes all 7 Emirates. The Supreme Council is authorized to elect a president and vice president every five years. Each emirate has a single vote. (The United Arab Emirates' Government portal 2023.)

The Cabinet (Council of Ministers), headed by the Secretary General of the Cabinet, is responsible for exercising executive power. All internal and foreign affairs of the country are managed by it. (The United Arab Emirates' Government portal 2023.)

The Federal National Council (FNS) is a parliamentary body consisting of 40 representatives of each emirate. Twenty of them are appointed by the emirs, and the rest are elected through multi-stage elections. After the first meeting,

each FNC member holds office for four years. (The United Arab Emirates' Government portal 2023.)

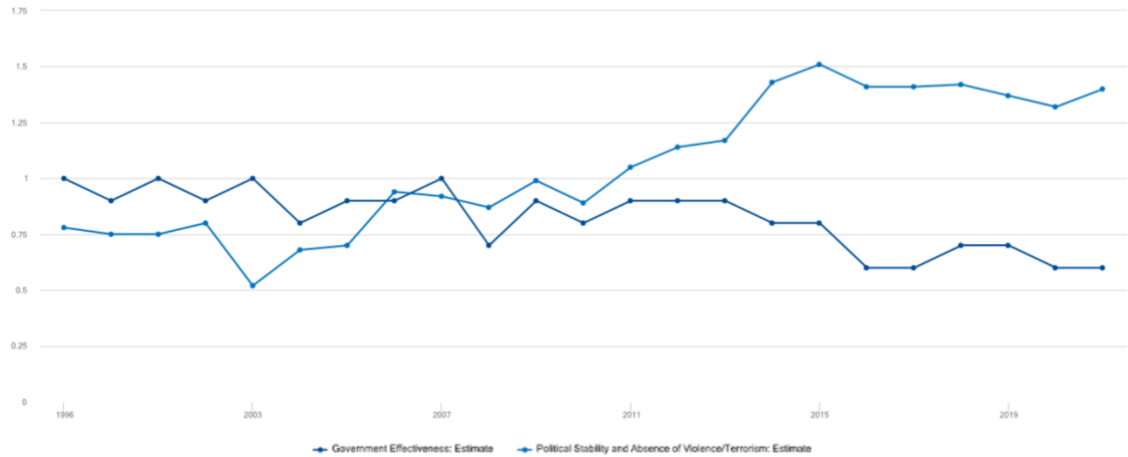


Figure 5. Key indicators of political environment in the UAE 1996-2021 (The World Bank 2021).

The effectiveness of the UAE government has been growing over the past two decades (Figure 5). The indicator of political stability and the absence of violence is gradually decreasing. (The World Bank 2021.)

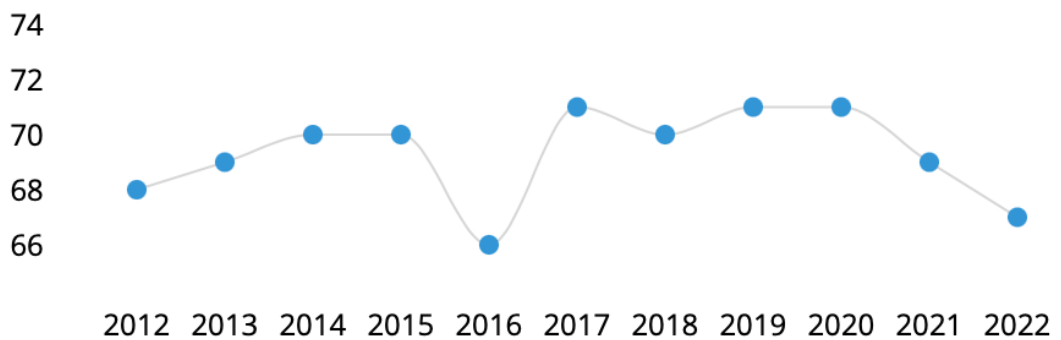


Figure 6. Corruption perceptions index 2012-22 (Transparency International 2022).

The UAE has achieved encouraging results in the fight against corruption. In 2022, the country scored 67 out of 100 points in Transparency International's corruption perceptions index (Figure 6). Sharing 27th place among 180



countries with Chile, the UAE is behind the United States, but ahead of Portugal and South Korea. (Transparency International 2022.)

### **3.2 Economical environment**

In terms of economic openness, the UAE ranks among the top nations in the world. This country offers low taxes, free-zones, a business-friendly environment, and a high standard of living for residents and citizens. (Embassy of the United Arab Emirates Washington, DC 2023.)

It is not only the economy as a whole that is experiencing rapid growth, but also its individual segments, and specifically the chocolate market.

The chocolate market in the UAE grew consistently until the Covid-19 pandemic in 2020 suspended its development. For the most part, its prosperity was driven by the retail and Hotels, Restaurants, Catering (HoReCa) sectors. However, with the advent of the pandemic and the closure of a large number of supermarkets, hypermarkets, restaurants and hotels, the market lost its previous flows of buyers. Luckily, it has recovered quickly and is projected to reach the previous level of 2019 volume in 2024. This is thanks to the expansion of retail trade and the growth of tourism. (6Wresearch 2023.)

From 2022 to 2028, the UAE chocolate market is predicted to grow at a CAGR (Compound Annual Growth Rate) of 8.4%. Growing demand for chocolate can be seen not only in the growing sales of chocolate, but also in the 199 new hotels being built. In addition, hypermarkets and new shopping malls are opening more and more as sales channels for chocolate products. (6Wresearch 2023.)

The high cost of operating and organizing production in the UAE creates a need for imported goods to supply the domestic market. Furthermore, UAE citizens and residents consider imported products higher in quality. (Agroexport 2021.)

As shown in Figure 7, The UAE imported 40.647 million euros worth of chocolate and other food products containing cocoa from Russia in 2021 (International Trade Center 2023).



HS6	Product code	Product label 	United Arab Emirates's imports from Russian Federation		
			Value in 2019	Value in 2020	Value in 2021 ▼
	1806	Chocolate and other food preparations containing cocoa	92,317	62,936	40,647

Figure 7. UAE's chocolate and other food preparations containing cocoa import from Russia in 2021 (International Trade Center 2023).

And Russia was the largest supplier of chocolate and chocolate products to the UAE in 2019 (Agroexport 2021).

### 3.3 Social environment

United Arab Emirates has a population of 9.5 million people at the present time. According to estimates, this number will reach 10.7 million people by 2040. (World Population Review 2023.)

In 2020, the UAE consumed approximately 93.2 thousand tons of chocolate and chocolate products. Retail accounted for 90% of this, HoReCa 5%, and other sectors of the food and processing industry 5%. (Agroexport 2021.)

The consumption of chocolate and chocolate products is estimated at 11 kilograms (kg) per capita per year in 2020. This has a tendency to increase. It is predicted that the average per capita consumption of chocolate and chocolate products in the UAE will be 11.7 kg by 2024. (Agroexport 2021.)

There is a growing demand for certified organic products and for healthy low-calorie sweets with natural ingredients and a reduced sugar content. Providing such useful alternatives to classic chocolate challenges the traditional

confectionery industries, which in this regard will gradually lose market share. (Agroexport 2021.)

UAE consumers also have special preferences. Dark chocolate is one of them. Even though milk chocolate currently occupies a large part of the market, the demand for dark chocolate will continue to grow (6Wresearch 2023). Recently, Abu Dhabi Public Health Centre launched SEHHI food program that includes three sub-programmes and aims to increase the availability of healthier food options in the country (Abu Dhabi Public Health Centre 2023). Probably, this program has also been influencing the development of trend in the consumption of healthy chocolates.

The next trend is the demand for smaller-sized packaging or promotional formats for a more convenient one-time snack or premium gift. It is also critical to note the trend for new tastes and combinations. (Agroexport 2021.)

Modern consumers are increasingly interested in ingredients that add variety to chocolate products, such as matcha, chili pepper, pumpkin and more. (Agroexport 2021.)

### **3.4 Legal environment**

To enter the UAE market, a company must know the local laws applicable to foreign legal entities, tax policy, regulations, etc.

Market entry modes in UAE for chocolate importing producer:

- Limited Liability companies
- Free Zone companies

The most common and easiest way to register a company as a local one in the United Arab Emirates is as an LLC. Although this is a flexible organizational and legal form that allows a business to combine a partnership with a corporate structure. The partnership must, however, be concluded with a UAE citizen. At

the same time, a citizen of the UAE has a 51% share, and a foreign partner has 49%. There are no legal requirements for the minimum amount of authorized capital. Partners can determine it whether it is sufficient to achieve the company's goals on their own (regulatory authorities may require a certain amount of authorized capital, depending on the type of economic activity). (Agroexport 2021.)

There are 40 Free Zones in UAE where registration of foreign legal entities with 100% ownership is possible. A significant advantage of these zones is their highly efficient infrastructure, as well as their distinct services that simplify workflow, saving businesses a considerable amount of time and effort. (UAE Ministry of Economy 2023.)

The main advantages of such a company are:

- possibility of registering a company with 100% foreign participation;
- absence of residency requirements for directors and shareholders;
- absence of customs duties on exported goods;
- absence of corporate and income taxes;
- confidentiality of information about the structure of companies. (UAE Ministry of Economy 2023.)

Among the Free Zones, one of the most popular is Ras Al Khaimah Economic Zone (RAKEZ). For example, a company that will be registered in RAKEZ can operate directly within this Free Zone, as well as abroad. However, in order to work inside the country in other zones, it will must to hire an agent. (Agroexport 2021.)

Russia has not signed a free trade agreement with the UAE, so the most favored nation (MFN) rate is applied to Russian exports on World Trade Organization (WTO) terms. The tariff rate of import customs duties applied to Russian chocolate and chocolate products is equal to the rates of other potential importers from among the Gulf Cooperation Council (GCC) countries, with the exception of Saudi Arabia, whose tariffs are on average twice as high. (Agroexport 2021.)

The UAE is on the 4th position in Tax Policy category in the World Competitiveness Booklet 2022 Peer Group rankings (IMD 2022). The UAE tax system is one of the most advantageous because the government imposes only a few taxes.

Relevant taxes for the exporter of healthy chocolate bars:

- Individual income taxes are not imposed in the UAE.
- Value-added tax (VAT) is levied on the majority of goods and services. A VAT of 5% is charged at the point of sale.
- From July 1, 2023, or January 1, 2024, depending on the fiscal year, the Ministry of Finance will begin charging a federal corporate tax on the net profits of enterprises across all Emirates. (The United Arab Emirates' Governmental portal 2023.)

### **3.5 Environmental environment**

In the UAE, there are no specific requirements for importers of chocolates regarding sustainability, recyclable packaging, etc (Skaggs, Misko 2018). However, the environmental agenda is critical for the state. For example, Dubai plans to recycle 100 percent of waste by 2030 to stop sending waste to landfills (Gulf Environment & Waste FZE 2021).

Therefore, at the beginning of 2021, the Cabinet of Ministers of the United Arab Emirates adopted the Circular Economy Policy aimed at achieving the sustainable goals of the state. These objectives include a promoting environmental health, support for the private sector to use more eco-friendly production methods and reduction natural environmental stress. (The United Arab Emirates' Governmental portal 2023.)

It can be concluded from the above information that certain requirements for food producers related to sustainability may appear in the near future. This is as

a result of the active implementation of state programs aimed at improving the environmental agenda.

### **3.6 Risk Analyzis**

#### **Current political situation**

As a result of the ongoing conflict between Russia and Ukraine, the current political situation in the world poses a major risk to healthy chocolate exporters from Russia. Russia is under the pressure of sanctions from the USA and European Union now and it is greatly influencing on the trading relationships with some countries (Garant 2023).

Since the United Arab Emirates imports more than 70% of goods and services from around the world, including the United States and the European Union, at some point the country may decide to cut off trade ties with Russia in favor of the advantages of the commonwealth with countries imposing sanctions against Russia (Trading Economics 2023).

#### **Logistical risks**

One of the logistical risks is associated with the current political situation in the world. There are few ways to export chocolate from Russia to the UAE. Due to the large distance between countries and the many borders between them, road transportation is not considered relevant. There are also no railway tracks between the UAE and Russia. There are two options left: air transportation and sea transportation. Sea transportation is more popular among exporters of the Russian Federation, as it provides minimal logistics costs. (Tradelogistic 2023.)

There are two sea routes from Russia: The Northern Sea Route through the Bering Strait and the Southern Sea Route through the Suez Canal (Figure 8) (The Economist 2018).



Figure 8. Russia's sea routes (The Economist 2018).

As part of the fifth package of sanctions, European countries closed sea and river ports to ships under Russian flag. The list of countries that have imposed restrictions includes Estonia, Belgium, Romania, Italy, Lithuania, etc. This problem affects long-distance routes, for example from Saint Petersburg, Russia to Dubai, UAE due to the inability of ships to enter ports for refueling and maintenance. Currently, however, EU countries provide exceptions that allow Russian ships to enter EU ports with certain goods by license. This includes food products such as Biomeal chocolates. (RTVI 2022.)

From all of the above, it can be concluded that with the tightening of sanctions, there is a risk of increasing the cost and delivery time of healthy chocolate by sea. Due to the inaccessibility of the Suez Canal, the vessel will need to sail by the Northern Sea Route. This route is not available all the time due to the weather conditions in the Arctic Ocean (The Government of Russia 2023). As a result, regular deliveries from Russia to the UAE are greatly hindered.

Also, when selling goods under Incoterms terms, the sender of the goods also assumes some risks. For example, in case of refusal of the recipient of the goods or payment for the product, the shipping line has the right to demand recovery from the sender of the cargo. (Agroexport 2021.)

The another risk may be the situation of a sharp drop in the price of the goods. Then the recipient may refuse to pay in advance for the cargo that is already in transit. (Agroexport 2021.)

Disputes often arise with transport companies regarding the quality of the delivered goods. The carrier has the right to demand proofs, for example, a surveyor's report. Therefore, to avoid such a risk, it is recommended to hire a surveyor who will control the quality and quantity of goods. (Agroexport 2021.)

### **High cost of export procedures**

In the World Bank's Doing Business 2020 report, the UAE ranks 92nd out of 190 countries in the trading across borders. This is mainly due to the high cost of passing border and customs control and processing import documents. (Doing Business 2019.)

So Biomeal company may incur losses as a result of its investment in export procedures, if it fails to sell healthy chocolate in the UAE market.

### **Sharing of Ownership**

Provided that a foreign entrepreneur chooses the organizational and legal structure of the LLC company, there are risks associated with his partnership with a citizen partner. Since the UAE policy requires a 51% share from a local partner and only 49% from a foreign one (Agroexport 2021). When resolving controversial issues, the right to make a final decision does not remain with a foreign entrepreneur.

Therefore, Figure 9 illustrates an analyzis of all the above risks in Pritchard's risk concept.



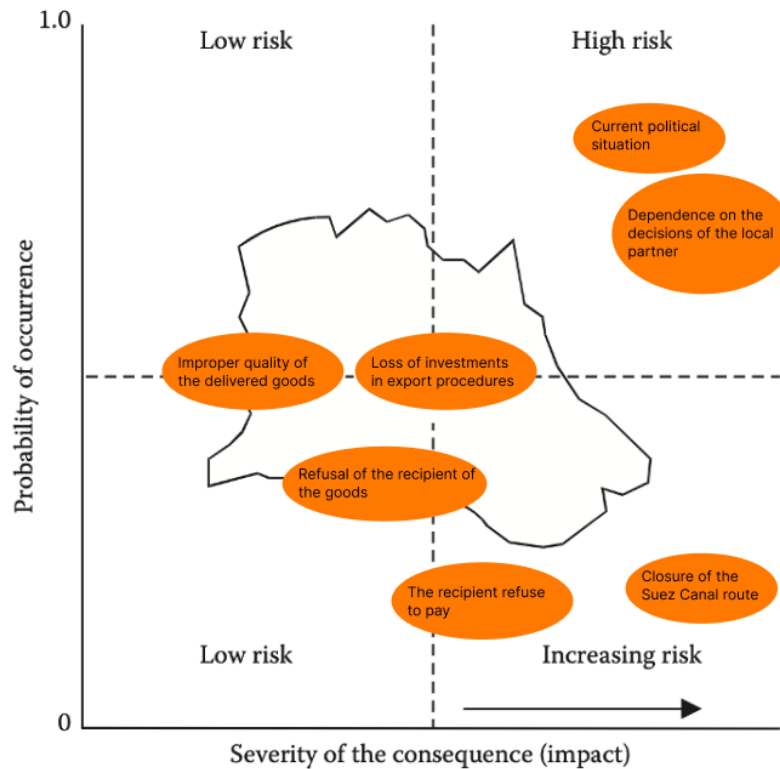


Figure 9. Risks analysis by Pritchard's risk concept.

## 4 Analyzis and results

In this section, direct competitors of the Biomeal company in the niche of a healthy chocolate will be identified and analyzed in detail. Based on the data obtained, the brand will be evaluated in terms of weaknesses and strengths, opportunities and threads.

### 4.1 Analyzis of direct competitors

Naturally the size of Biomeal company is not considered as a big international corporation. It is small production that now has no resources to compete on a new market with its direct competitors. Biomeal considers direct competitors as manufacturers of refined sugar-free, gluten-free and lactose-free chocolate that use 100% natural ingredients.



Picture 1. The shelves of the Spinneys store in Dubai, UAE (Kamenev 2023).

Picture 1 shows three direct competitors of Biomeal on the shelf of a Dubai supermarket: Raw Halo and Loving Earth.

Picture 2 displays another direct competitor of Biomeal that is represented in the large supermarket chain Carrefour – Nature's Own Factory. It is a Russian manufacturer of healthy chocolate that exports it to the UAE market. (Khunkaeva 2021.)



Picture 2. The shelf of the Carrefour store in Dubai, UAE with Nature's Own Factory products (Khunkaeva 2021).

#### 4.1.1 Raw Halo

A company was started in 2014. It is from United Kingdom (UK) and produces raw vegan chocolate based on cocoa butter, cocoa powder, coconut sugar and other natural ingredients. All products are organically certified. They also do not contain gluten. Each ingredient is ethically sourced from small farms and traded at a fair price. (Raw Halo 2023.)

The company actively participates in sustainable and eco-activities, which translates the values of the brand. For example, their packaging is 100% recyclable and completely free of plastic. Raw Halo adheres to ethical principles of production, starting from the source of ingredients and ending with the production process. (World Brand Design 2019.)

It also collaborates with the charity One Tree Planted. With the help of this fund, the brand plants one tree from 50 chocolate bars sold. (Raw Halo 2023.)

Raw Halo positioned their chocolate as a premium product, implying exclusivity and luxury of the product. However, when they changed their identity, they also changed their positioning. Now it is still a premium product with an emphasis on health and wellness. But the focus has shifted to everyday luxury. It means the product is striving to become more mainstream in order to connect with a wider audience. Probably, the company is pursuing the goal of profit growth, since at the moment it is still a small business. (World Brand Design 2019.)

There is also another fact pointing to this. Its goal for the year is to plant 10000 trees, from which it is possible to calculate sales targets – 50000 chocolate bars per year. (Raw Halo 2023.)

#### **4.1.2 Loving Earth**

Loving Earth was founded in 2007 in Australia. This company produces various vegan products without refined and cane sugar, animal products and gluten. A key product of the company's assortment line is chocolate bars, which remain its flagship offering. It is organically certified and supplied to the UAE market. (Loving Earth 2023.)

Loving Earth's brand philosophy is to be healthy, sustainable and fair (Retail Design Blog 2016). The company actively participates in events that support the Peruvian Amazon region and the community from which it purchases cacao. Brand's mission is to increase the volume of their orders to 160 tons. It will help ensure the independence of the Ashaninka community, preserving the fertility of the soil and 100 million trees in this region. (Loving Earth 2023.)

Its philosophy initially promoted the idea of organic food, which attracted fans and followers to the brand. Over time, however, with the arrival of competitors on the market, their commercial cut-through decreased. In 2014, the company rebranded in an effort to resolve this issue. (Retail Design Blog 2016.)

Its strategy probably has not changed since that time. It is aimed at expanding its retail presence by entering new markets and expanding a product line.

In 2018, the company received government funding to enter the US market. Also, they have attempted to enter the European market in the past, but found it challenging. (Australian Government Transparency Portal 2019.)

#### **4.1.3 Nature's Own Factory**

Nature's Own Factory is a Russian production founded in 2017 by Seda Khunkaeva and Anna Khabarova. The assortment includes gluten-free and partially lactose-free products such as buckwheat tea, chocolate bars and other products based on cane and coconut sugar.

The company has two production facilities: one is located in Russia, and the second in Dubai, UAE. UAE customers can only purchase chocolate and tea from the brand's entire product line.

Nature's Own Factory position itself as a company producing natural products with a distinctive taste by adding seeds of Tartary buckwheat. Its emphasis in communication is on the uniqueness of products.

The company actively works with celebrities and influencers, participates in international exhibitions, awards, raising awareness of its brand on the international market. This is part of its strategy.

## 4.2 SWOT analysis of Biomeal healthy chocolate bars

The analysis of Biomeal's healthy chocolate bars will be conducted using a SWOT analysis framework. Based on this framework, weaknesses, strengths, opportunities, and threats of the product will be identified.

### **Strengths**

The UAE market does not offer many options for vegan chocolate made from 100% natural ingredients, gluten-free, and without added sugar. And it is a significant competitive advantage of Biomeal chocolate bars. The company uses isomalt as a sweetener, which does not increase blood sugar levels. This means it is suitable for diabetics and people interested in biohacking. These segments of the customers understand the difference between Biomeal's sweetener and cane and coconut sugar, which are used by most direct competitors.

In addition, since Biomeal is based in Russia, production costs are relatively low. The company can offer a competitive price on the market despite logistical costs.

### **Weaknesses**

There is no strong marketing team that could systematically work to increase brand awareness and sales on the UAE market.

Production capacity is limited to 50000 pieces of chocolate bars per month (Kamenev 2023).

### **Opportunities**

The UAE chocolate market is expected to grow after reaching pre-covid levels in 2024. At the moment, there are not many producers of healthy vegan chocolate without added sugar. This indicates the development of a niche and an affordable entry level. Provided with a high-quality marketing and communication strategy, allocation of a budget for development in the region, the company will significantly increase its turnover.

## **Threads**

There are a number of risks associated with the current global situation that might affect a successful entry into the market.

The company's revenue is about 9 times less than the average revenue of competitors, respectively, and the marketing budget. As a result, Biomeal will face challenges in terms of expanding its market share and effectively promoting its brand.

## **5 Market entry strategy**

The market entry strategy will include six components. Firstly, the basic terms of working with a distributor will be reviewed. Secondly, the responsibilities of each party will be described in detail, including the seller's duties for labeling packages. Lastly, after analyzing a variant of logistic interaction, a marketing plan is formulated.

### **5.1 Exporting with a distribution contract**

Important concepts in international business include internalization and market entry strategy (Kotorov, Krasylnykova, Zhdanov & Mazzara 2020a, 341–353). The process of a company expanding its operations into foreign markets, typically by establishing a physical presence in those markets, is known as internalization (Kotorov et al. 2020b, 327–340). This can take many different shapes, such as establishing subsidiaries, joint ventures, or licensing agreements (Nippa & Reuer 2019, 555–597). On the other hand, a firm's specific approach when entering a new market is referred to as its market entry strategy (Kotorov et al. 2021, 1–11). This could entail various levels of investment, various types of partnerships or collaborations, or various marketing tactics.

The expansion of healthy Biomeal chocolate to the UAE market is most relevant with such a market entry mode as export through a distributor. Especially at the first stage, when the company is not familiar with the market, consumers and legislation. This is a fast, relatively cheap, low-risk option that perfectly suits Biomeal at this stage of development. Communication with the distributor usually takes place directly with the producer or through the export center of Russia (Aslam et al. 2023).

A typical contract would be as follows: the seller (Biomeal company) delivers the goods according to the specifications, and the buyer (distributor) accepts the goods at the port, pays for them, registers them, stores, and also provides promotion, sales and marketing in the UAE (Polyakov 2023).

As a general rule, when sending the first batch, the seller covers the distributor's costs for receiving, storing, and registering the goods. Then a distributor is responsible for these costs in subsequent batches. (Polyakov 2023.)

Working with a distributor also implies the right of Biomeal products to be sold outside the Free Zones without registering the company and paying additional fees (International Trade Administration 2022).

## **5.2 Biomeal's responsibilities in working with a distributor**

In addition to producing and providing the goods to the distributor, Biomeal must also carry out packaging and labeling of the goods (more about the requirements in Chapter 5.3.). It must comply with UAE state standards in order to pass inspection at the port, and be sold in the country's retail chains.

The company also provides all information and documentation for the registration of goods. Each batch passes quality certification, health certification and origin certification.



There is the Emirates Authority for Standardisation and Metrology (ESMA) in UAE. It implements the Emirates Quality Mark (EQM), a certificate that is valid for three years and confirms the conformity of the product to national, regional and international standards for product quality. (Export.gov 2019.)

Health certificate must be approved by the state health authority of Russia (Dubai Municipality 2013).

The certificate of origin, which indicates the country of origin, must be approved by the Chamber of Commerce and Industry of the Russian Federation (International Trade Administration 2022).

The shelf life of the goods should be large enough that upon arrival at the port it is 80-90% of the total shelf life. The percentage depends on the product specification. (Polyakov 2023.)

Also, Biomeal assumes responsibility to pay an entrance bonus for the amount of stock keeping units (SKU) that is supplied to UAE retail chains. This fee is also called the shelf fee. (Polyakov 2023.)

Usually, the costs of marketing and advertising are borne by the distributor in the amount agreed by both parties. However, this does not apply to the first batch of goods. At the first delivery, the seller covers the marketing costs. If, for example, the Biomeal company works with the distributor through the Russian export center, the distributor can cover these costs under the state export development program. (Polyakov 2023.)

### **5.3 Labeling requirements**

When products are registered by the distributor, information about the label is provided. It must be in English and Arabic. It includes information such as: brand name, product description, ingredients, production & expiration dates,

name of the food manufacturer, packer, distributor or importer, net weight, country of origin, product's barcode, lot number, storage conditions and mentioning ingredients that may cause hypersensitivity. Dubai Municipality 2013.)

Those products that have been recently registered and imported into the UAE undergo laboratory testing for compliance with the ingredients indicated on the packaging. If the inspection finds any inconsistencies, the manufacturer will be obliged to pay a fine in the amount of 10,000 to 100,000 dirhams. Currently, 1 Euro is equal to ~3.96 Arab Emirates dirham (AED), so the amount can reach from 2525 to 25252 euros (Central Bank of the U.A.E. 2023). (Dubai Municipality 2013.)

In this regard, if the company uses the vegan, organic, gluten-free, etc. labels without UAE-recognized certification, it is also at risk of a fine. For Biomeal chocolate, it is recommended to use statements such as: suitable for vegans, does not contain gluten and sugar.

#### **5.4 Distributor's responsibilities**

The main task of the distributor is to ensure the sale of goods in the UAE. Together with a representative of the Biomeal company, he determines sales channels and types of promotion of healthy chocolate bars on the market. (Polyakov 2023.)

Distributors store goods in their warehouses and provide internal logistics as part of their distribution activities. (Polyakov 2023.)

During the established period, the distributor pays for the batch regardless of the volume of final sales in the UAE market. And also provides reports on product sales through various sales channels. (Polyakov 2023.)

## 5.5 The process of building logistics

The most relevant method of transportation of healthy Biomeal chocolate in the UAE is container transportation of goods by sea through the Suez Canal.

The transit time of delivery from the port of Saint Petersburg, Russia, where the Biomeal production is located, to Dubai, UAE will be 30-40 days (Alberani Logistics 2023).

The proposed Incoterms for the supply of products is carriage and insurance paid to (CIP). This type of Incoterms will most likely be offered by the distributor upon delivery of the first batch. In the future, it is possible to consider similar conditions without the Biomeal company incurring insurance costs.

In the CIP method, Biomeal assumes the risk until the cargo is delivered to the port of Saint Petersburg, where it will be shipped to the UAE. As illustrated in Figure 10, at the next stages of transportation, all risks are borne by the buyer (distributor). (The World Bank 2021.)

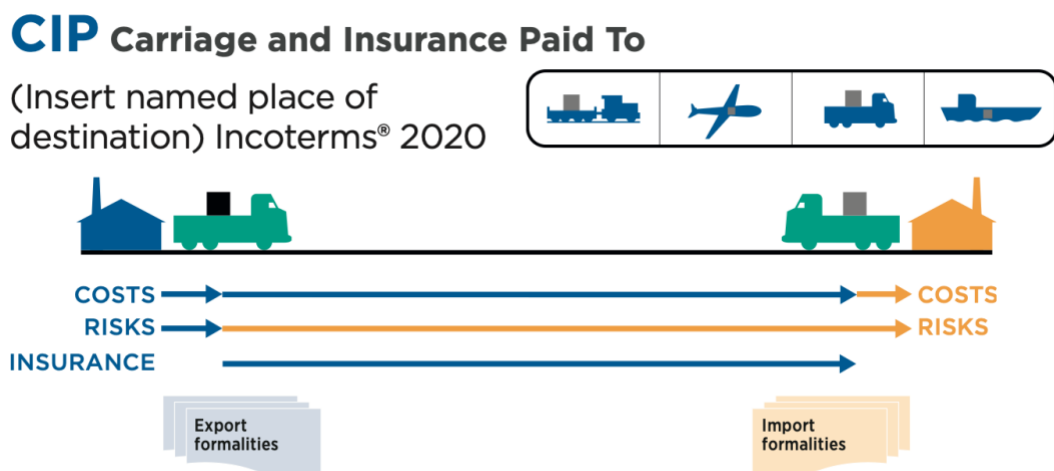


Figure 10. Incoterms CIP: Carriage and Insurance Paid To (International Chamber of Commerce 2023).

CIP implies that the Biomeal company pays for the entire transportation route to the port in the UAE. It will be obliged to produce products, prepare commercial invoices and documentation, fulfill the requirements for packaging

and labeling of exported chocolate specified above. It will also be obliged to provide export licenses and customs formalities. (The World Bank 2021.)

Among the logistics tasks performed by the brand are pre-carriage and delivery, proof of delivery, the cost of pre-shipment inspection and all-risk insurance coverage. (The World Bank 2021.)

The distributor, on the other hand, is responsible for timely payment for the goods, as well as completion of all import formalities at his own expense. He is also responsible for the cost of import clearance and inspections before shipment. (The World Bank 2021.)

## **5.6 Marketing plan**

When the chocolate bars have already arrived on store shelves in the UAE, Biomeal will need to participate in various marketing activities. This will enable retailers to sell Biomeal's chocolate bars to end consumers and increase brand awareness on the market.

The marketing strategy is broadly similar to those that are being built for the countries of Europe or the CIS (Commonwealth of Independent States). There are, however, several nuances that can ensure success in the UAE market.

The first and most crucial step is working with digital marketing tools. The use of digital media in the Gulf Cooperation Council (GCC), and in particular in the UAE, is constantly growing. Consumers of these countries are among the largest users of social media worldwide (Mashino 2019). Internet access is available to 99% of UAE consumers (Iftahy, Isherwood, Marcati & Soni 2023). The social media penetration rate is 99% (Fabre, Malauzat, Sarkis, Dhall & Ghorra 2019). And UAE consumers spend 7 hours, 49 minutes online daily (Fabre et al. 2019).

Figure 11 illustrates that YouTube (87.4% share of users), Facebook (81.6% share of users), Instagram (77.5% share of users), and Tiktok (65.3% share of users) were the most popular social media in 2022 (Statista 2022).

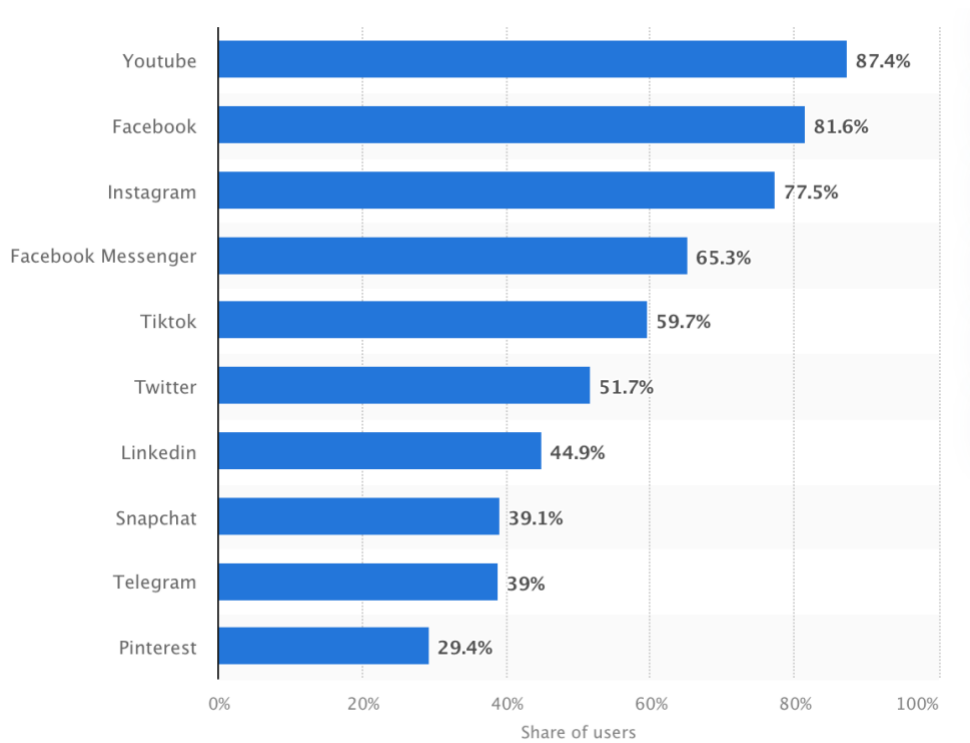


Figure 11. Most used social media platforms in the UAE in 2022, by share of users (Statista 2022).

The Biomeal brand should pay attention to Instagram and Facebook as channels for attracting end consumers. The production of content for YouTube will be too expensive in the early stages. So targeted advertising on Facebook and Instagram will significantly increase coverage and reduce costs on promotion.

The diversity of the population is manifested in the UAE's social media trends. There are a few features that will significantly highlight Biomeal on the UAE market:

- Individual marketing, advertising and branding campaigns created and managed on multi-channel platforms;

- It is important to hire a copywriter with Arabic knowledge when creating a website or an advertising campaign, so that they can adapt brand messages and duplicate them in English;
- Careful attitude to local specifics and emphasis on the benefits for the country. For instance, many women register online as men in order to have greater freedom in selecting content.

Online campaigns should be fine-tuned and optimized using carefully selected keywords (SEO – Search Engine Optimization) and accurate geolocations. The same applies to Google Ads campaigns that lead to Biomeal's website or landing page. A high-quality call tracking system is necessary for evaluating the results of SEO, Google Ads, and social media traffic campaigns.

The maximum result is achieved using a comprehensive strategy that includes laser-focus, pay per click methods and developed taking into account the local mentality.

## **6 Conclusion**

Three major research questions were determined at the beginning of the thesis. The research questions were as follows:

- How favorable is the UAE market for chocolate exports?
- What competition among healthy chocolate awaits the company in UAE?
- What market entry strategy would be most appropriate for Biomeal?
- What marketing plan can be implemented to attract consumers and increase brand awareness?

With the help of PESTLE analysis, an evaluation of the political, economic, social, legal and environmental environments was conducted. Currently, the UAE market is viewed as one of the most attractive markets for businesses worldwide, and especially for Russian companies. The political environment is characterized by a constant increase in government efficiency and a low level of

corruption. The economic environment is characterized by the growth of the healthy chocolate niche due to an increase in demand in the HoReCa industries as well as the desire of local consumers for a healthy lifestyle. UAE society has a high income, which people spend on nutritious snacks, including chocolate bars made from natural ingredients without added sugar. All these factors, together with the absence of individual income taxes, create a favorable environment for entrepreneurship. They indicate a wide range of opportunities for Biomeal brand development in the UAE.

As the market for healthy chocolate in the UAE is developing, competition is only growing, so small businesses can enter this market. According to the analysis of competitors, Biomeal has three direct competitors. Their main advantages are the level of company turnover, certifications and active participation in sustainable activities. With the help of a Grant framework for analyzing competitors, predictions were made about direct competitors' development strategies. Biomeal also has strong competitive advantages. For example, chocolate production is not based on coconut/cane sugar, but on a healthier alternative – isomalt. This is friendly for diabetics and people who exclude sugar from their diet for various reasons.

Through Pritchard's risk concept, the probability of risks of origin and their potential impact on the Biomeal market entry process was assessed. Among the largest risks to the process are the current political situation, the closure of the Suez Canal for Russian ships, and the buyer's refusal to pay for the goods upon receipt. Risks with a less likely impact on the process are the loss of investment in export procedures, the refusal of the buyer to accept the goods, and the loss of quality of the goods under improper transportation conditions.

Working with a distributor and exporting healthy chocolate from Russia would be the most effective strategy for Biomeal in entering the UAE market. A number of benefits can be obtained from this mode of market entry, including the distributor's knowledge of all the specifics of the local market and the brand's lower entry costs. Since the sea route through the Suez Canal is

more cost-effective than air transport, logistics should be organized through this route.

Along with the strategy for entering the UAE market, a marketing plan was also developed to support sales in retail chains and increase brand awareness. A part of the plan involves working with digital tools, such as social media, SEO, an adapted website or landing page and Google Ads.

There are a number of limitations to this thesis, despite a careful selection of resources for gathering information and a sufficiently deep immersion in the subject matter.

One of the limitations of this thesis is the use of secondary information and the lack of interviews. Therefore, there is no detailed in-depth marketing plan with an analysis of the target audience and communication strategy. These tasks should be handled by the Biomeal brand on its own. It will thus be necessary in the future to conduct research based on primary sources in order to gain a deeper and more focused understanding of the situation and develop a more targeted strategy.

In summary, this thesis describes the strategy used to enter the UAE market for Biomeal with no added sugar vegan chocolate. It has some limitations, but nevertheless provides an overview of the market and the necessary actions to reach the company's objectives.



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