

Tequilas del Señor S.A. de C.V.

Entry Strategy to the Finnish Market

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<p>Abstract</p> <p>The objective of this thesis was to provide Tequilas del Señor, a tequila producing company, an entry strategy to the Finnish market. The research aimed to discover the consumption levels of alcohol and Tequila in the Finnish market, study possible distribution channels of alcohol, and relevant legislation regulating the Finnish market. The theoretical foundation of this paper explains motivations for internationalization, various methods of foreign market entry, as well as some of the common entry barriers in international business. The thesis introduces Tequila, its categories and classifications, production process, and the environmental issues of the production. The paper also introduces the most important laws and regulations concerning the Tequila industry, as well as the Mexican organizations which are involved in the supervision of the production, and the promotion of Tequila.</p> <p>The research was conducted based on literature, published papers, web sources, as well as interviews. The findings of this thesis describe the set-up of an alcohol distribution network in Finland, and the current consumption levels of alcohol in the target country. The paper suggests a strategy for Tequilas del Señor based on the author's study of the potential customer groups, the costs and possible barriers of the market entry, and the competitive edge of the products over existing brands. Some marketing opportunities in the Finnish market are proposed as well. Finally, the thesis shares information on logistics and taxes in case Tequila is to be exported to Finland.</p>			
<p>Keywords Alcohol industry, Market entry strategy, Entry modes, Internationalization, Export, Tequila, Spirits</p>			

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1 INTRODUCTION

The objective of this thesis is to provide Tequilas del Señor S.A. de C.V. an entry strategy for the Finnish market. The company is highly committed to expand their operations, and the aim is to gather all relevant information concerning the Finnish market situation and to provide an overview of the entry-process. The main research topics aim to discover;

1. The consumption of alcohol and Tequila in the Finnish market
2. Distribution channels for alcoholic beverages
3. Relevant legislation concerning alcohol import and marketing

The theoretical framework of this study will explain motivations for internationalization, various methods for a foreign market entry, as well as some of the common entry barriers for international business. The aim of the theoretical foundation in this thesis is to provide basic understanding of concepts associated with a foreign market entry.

For the readers benefit, the paper will thoroughly introduce Tequila, its production process, and the most important regulations concerning the production, labelling and export, for the reader to fully understand the Tequila industry. The paper will also introduce Mexican organizations, which are involved in the supervision of the production and promoting of Tequila, as well as the client company, Tequilas del Señor, their history, and current product catalogue.

The most vital part of the research investigates the market opportunities in Finland. The aim is to discover the consumption levels of Tequila and other alcoholic beverages in the market. The paper will briefly introduce some competitor Tequila brands that are already available in the market, as well as introduce the most important operators in the Finnish alcohol industry, including the retail monopoly Alko. Further, the paper explains how the alcohol distribution is carried out in Finland, in both on-, and off-trade, and which organizations are currently involved within it. Therefore, the paper also shares information of the activities of import, and wholesale organizations. Moreover, the study explains the Finnish alcohol legislation, and regulations concerning the industry in general, but more importantly, the focus is paid on the regulations concerning Tequila and spirits. The paper provides an insight to the marketing regulations proposed by the Finnish market and shares the most relevant information concerning taxes and logistics, in case Tequila is to be exported to Finland.

2 METHODOLOGY

This chapter describes how the research of this thesis was conducted and which research methods were used to gather the data. In this thesis, the research was mainly qualitative based. This includes research from many literature- and internet sources, published papers, as well as various personal interviews and email conversations between the author, and the experts in the relevant fields of business.

The theoretical foundation, which describes different motivations for internationalization, possible entry-, modes and barriers for a foreign market entry, was discovered by investigating literature, published papers, as well as web sources. The introduction to the Tequila industry is highly based on interviews and tours that were organized for the author during the stay in the company, in Tequilas del Señor. The company provided a thorough education of the Tequila industry for the author, by arranging tours of the distillery and company museum (on 9.1.2018), compost-, and Agave plantations (on 22.3.2018 and 20.4.2018), as well as providing varying literature of the industry. As the Tequila industry was well explained during the tours arranged, great amount of information was obtained straight from the directors of the company. Other employees were interviewed as well regarding the export of tequila (on 6.3.2018), and the regulations concerning DOT, NOM, and labelling of Tequila (on 21.3.2018). Besides the literature and interviews, several web sources and published papers also played a role in the tequila research, for example the websites of Tequila Regulatory Council and Cámara Nacional de la Industria Tequilera, which are very important organizations in the Tequila industry.

The research of the Finnish market was involved with interviews as well. Two bar managers were interviewed (on 16.11.2017 and 12.12.2017) regarding the Finnish alcohol consumption, and emails were exchanged with a custom clearance agency in Finland (on 22.3.2018) to obtain information of the alcohol import taxes. Rest of the information was obtained online, researching relevant newspaper articles and websites of organizations involved with the legislation, Finnish alcohol industry or import in general. Such organizations websites include, Alko, Valvira, Customs, Finnish Transport Agency, Ministry of Social Affairs and Health, Ministry of Finance, Tax Administration and European Commission.

The quantitative data in this thesis was not self-produced. This thesis does not include surveys, or any other numerical data that would have been created and analysed by the author. The numerical information regarding the Mexican exports of tequila, Finnish alcohol consumption, taxes, or logistics, are data that has been published by an organization and found from an online source.

3 THEORETICAL FOUNDATION

The concept of internationalization is quite large and difficult to define. Roughly, it refers to the outward activities of companies and other groups to engage in international operations in other countries. (Wu 2015.)

Internationalization, as well as globalization, are largely increasing trends in many economies. Even though, the terms may appear similar, globalization and internationalization are different concepts, yet still connected. Globalization refers to the trend of ongoing economic integration, where separate national markets are merging, and becoming a single homogenous market, the global market. Globalization occurs, as the trade barriers of national markets are declining. The lack of barriers enables firms to move into foreign markets more easily, thus internationalization can take place. Besides the lack of trade barriers, and many other factors, the advances in technology have been contributing to the change as well; making markets more open, since today anyone can access the internet, share information and shop online. We could say that globalization is what makes internationalization of firms possible. (Cavusgil, Knight & Riesenberger 2012, 40-41, 70-76.)

3.1 Motivations for Internationalization

The motivations behind a firm's internationalization, can be various. There have been many suggested frameworks for defining these motivations. For example, the motivations could be divided into internal and external motivations, push and pull, or reactive and proactive motives (Kubičková, Votoupalová & Toulová 2014, 321). However, in this thesis we categorize these motivations in more broad and general terms; it has been suggested, that companies often aim to either enhance their competitive advantage or seek growth and profit opportunities. The following subchapters describe few common motivations for growth and profit seeking, as well as for seeking competitive advantage. (Cavusgil et al. 2012, 52-53.)

Growth and Profit Seeking

It is a fact that huge market potential exists abroad, and many companies pull their revenues mainly from the international markets instead of the domestic market, Tequilas del Señor being among such companies. Foreign markets offer more sales opportunities and sometimes can even expand the life of products that have reached maturity in the domestic market. (Cavusgil et al. 2012, 52-53.)

Firms that produce seasonal products can increasingly benefit from moving beyond the domestic market scope, since seasons are different in other parts of the world. By seeking presence in international markets, it is possible for such companies to expand

the sales, and pull revenues all year long, even if the product has the demand in the home market only in some parts of the year. (Wu 2015.)

Small demand in the domestic market can greatly limit companies from growing their business. If the demand is not large enough, firms are forced to look for growth opportunities abroad. Small or declining consumption in the home market may also propose issues to manufacturing. When the market demand begins to decline, and the manufacturing equipment is being fully utilized, the company starts to produce excess capacity. The overproduction can be a great motivator for firms to enter into new markets. In best case scenario, internationalization can widen the distribution of the fixed costs and provide the company with better efficiency. (Wu 2015.)

The different legislation of international markets may propose advantages for business. Such advantages could arise from government proposed tax benefits. Governments have several tax instruments that they can use to attract foreign investors. A low corporate tax rate for example, is an incentive in itself. It allows foreign companies and investors to keep a larger share of profits, which provides a favourable investment climate. The reduction of the corporate tax rate can be provided for example in the form of tax holidays. In some cases, the tax benefits allow companies to lower their product price, which can be a great advantage, and attract more sales in a competitive market. (Morisset & Pirnia 1999, 12-13; Wu 2015.)

Enhancing Competitive Advantage

A unique product may, in many cases, drives companies to seek international presence. Since the product is unique, the company possesses an internal advantage that certainly improves the company's competitive advantage in the foreign market. A unique product often provides less competitive pressures, which commonly results to successful business. Other internal advantages of the firm, such as technology or know-how, can present opportunities in the international markets as well. (Pett, Francis & Wolff 2004, 46-65; Wu 2015.)

Companies might be motivated to move into foreign markets when the market proposes opportunities for improved efficiency or lower costs. Often international operations, for example manufacturing overseas, may allow companies to increase their total output. By producing larger volumes, the company would be able to spread their fixed costs, and lower their production costs per unit, forming economies of scale. Economies of scale might also arise if the company employs more efficient technology or is able to negotiate better terms with the suppliers. By forming economies of scale, the company is increasing the industry entry barriers, making it harder for competitors to enter the given market. The new entrant would have to either enter the market on large scale or accept the cost disadvantage. (Porter 2008, 26.)

Unfavourable conditions of the home market, such as competitive pressures, can also drive firms to internationalize. Companies may struggle competing with the existing firms, which possess more market share or have already formed economies of scale. Internationalization allows these struggling companies to take advantage of the lack of competitive pressures in other markets. (Pett et al. 2004, 46-65; Wu 2015.)

Moreover, internationalization is a great way to diversify risks. If a company allocates all its resources on one market, they have to cross their fingers that they succeed there. If not, they risk losing substantial amount of their resources. Instead, companies can, and should internationalize, which allows them to spread their resources and risks, through several markets. The risks are reduced, since the company is no longer depended on one single market. In case the company does not succeed in one market, they will not experience damages to the extent that they would, if this was their only operating market. (Griffin 2010.)

3.2 Entry Modes

Once a domestic firm has made their decision to move into foreign markets, they are often faced with the question; how? There are various methods for entering new markets, and the best option can often only be found with extensive research. Entry modes may be categorized in two main groups; non-equity based-, and equity-based modes. Non-equity-based modes often do not require much capital or resources from the company, unlike equity-based modes, which commonly involve some form of investment. There are advantages and disadvantages for both categories. Non-equity-based entry modes are often faster routes to the international markets, than equity based. Since non-equity entry modes do not necessarily require an investment, often the risks are reduced as well. On the other hand, an equity-based mode could provide companies more control over their operations, while the risks of losing the investment may be higher. The following chapters will introduce some commonly used entry modes. (Tihanyi, Griffith & Russell 2005, 272; Hanks 2017.)

Contractual Agreements

Contractual Agreements are entry modes, which are non-equity-based. As the name refers, contractual agreements are formal agreements between two or more parties. They allow firms to enter into new markets with minimal investment and reduced risks, since they do not necessarily have to provide monetary resources to form such contracts. In such agreements, the firms may also have less overall involvement to their international operations, yet still be able to profit from them. License is a common form of contractual agreement. (Palatiello 2013; Hanks 2017.)

Licensing

Companies can penetrate international markets through a licensing agreement. A license is a permission, that the licensor grants for the licensee, in order to do something, that the licensor otherwise has the right to forbid (Poltorak & Lerner 2004, 1-4). As an entry mode, licensing is a contractual transaction where the firm, or the licensor, offers some assets to a foreign company, the licensee, in exchange for royalty fees (Kotabe & Helsen 2010, 301). When a company drafts a licensing contract with another party, they are often selling rights to their intellectual property. Intellectual property (IP) includes trademarks, patents, copyrights, designs, symbols, logos, and many other kinds of material that may be used in commerce (WIPO 2018). A license gives the licensee the right to use the agreed properties of the licensor, for example, in the production of goods and services. Licenses are often non-exclusive, which means that they can be sold to many organizations, even operating in the same market. Licensor may always control how their IP is used, but they often do not take control over the business operations of the licensee. (Kotabe & Helsen 2010, 301-303; Diffen 2018)

Licensing agreements have royalties involved. The choice of contract is between a paid-up license, a running royalty license, or a cross license. Paid-up license is paid at ones, when a running royalty license is paid in periods, and is based on the sales that the licensee generates. Such royalty rates can range from one eighth of 1 percent to 15 percent of sales revenue (Kotabe & Helsen 2010, 301). A cross license has no royalties involved, instead, both parties' benefit, as they license each other's intellectual property. (Poltorak & Lerner 2004, 1-4.)

When licensing is used to enter into international markets, the licensor may allow the licensee to enter a geographical market, where the licensor does not yet operate. The licensee faces all the risks, while the licensor collects the royalties, and observes the operations of the licensee. If the license was not made exclusively, the licensor may later even enter the same market, if the licensee seems to be successful in it. (Poltorak & Lerner 2004, 1-4.)

Many companies have made profitable entries into foreign markets through licensing. Licensing is not very demanding on the firm's resources and therefore, it is especially appealing to small and medium sized enterprises (SMEs). As an entry strategy, licensing also lowers the exposure to political risks of the foreign environment. Through licensing it is possible to navigate around import barriers that may exist for export, for example. As local governments may prefer licensing over other entry modes, licensing may give better access to such markets that otherwise bear substantial trade barriers. (Kotabe & Helsen 2010, 301-303.)

There are couple of risks to consider when choosing licensing as an entry mode. While the licensee bears most of the risks, in terms of revenue, the licensor may experience

some volatility due to the unstable royalty income stream, with its` ups and downs. Also, royalty revenues could be relatively smaller compared to the potential income the company could have gained through other entry modes, such as exporting for example. Another set of issues could rise from the relationship with the licensee. If the licensee is not fully committed to the product or technology, the lack of enthusiasm could greatly limit the sales. Another danger is that the licensing arrangement could initiate a future competitor. The licensee might leverage the skills it acquires during the licensing period, and once the agreement expires, they might end up becoming your main competitors. There are ways companies can reduce such risks, but it goes without saying that careful selection of the licensee is extremely important. (Kotabe & Helsen 2010, 301-303.)

Franchising

Franchising is a form of licensing. Similarly, the franchisor grants the franchisee rights to use their intellectual properties. The difference is, that unlike licensing, where the license does not include involvement to the licensee`s business operations, the franchisee will instead adapt the entire business model of the franchisor. (Diffen 2018.)

The franchise often operates as an independent branch of the organization, and the franchisor will have some level of control over the business operations and inner processes of the franchise business. This can include for example the training of the employees. Franchising, just like licensing, has royalty payments involved. Owning a franchise, can be beneficial to one who wishes to be an entrepreneur, but to do so with an existing, proven to be successful business model. (Diffen 2018.)

For internationalizing, there are many advantages in franchising. Most importantly, companies are able to profit and expand overseas with a minimum amount of investment. Just as with licensing, the political risks are also greatly reduced. The franchisees often do not require extra motivation, because their profits are directly tied to their efforts, which naturally motivates them. The franchisor can also greatly benefit from the franchisee`s knowledge of the foreign market, such as local customs and laws. The downside of franchising is that smaller firms with little or no recognition might find it difficult to find interested franchisees from the foreign market. Even if they do find a suitable partner, they might be dissatisfied with their performance or unable to control the franchisees business operations. Similarly to licensing, the income streams could be smaller compared to other entry modes, and the royalty revenues might experience some volatility. (Kotabe & Helsen 2010, 303-305.)

Exporting

“Most companies start their international expansion by exporting.” (Kotabe & Helsen 2010, 299.)

Exporting is the activity, where a company produces a good or a service in one country, and then sells it to another country (Nelson 2018). First, in order to export, the product or service must be legally exportable; meaning that it should meet the standard product requirements of the chosen markets. Second, the seller and the buyer must agree on certain details, for example the method of delivery. Both parties have to agree on the incoterms, in order to determine who is responsible of the product in delivery, and to which extent. Also, the payment method has to be decided on. Depending on the country and the product in hand, the buyer may also require an import license in order to receive the product. There are two types of exporting, direct and indirect. (Reynolds 2003, 1-6.)

“To some degree, the choice between indirect and direct exporting is a “make-or-buy” decision: should the company perform the export task, or is it better off sourcing the task out to outsiders?” (Kotabe & Helsen 2010, 300.)

Direct Exporting

When the product manufacturer takes care of its own exports, the exporting is called direct exporting. In other words, the company sets up its own export organization and relies only on a middleman based in the foreign market, such as a foreign distributor (Kotabe & Helsen 2010, 299-301). There are no other intermediaries involved, which means that the manufacturer is solely responsible for organizing its own exports. Often in direct exporting, the company may hire, or possibly already has its own export manager, who has the qualifications to organize an export. If not, it is also possible for the company to learn how to export themselves, however, this can take a lot of time and resources. (Reynolds 2003, 1-6.)

Still, direct exporting is often far more appealing than indirect exporting, because the exporter has greater control over its operations in the foreign market, compared to indirect approach. The sales and profit potential also increase, since the company does not need to share the revenues with any intermediaries. One major benefit is that the company can build up its own network in the foreign market and get better market feedback, than they would through an intermediary. On the downside, the responsibilities of the firm get higher, as they now require more resources for performing tasks

such as market choosing, selecting representatives and partners in the foreign market, marketing tasks and major logistical tasks, involving documentation, insurance, shipping and packaging. (Kotabe & Helsen 2010, 299-301.)

Indirect Exporting

Exporting is called indirect, when the manufacturer of the product uses intermediaries, which are often based in the home market, to handle the export activities. Export intermediaries can be convenient solutions to organizations which are not yet experienced with exporting. Firms that choose to export indirectly have the choice between the services of export merchants, export agents, or export management companies (EMCs). (Reynolds 2003, 1-6; Kotabe & Helsen 2010, 299-300.)

Indirect exporting provides several advantages. The most significant benefit is that the exporting process will be a lot faster, since through the intermediary the company acquires instant foreign market expertise. The EMCs are professionals, who already possess the knowhow, and qualified staff, who know how to export, and can handle all the details involved with processing export orders. Their expertise also comes in handy when selecting and managing the foreign distribution network. Often, indirect exporting is less risky, and no major resource commitments are needed. The intermediary usually gets paid based on how successfully they export, which also motivates them for the job. (Reynolds 2003, 1-6; Kotabe & Helsen 2010, 299-300.)

Like already mentioned, the downside of indirect exporting is that the company has little or no control over its` operations in the foreign market. The company might not be able to control the way their product is marketed, priced, or distributed, not to mention the lack of after sales services. The middleman often has limited experience in handling the company`s product line. Poor decision making from the intermediary could lead to damaged brand image and drive sales to decrease. Many of such intermediaries are also relatively small companies and possess limited resources for handling multiple tasks at ones, which might drive them to focus most efforts on products that can maximize their profits. So on, they might show less support on new product lines and products with lower short-term profit potential. Indirect exporting is often seen as a good strategy for testing the international waters, because of the low commitment level. Once the demand and sales in the foreign market increase, the manufacturer can switch to direct exporting or another, more efficient entry mode. (Kotabe & Helsen 2010, 299-300.)

Foreign Direct Investment

Foreign direct investment (FDI) is an equity-based, international entry mode. The name refers to the activity, where a firm from one country, invests, or provides capital to an existing-, or newly build firm in another country (Jones & Wren 2006, 7). FDI's differ from the non-equity entry modes in a sense, that they usually require more resources, often the monetary kind. Investing abroad involves extensive planning and is often done for the long term. There are many forms of FDI, which the most common ones are explained in the following subchapters. (Cavusgil et al. 2012, 41.)

Joint venture

Joint venture (JV) as a term, can be described as a participation of two or more parties, pooling their assets, with the aim of creating business activities (Belohlávek 2008, 507). With a joint venture, the participating companies agree to share equity and other resources to establish a new entity. As an entry mode into foreign markets, the chosen partners for such JV are commonly local firms, but sometimes also local government authorities, other foreign companies, or a mix of both local and foreign operators. Such strategy enables firms to enter a new market, while also benefiting from the partners existing assets and knowledge. Possible contributions of the local partner may include; land, raw materials, knowledge of the local environment (culture, legal, political), access to a distribution network, personal contacts with suppliers, or relations with government officials. (Kotabe & Helsen 2010, 306-308.)

Comparing to entry modes with lesser resource commitment, such as licensing, the advantage of JVs is the return potential. With licensing, the company only gets royalty payments instead of the share of the profits. Joint ventures also remain more control over the operations than most of the other entry modes. Often companies that aim to maintain larger degree of control would prefer full ownership for example through acquisition. However, local governments may discourage or even forbid wholly owned ventures, and in such cases, joint ventures are the second-best alternative. (Kotabe & Helsen 2010, 306-308.)

Similar to licensing, in a joint venture the foreign firm bears the risk that the partner may turn into a future competitor. Lack of trust and conflicts could potentially destroy a joint venture relationship. Conflicts could arise of matters such as strategies, resource allocation, pricing, or ownerships of important assets such as technologies and brand names. (Kotabe & Helsen 2010, 306-308.)

Mergers and Acquisitions

The difference between a merge and an acquisition, is that in a merge two companies, located in different countries combine their assets, forming a new entity, while in an acquisition, one of the companies takes over the other, often making the other company operate under the main organization (Jones & Wren 2006, 20).

Acquisition or merge entry into the international market could be beneficial for number of reasons. Acquisitions and mergers allow companies to rapidly obtain well-established brand names, and get a quick access to the local market, its distribution channels, and technology. It has also been argued that mergers and acquisitions could be one of the fastest ways for firms to gain more market share and power, as the competition increases with the fast-developing technology. Companies operating in competitive industries may see mergers and acquisitions as a way to share the risks and obtain assets rapidly, which enables them to grow on a global scale. (Jones & Wren 2006, 21-22; Kotabe & Helsen 2010, 312-315.)

The risks are that the merging companies might find it difficult to adjust to the change, due to their different corporate cultures. The acquiring company could face disappointments, if the assets obtained do not live up to their expectations. Such disappointments could include outdated equipment, unmotivated workforce or damaged brand name. The political risks are involved as well, since the local government may attach conditions to the acquisition, (for example in terms of additional job creation) which the company must perform according to. However, probably the two main issues of an acquisition entry are that in many markets, the companies worth partnering with might simply not be available, and if they are, they might be extremely expensive. Often, the good partner companies are already taken by the competitors. Even when they are available, great brands are usually unwilling to sell themselves, and there are typically many other foreign and local companies interested to partner as well. A bidding war can increase the costs of the market entry sky high. (Kotabe & Helsen 2010, 312-315.)

Greenfield Investment

Greenfield investment is another form of FDI. In a greenfield investment, the firm pursues international markets by constructing new business-, distribution-, or manufacturing facility in a foreign country. Greenfield operations offer more flexibility to the company, since they will be able to decide for themselves how to manage their investment. Compared to acquisitions, greenfield investment can provide more flexibility in areas of human resources, suppliers, logistics, plant layout, or manufacturing technology. The downside is that greenfield operations require extreme investments of time and capital (Kotabe & Helsen 2010, 315). In addition, a brand-new facility brings many ben-

efits. Since the premises are modern, and build to fit the company's needs, they provide efficiency and flexibility, as well as reduced costs. The maintenance costs are often lower with a new facility, rather than a used one. The new facility is also a nice promoting tool, which can be used to draw attention, as well as attract new employees. (Galeza & Chan 2015, 34-35; Investopedia 2018.)

“Greenfield is an attractive mode of FDI for a firm in the foreign market because it can choose the site that meets its needs best, start afresh, and acclimate itself to the new business culture at its own pace.” (Cheng 2006, 203.)

3.3 Entry Barriers

Entry barriers are advantages, that incumbents have relative to the new entrants (Porter 2008, 26). In other words, entry barriers are factors that prohibit or block new competitors from entering a certain market. The barriers can be categorized to either natural barriers, or artificial barriers. The barriers are called natural, when they are proposed by the natural characteristics, and state of the market. Artificial barriers arise, as they are intentionally placed by someone, for example by the existing firms in the market, or by the government. Natural and artificial barriers are also commonly called structural-, or strategic barriers. Companies in the middle of their internationalization process, should always take into consideration the possible barriers for the market entry, in order to be aware of the obstacles they may have to overcome to be successful. The following subchapters explain some common types of entry barriers. (Bondarenko 2017; Economics Online 2018)

Natural Entry Barriers

Cultural barriers

Cultural differences can largely affect business relationships and one concern is that managers might overlook the need for cultural awareness when setting up a foreign business operation. Foreign market entry requires intensive planning and knowledge of the markets existing suppliers, market channels, consumer preferences and purchase behaviour, as well as rules and regulations. Institutional differences and language can bring up extensive challenges to international business. (Kotabe & Helsen 2010, 627-629; Lumen Learning 2018.)

However, language barriers are not the only issues when communicating in the foreign environment. Companies need to understand the local business culture, and to know what level of communication is required to obtain a certain level of trust among partners and consumers. (Kotabe & Helsen 2010, 6.)

Some markets may also propose security issues by the lack of credit card culture. Still in many countries credit card penetration is very low, for example in Egypt only the upper-class people use credit cards to purchase goods. International firms may need to offer a wider range of payment options in order to operate in such markets. (Kotabe & Helsen 2010, 627-629.)

Companies also have to be culturally sensitive when planning their website, especially in terms of symbols and colours. Not all symbols necessarily bear a universal meaning. For example, a thumbs-up symbol might indicate positive feelings in some markets, while in others it might be considered insulting. Colour preferences also vary in different cultures. Soft pastel colours might work better in Japan, while bold and sharp tones connect better with U.S. consumers. Companies also have to decide whether they want to localize their websites for each market by translating the content into the new operating language, and if so, how to accomplish it in a professional manner, without spelling mistakes. (Kotabe & Helsen 2010, 627-629.)

Capital Requirements

High start-up costs commonly act as an entry barrier for businesses. They are considered as natural barriers, since they are proposed by the natural state of the market environment. If the costs of establishing business in the particular country and industry are high, it is sometimes very difficult, especially to SME's, to enter such operating markets. The barrier is particularly great if the capital is required for unrecoverable expenditures (Porter 2008, 27). Unrecoverable expenditures refer to so-called sunk costs, which the company will not be able to recover after they leave the market, such as advertising costs. (Economics Online 2018; CFI Education Inc 2018.)

Brand Identity and Customer Loyalty

An existing firm, already operating in the market, can possess such strong brand identity, that competitors would struggle trying to compete against it. As the competitor already has a significant market share and high customer loyalty, it is extremely hard for new entrants to win over a customer base. In other words, a strong brand possesses a great advantage in their customer loyalty. Example of such product could be Coca Cola. Every now and then there is a new Cola brand emerging the global market, but every time it fails to succeed. The word Coca Cola is already on everyone's mind, and it is hard to be replaced by another name. Perhaps the only brand which succeeds to compete with Coca Cola is Pepsi. (Interaction Design Foundation 2018.)

A brand can have such strong identity, that the name of the product can become the name to describe all similar products. Example of such product could be band-aid, bubble wrap or Chapstick. These names are commonly used to describe a type of product. However, all of these items have trademarks; they are intellectual property of

a firm and were originally used as the name of only one product. Later, the name became so popular, that it became the word to describe all similar products, even offered by the competitors. Such strong brand identity could be extremely hard to compete with. (Digital Synopsis 2018.)

Economies of Scale

If another company already operating in the market has achieved economies of scale, it is highly difficult for other companies to compete in the same market. Economies of scale are listed as a structural barrier, since it is quite natural for any given company to form economies of scale, when there is a possibility for it. Thus, the entry barrier is proposed by the natural conditions of the market. (CFI Education Inc 2018; Economics Online 2018.)

Artificial Entry Barriers

Government policies

“Government operates at multiple levels and through many different policies, each of which will affect structure in different ways.” (Porter 2008, 33.)

The government could try to restrict foreign competition from entering the home market by imposing different regulations and policies. The goals of such policies are firstly, to support the home economy by favouring domestic firms and products over the foreign ones, and secondly, to raise public revenues at the expense of the imported goods. Therefore, when a government creates, maintains, or administers measures to discriminate against outside competition, they are sponsoring trade barriers. (Melder 1940, 131.)

The most common type of trade restriction is a tariff or import duty (Begg, Fischer & Dornbusch 2008, 643). Tariff is a tax, which is most commonly placed on imported goods. Tariffs are artificial barriers, since they are placed intentionally by the government with the purpose of generating revenue and protecting the market from competition. Import tariffs can be either ad-valorem; percentage of the value of the imported good, or specific; fixed amount per unit of the imported good. Import tariffs are especially used in developing economies, because they can quickly generate large amounts of revenue to the government. In the eighteenth century, most government revenue came from tariffs (Begg et al. 2008, 647). Because high tariffs distort free trade and economic growth, the World Trade Organization (WTO) aims to reduce such barriers. Countries, that are members of the WTO are generally required to follow the WTO directives, which is why there has been a growing trend in non-tariff barriers. (Cavusgil et al. 2012, 243-246.)

Non-tariff barriers are government policies which aim to limit international trade without imposing taxes or duties. Non-tariff barriers can be for example; import licenses, quotas, embargoes or subsidies. Quota is a government policy, which limits the import of a certain good to a specific number of units. Similarly to quota, it is also possible for a country to negotiate a voluntary quota with another country. Voluntary quotas are called voluntary export restraints (VERs), where a country agrees to limit their exports to the other country by certain number of units. (Cavusgil et al. 2012, 243-246.)

Embargo is a government order that completely bans trade with a specific country or a product. Usually, embargo is placed as political punishment because of the disapproved actions or policies of the particular country. The embargo is ordered, so the country becomes isolated, and is forced to fix the issues that placed the embargo in the first place. Trade embargo often has serious consequences on the economic well-being of the country, since many nations highly rely on international trade. For example, USA has placed embargoes against Iran and North Korea, which have been at times labelled as sponsors of terrorism. Embargo is an obvious entry barrier for foreign businesses. (Cavusgil et al. 2012, 223; Investopedia 2018.)

Subsidies are government assistance to domestic firms in competing with foreign firms (Begg et al. 2008, 651). In other words, subsidy is a government proposed benefit, often provided in form of cash payment or tax reductions, to an individual or organization. Subsidy is often provided to such businesses that need to overcome some type of problem or burden, and overcoming such problem is considered as common interest of the public or economy. By applying subsidies, government can easily support the domestic businesses, thus making the market less favourable for foreign businesses to operate. For example, subsidies are commonly applied for agricultural products. The United States spends up to 19 billion dollars on farm production subsidies, while the EU spends impressive 75 billion dollars (Kotabe & Helsen 2010, 47-48). As some of the world's richest countries are reluctant to lower such trade barriers, farm industries will continue to bear substantial barriers due to subsidies. (Kotabe & Helsen 2010, 45-48; Investopedia 2018.)

Exclusive Contracts, Patents and Licenses

Exclusive contracts, patents and licenses can easily block competitors from entering a given market. Intellectual property is in many cases a key factor to a successful business, and if the property is owned by the competitor, there is very little you can do. Businesses may require for example, a type of technology to operate in a new market. If they cannot obtain this technology, they will not be able to succeed. In many cases this technology could be intellectual property of another firm. Intellectual property can always be licensed to multiple organizations, but in some cases the license could be

intentionally offered to only one organization, making the contract exclusive. Exclusive contracts make it impossible for other organizations to operate in the market, since they will not be able to obtain the intellectual property they require to operate successfully. (Interaction Design Foundation 2018; Economics Online 2018.)

Predatory-, and Limit pricing

Predatory pricing and limit pricing are strategic barriers, that force competitors out of the particular operating market. Predatory pricing means that an existing firm lowers their prices significantly, making other products in the same market unable to profit. In order to achieve predatory pricing, the firm would have to abuse their resources. Predatory pricing is illegal in many countries, but even when it occurs, it is hard and time consuming to prove in court. Similarly, in limit pricing, the existing firm places low prices and high output, which again makes other entrants unable to profit at that price. (Interaction Design Foundation 2018.)

Predatory Acquisition

In a predatory acquisition, an existing firm takes over its competition, by purchasing a controlling interest of the competitor's shares. By such acquisition, the company forces its own competition out, since they make them operate under their organization. It could be relatively easy for a large organization to take over several smaller competitors. (Economics Online 2018.)

Loyalty schemes

Loyalty schemes are customer loyalty programs or other incentives, that the existing firms place on purpose, to abolish the competition. Such loyalty schemes help to retain customer loyalty and make it difficult for new operators to gain a customer base. Loyalty schemes are often used by oligopolist operators, which aim to make sure that the competitors will not be able to reach their position. (Economics Online 2018.)

Vertical Integration

Vertical integration means, that the local company starts expanding to different fields of their supply chain. For example, a product manufacturer can expand by owning its distributors or retail stores in the market. Vertical integration of existing firms can act as an entry barrier for new entrants, as they intentionally tie up the supply chain in the market (Economics Online 2018). It might be impossible for similar products to enter the same market, if they are not be able to find a distributor or retail channel, which would not be owned by the competitor. (Investopedia 2018.)

4 TEQUILA INDUSTRY

Tequila is a Mexican spirit drink, which is produced from the Azul (blue) variety of Tequilana Weber Agave plant. More precisely, the distillate is produced from the juices, pressed from the heart of the blue Agave plant, which is only grown in certain States of Mexico. To be able to produce Tequila, the juices of the Agave plant are fermented and double distilled, which then results to delicious alcoholic beverage. Tequila usually contains 30-50% alcohol by volume, depending on the regulations of the given market. (García 2018.)

In order to protect the Tequila industry and to ensure the authenticity of the products, the Tequilana Weber plant is grown only in certain regions of Mexico, which are considered the origin of Tequila. The Declaration of Protection of the Tequila Appellation of Origin states that the cultivation process of the Agaves as well as the production of Tequila must take place in specified areas. Currently these regions include the State of Jalisco, and some municipalities of Guanajuato, Michoacán, Nayarit and Tamaulipas. If Agave is grown outside of these areas, the beverage extracted from the plant can't be called Tequila, but may be used for production of other beverages, such as mezcal or sotol (Cedeño 1995, 1-11; TEQUILA.net 2017.)

Tequila was found as a mixture of two cultures. Mexicans already had the culture of drinking the juices of the Agave 1 000 years B.C. (Archibald 2015), but it was much later in the history, when the Spaniards came to Mexico and brought with them tools, such as pot stills and knowledge of distillation techniques, that finally allowed them to distill the juices of the plant and create the famous spirit drink. Similar to Champagne or Cognac, Tequila is a unique beverage that inherited its' name from the region of origin. The word Tequila originates from the town of Tequila, located in the state of Jalisco, where the drink has been produced for centuries (Sánchez Lacy & De Orellana 1998). Even today, the origin of Tequila and the Agave plantations are considered as vital part of Mexico's heritage. In fact, in 2006 "The Agave landscape and the Ancient Industrial Facilities of Tequila" were recognized as UNESCO World Heritage Sites, due to the historic and cultural importance for the region (UNESCO World Heritage Centre 2018). (Cedeño 1995, 1-11.)

4.1 Agave

Agave is a plant native to Mexico. Even though, the plant has a cactus like appearance, the plant belongs to the family of amaryllis (Chadwick 2011). The plant has over 200 different species, but only one of the species may be used in the production of Tequila; the Agave Tequilana Weber Azul (blue) variety. The plant was named after botanist

Frédéric Albert Constantin Weber. This species of Agave was chosen for the production of Tequila because of the high level of sugars in the plant, as well as the shorter maturing period for the plant to get ready for harvesting. (Cedeño 1995, 1-11; Long Island Lou Tequila 2014.)

The Agave plant can reproduce itself sexually and non-sexually, by generating seeds and so-called shoots or “children”, which grow from the roots of the mother Agave. The Agave plant will take approximately 8-12 years to mature ready for harvesting. If the Agave is grown from the shoot, the cultivation process will be approximately two years faster than if they are grown from the seed. Due to the faster cultivation, in the production of Tequila, it is preferred to use the shoots to reproduce the new generation Agaves. Once the plant is ready for harvesting, the heart of the plant, better known as piña, can weigh even up to 50kg. (Cedeño 1995, 1-11; Long Island Lou Tequila 2014; García 2018.)



FIGURE 1: Mother Agave and a shoot growing from the root at Tequilas del Señor Agave Plantation, Mexico (Voutilainen 2018-04-20).

The Agave grows leaves, which are removed in the harvesting process, because only the heart of the Agave is used in the production of Tequila. The heart of the Agave is called as piña, because after the leaves have been removed, the heart of the plant resembles the shape of a pineapple, in Spanish, piña. Agave is not watered. Instead, the plant collects water during the rain -season, and is then able to produce growth for the whole year (Chadwick 2011; García 2018.)



FIGURE 2: Agave piña in Tequilas del Señor Agave Plantation, Mexico (Voutilainen 2018-04-20).

4.2 Production Process

The production process of Tequila is very complex. It takes a lot of hard work, dedication and patience to produce quality Tequila and this is why Tequila can often be more expensive compared to other spirit drinks. Only the growing period of the Agave can take even up to 10 years, after this the juices are fermented, double distilled and then stored to white oak barrels, where they can mature even up to 15 years, depending on the kind of Tequila being produced. In some cases, the whole production process can take even up to 25 years. (García 2018.)

The production begins with the cultivation. Cultivation is the process of planting and growing the Agaves for approximately 7 years (García 2018). During this period the plants are well cared for. They are weeded and watched for pests, to ensure that the Agaves grow in their best health. (Cedeño 1995, 1-11; Long Island Lou Tequila 2014.) Next process is the harvest, better known in the industry as jima. Once the Agave is mature for harvest, the plant is removed from the ground and the leaves of the plant are cut off by hand using a hand tool, called coa. After the leaves have been removed, only the heart of the Agave remains, and this part will be used to produce Tequila. (García 2018.)

The jima process is indeed special. The technique has been the same for centuries and the tradition is passed on from generation to generation. This is also the reason

for the special name, jima. It is not an ordinary harvest process, it takes a great amount of skill and technique and due to this, it has earned its' own special name. The workers of the plantation are called jimadores. The word originates from the Aztec language and it means "the man who cuts leaves" (Abad, Aguirre, Fortoul, López, & González 2016). The jimadores are experts in their field and only one worker alone can harvest even up to 3000 kilos of Agave per day. They are fast with their technique and can harvest one piña in a minute. (García 2018.)



FIGURE 3: Agave harvest process (Tequilas del Señor S.A. de C.V. 2018).

After the leaves have been cut off, the piñas are carried from the fields to the transport with the assistance of mules. A mule is a mixed breed of a horse and a donkey. The mule has a good memory, for one day. In the morning the jimador would walk the mules in a line to the truck and back to the field, and for the whole day, the mule will remember the route, and won't need any assistance other than someone loading the Agaves. The next day the mule won't remember the route, so the routine will have to be repeated every day. (García 2018.)

The Agave plantations benefit from the use of mules, because the breed is as big as a horse and as strong as a donkey, so they are bigger and stronger, and able to carry great amounts of Agave piñas at ones. The use of mules is also sometimes necessary, because some Agave fields are covered with rocks and in a location, where it is impossible to enter with a vehicle. (García 2018.)



FIGURE 4: A mule carrying Agave in Tequilas del Señor Agave Plantation, Mexico (Voutilainen 2018-04-20).

Next part of the production is the cooking of the piñas. The hearts of the plant are transported to the distillery, categorized by their size, cut in half, and placed in steel containers, autoclaves, or masonry ovens, where they are cooked with steam in order to soften the plant for the extraction of the juices and sugars. The cooking process can take anything between 12 to 72 hours, depending on the kind of oven being used. (Cedeño 1995 1-11; Chadwick 2011.)

After the cooking of the piñas, the next step is the milling (Cedeño 1995, 1-11). The piñas will get pressed several times, in order to extract the sugars of the plant. After the extraction process we will have fermentable juice, rich with Agave sugars. In this point of the Tequila production, the category of the Tequila is determined by selecting the percentage of Agave sugars to be used. (García 2018.)

After the category of the Tequila has been determined and the percentage of sugars has been selected, the juices will go through fermentation. The juices will be placed in fermentation tanks. In the fermentation process, yeast is added to the juice, in order to transform the sugars into alcohol. Other nutrients are also added in the process, and this is the part that will crucially determines the flavor of the Tequila. The juices are fermented until all the sugars in the tank are “dead”. Fermentation process can take anything between 20 to 72 hours (Cedeño 1995, 1-11). (García 2018.)

Next comes the distillation. The fermented juices will get distilled twice, in order to raise to the correct alcohol level (Cedeño 1995). The result of the process is clear liquid, that is already considered Tequila. This product will be used in the production of Silver and Gold Tequila, which won't be further matured in oak barrels. (García 2018.)

After the distillation process, specific Tequila classifications will go through maturation. The Tequila will be stored in white oak barrels, where the Tequila will adapt characteristics from the wood of the barrel. The previous usage of the barrels is also an important factor in the production of Tequila. For example, barrels that have previously been used for storing wine or sherry, may be used in Tequila production in order to obtain certain flavors from the barrels. The maturation can last from two months up to 15 years, depending on the type of Tequila being produced. In the maturation process the Tequila can also obtain natural coloring from the barrels, which will give the Tequila its' golden appearance. After the maturation period, the Tequila is filtered, and the alcohol content is adjusted to meet the commercial standard, and finally, we will have the final product, ready for bottling and labelling. (Cedeño 1995, 1-11; García 2018.)

4.3 Categories and classifications

Tequila has two categories; Tequila and Tequila 100% Agave. The difference between the categories is that in the production of Tequila, at least 51% of the sugars are obtained from the blue Agave Weber Tequilana plant. The rest of the sugars may be obtained from other natural sugars, excluding the other Agave varieties. These types of Tequilas are called mixto Tequilas (mixed) (Sánchez Lacy & De Orellana 1998). Mixto Tequila may also be bottled outside the region or country of origin to Tequila. On the other hand, we have Tequila 100% Agave, which is produced solely from the sugars of the Agave Weber blue variety and is only allowed to bottle in the allowed regions of Mexico, in the origin of Tequila. (TEQUILA.net 2017; García 2018.)

Inside of each category, Tequila is classified to five types; Silver (Blanco or Plata), Gold (Joven or Oro), Aged (Reposado), Extra Aged (Añejo), Ultra Aged (Extra Añejo). All of the Tequila classifications may also use additional sweeteners, coloring, aromatics or flavorings permitted by the Ministry of Health, to intensify the coloring, the aroma or the flavor of the Tequila. (TEQUILA.net 2017.)

Silver Tequila is the product of the second distillation process. It is a clear liquid, that has not been matured in the oak barrels. Gold Tequila can be a mixture of Silver Tequila and Aged Tequila, or Silver Tequila with added characteristics from extracts such as caramel for example. Aged Tequila, better known as Reposado, has been matured in the barrels for a period between 2 to 12 months. Añejo Tequila is matured for more than one year, and it has regulations to the amount of Tequila per barrel, maximum being 600 liters. Extra Añejo Tequila has to be matured for at least 3 years, but the

oldest Tequila that currently exists in the industry has been matured even as long as 15 years and as it happens, this is a product of Tequilas del Señor. Similarly, to Añejo Tequila, Extra Añejo Tequila is also limited to 600 liters per barrel. (TEQUILA.net 2017.)

4.4 Environmental issues

Unfortunately, the production of Tequila does not come by without complications. In the production process, there is residue, that is left over after the extraction and distilling phases. The Agave fibers, which the juices have been extracted from, are residue, which are no further used in the production. The fiber is known in the industry as bagasse. Bagasse can be composted and used as a fertilizer to grow the next generation Agave plants. (García 2018.)

However, there is another residue generated from the production, much more dangerous than the Agave fiber. The liquid residue, proposed by the distilling process of Tequila, is called vinaza. Vinaza is a wastewater, rich with chemicals, nitrogen, heavy metals and salt. The combination makes the liquid acid, and harmful to the environment (FOX news 2011). For every liter of Tequila, 10 liters of vinaza is being produced. (Geo-Mexico 2012.)

Despite the inconvenience, there are proper ways vinazas can be disposed without harming the environment. The liquid can be for example turned into biogas, which can be further used in heating the boilers of Tequila distilleries (Geo-Mexico 2012), or it can be used in the compost of bagasse, to develop fertilizer. The compost process neutralizes the chemicals and acids of vinaza. Yet, every year billions of liters (Geo-Mexico 2012) of vinazas are being dumped to local rivers, ponds, and landfills illegally (FOX news 2011). When vinazas are dumped to the lakes, rivers and other water areas, the vinaza begins to consume the oxygen of the water. As the oxygen of the water disappears, eventually fishes, and all other life within the waters will die. (García 2018.)

According to the National Chamber of the Tequila Industry, approximately 60% of Tequila distilleries are disposing vinazas correctly, leaving 40% of the major distilleries operating illegally, by dumping the residue into the nature. The problem is massive. In fact, UNESCO considered to reverse the World Heritage Site status of Tequila industrial areas, due to the environmental issues proposed by the production. The areas finally got to keep their status, after convincing that major efforts have been made to abolish such operations. (Geo-Mexico 2012.)



FIGURE 5: Vinaza and bagasse compost process at Tequilas del Señor S.A. de C.V. Compost Plantation, Mexico (García 2018-04-20).

5 TEQUILAS DEL SEÑOR S.A. DE C.V.

Tequilas del Señor is a company specialized in the production, marketing and exporting of Tequila and Tequila based products. The company was found in 1943 when Mr. Cesar García opened the Rio de Plata distillery in Guadalajara, Jalisco. The company made their first exports to the United States in the year 1957. The distillery was built in the García family home, and these buildings are still standing and being used, maybe not as a home, but as a distillery and a museum. In 1973 the distillery was remodeled to fit the modern production process requirements, but many historical details were kept, to highlight the beauty and the history of the distillery. Like already mentioned, the company premises include their own museum, where they have collected various important historical items, to represent the history of the Tequila industry, as well as the history of the company. (Tequilas del Señor 2018; García 2018.)

Today, Tequilas del Señor remains as a family business, and is now running in the 4th generation of the García family. Manuel García Villegas is currently the CEO of Tequilas del Señor and he directs the company with his children; Juan Manuel, Santiago and Gabriel (Abad et al. 2016). The company is medium-sized, and it currently employs 97 workers. Tequilas del Señor drives their sales from export markets and indeed, only 10% of their total production is produced for the domestic market. Currently the company exports their products to over 53 countries and they continue to develop their worldwide network. The company has received more than 60 awards and recognitions from domestic and international organizations, due to their excellent quality of products, and for their thrive for export. (García 2018.)

The Rio de Plata distillery has the capacity to produce 6 000 000 liters of Tequila a year at 55% alcohol volume. The raw material, Weber Blue Tequilana Agave, is grown in the family owned ranches in Jalisco. The company is highly committed to sustainability; hence the company reuses all the residue generated from the production process of Tequila. Both bagasse and vinaza are composted and used as a fertilizer for the growth of the next generation Agaves. The company has also taken part in planting 50 000 trees in the region, in order to support the health of the environment. Tequilas del Señor is committed to change the image of the industry, by operating responsibly for the benefit of the environment. (García 2018.)

5.1 Products

Tequilas del Señor has a wide range of products, which compete in all categories and classifications of Tequila. The company not only produces Tequila, but also Tequila based liqueurs, which satisfy the needs of even more demanding consumers. All of the Tequilas del Señor products are also kosher certified. (García 2018.)

Starting from the youngest product by its classification, the product of the second distillation process is Sombrero Negro Tequila. This product has been produced since 1943, and it is recommended for prepared drinks, such as margaritas, or drinking straight, as its commonly done in many European countries. The product is available in Silver and Gold. The Sombrero family has a 100% Agave version as well. Sombrero 100% Agave Silver and Sombrero 100% Agave Reposado differ from the Sombrero Negro Tequila in a sense, that they are produced only from the sugars of the Agave plant. Like most of Tequilas del Señor products, these products have won several awards due to the balanced taste and aromas of the Tequila. (García 2018.)

In the Sombrero family, there are also two Tequila liqueur products; Sombrero Almond Liqueur and Sombrero Coffee Liqueur. Both of these liqueurs are made with Tequila. They are delicious just as they are but can also be used to mix into drinks. All the Sombrero products are especially great as entry products for the international markets, that do not yet have a popular culture of drinking Tequila. For example, European countries that consume Tequila mainly as shots, may find Sombrero products more suitable, than the other more luxurious Tequila products that the company produces. (García 2018.)

The next product family from Tequilas del Señor is Herencia de Plata. All Herencia Tequilas are produced from 100% Agave and the product family includes; Herencia de Plata 100% Agave Silver, Reposado, and Añejo. These products are premium Tequilas and they are mainly meant to be enjoyed as they are, carefully tasting and sipping the product, not as a shot. The products are rich with aromas and flavors, such as caramel, vanilla, coffee and fruits. Just like Sombrero Negro, Herencia family also has their own coffee liqueur. Herencia de Plata Coffee Liqueur is made from 100% Agave Tequila and the finest Mexican Arabica coffee beans by using old traditional methods of preparing. The coffee liqueur has attracted huge success in several international markets, due to the excellent taste. The Herencia product family certainly satisfies more demanding consumer tastes. (García 2018.)

Reserva del Señor product family includes three products; Reserva del Señor 100% Agave Silver, Reserva del Señor 100% Agave Reposado, and Reserva del Señor 100% Agave Añejo. This product family is similar to Herencia, in a sense that the products are premium, they are suitable for more demanding consumers and mainly meant

to be enjoyed as it is. The flavors differ from the Herencia, but both of the product families are delicious and rich with aromas. (García 2018.)

The last product family of Tequilas del Señor is the Herencia Histórico. These are the most luxurious Tequilas out of the whole product range and they are also the only product family belonging to the classification of Extra Añejo Tequilas. All the Herencia Histórico products are special edition and limited production. The king of the product family is Herencia Histórico 100% Agave, Grand Reserva 1997, 27 de Mayo, Extra Añejo Tequila. This is the only Tequila in the world that has been matured for more than 15 years. The historical date marked in the bottle, 27th of May 1997, is the day when the European Union recognized the Denomination of Origin Tequila. The agreement for the recognition was signed in Brussels, Belgium by official representatives of the European Union and Mexico, and in the exact same day, 100 French oak barrels were each filled with 500 liters of 100% Agave Tequila. The barrels were imported from Spain, and they were previously used to store sherry. After aging for as long as 15 years, the product resulted to the amazing, unique flavored Tequila. (García 2018.)

The Herencia Histórico family has two more products, which both are 100% Agave, and dated 27 de Mayo, Grand Reserva 2007. The products are Extra Aged, and Extra Aged Cristalino, which both have been matured for a period of five years. The Cristalino product differs from the regular Extra Aged version, not only by the flavors, but also for the triple filtration process, which results to the beautiful silver or crystal appearance. (García 2018.)

In addition, Tequilas del Señor sells their Tequila in bulk, to customers that wish to bottle their own Tequila brand, or use it as an ingredient in mixed-, or ready to drink products. Bulk Tequila is never 100% Agave, since only mixto Tequilas are allowed to bottle outside of the origin. Tequilas del Señor bulk Tequila is offered in both Silver and Gold. (García 2018.)

6 MEXICAN TEQUILA REGULATIONS

The Tequila industry is highly regulated, in fact it is one of the most regulated out of all alcoholic beverage industries. Each distillery is under constant supervision and laboratory testing by the Regulatory Council of Tequila. There are regulations, not only for the production, labelling and bottling of the Tequila, but also individual regulations for export markets as well, proposed by the varying country legislation. Foreign markets often have different regulations concerning the alcohol volume levels within the beverage. This makes exporting of Tequila very complex, since all products will have to be adapted to meet the commercial requirements of the desired market. The following chapters are introducing the organizations involved within the supervision of the Tequila industry, explaining some important regulations for Tequila, as well as describing the export process of Tequila. (Moreno 2018.)

6.1 Consejo Regulador del Tequila

Consejo Regulador del Tequila (CRT), or Tequila Regulatory Council, is a non-profit organization that aims to protect, promote and regulate the Tequila industry. The main goal of the organization is to ensure the authenticity of Tequila products and promote the culture and uniqueness of the beverage. They are highly involved in the Tequila production process, since they are constantly laboratory testing the products to ensure the quality of Tequila. They are the organization that certifies all the distilleries operating in the Tequila business, checks and approves Tequila labels, as well as supervises the Agave plantations. All the authorized distilleries in Mexico are members of the CRT. The company also collects statistical data involved with the Tequila industry, for example statistics of Tequila exports. (Consejo Regulador del Tequila 2018.)

6.2 Cámara Nacional de la Industria Tequilera

The National Chamber of the Tequila Industry (CNIT) was established in 1959, and it is the oldest institution in the Tequila industry. Similar to the Tequila Regulatory Council, they are a non-profit public organization, that aims to promote and protect the Tequila industry. The company's main duty is to defend the interests of the industry and act as a general source of information. They provide relevant information to their member organizations, for example, legal and administrative guidance for the distilleries wishing to export Tequila. They hope to provide useful knowledge of the industry for the general public as well. Currently the members of the chamber represent 76 producers from the State of Jalisco, one from the State of Guanajuato, and one from the State of Tamaulipas. (Cámara Nacional de la Tequila Industry 2009.)

6.3 DOT and NOM

Denomination of Origin Tequila, or DOT, is the Appellation of Origin Tequila. Mexico has all together 14 Appellations of Origin and Tequila is one of them (INTA Bulletin 2008). The main duty of the Appellation of Origin Tequila is to guarantee the authenticity of Tequila products and to ensure the consumer, that the products meet all health requirements. The DOT was registered in front of WIPO, The World Intellectual Property Organization, in 1978 to ensure the international protection of the origin of Tequila. Today the Denomination is recognized worldwide. The Appellation of Origin, or the Tequila Territory consists of approximately 11 million hectares. The Appellation of Origin Tequila is supported by a number of regulations, that every individual involved in the production, bottling or marketing of Tequila must take into consideration. (TEQUILA.net 2017; Moreno 2018.)

NOM-006-SCFI-2005 is the Mexican Official Standard that regulates the whole Tequila industry in Mexico. The word NOM stands for “Normas Oficial Mexicana” (Chadwick 2011). The Tequila Regulatory Council supervises Agave plantations and distilleries, in order to guarantee that all organizations in the Tequila industry operate according to the regulations of the NOM, to comply with the DOT. The NOM has detailed regulations for product sampling, in order to ensure that all distilleries take part in quality control, and this vital part is also supervised by the Regulatory Council. The NOM not only ensures the safety of the products, but also states regulations for the export of Tequila, to ensure all the distilleries meet the required commercial standards. Each authorized distillery is provided with their own NOM number, which will also have to be visible in each label of Tequila product produced by that distillery. Without the NOM stamp visible in the label, the consumer cannot be sure whether the product inside the bottle is actually Tequila (Chadwick 2011). The NOM number in the label of Tequila guarantees the consumer that the distillery has been certified and the products meet all health requirements. Both DOT and NOM were created for the benefit of the consumer. (TEQUILA.net 2017; Moreno 2018.)

6.4 Labelling

Authentic Tequila can be easily recognized by the label of the product. This is one of the factors that is highly regulated not only in Mexico, but in other markets as well. Distilleries are forced to pay a great amount of focus on their correct labelling, to be able to sell Tequila. When the Tequila labelling does not meet the criteria, the Tequila is considered false. In these cases, the safety of the product cannot be guaranteed, and the product may propose a risk to health. Despite the major efforts to abolish false Tequilas, some still exist in the global market, which is why the consumer should be

aware of the Tequila labelling requirements, in order to recognize a false product. Before any Tequila can be sold or exported, all labels are officially checked and approved by the Tequila Regulatory Council. (Moreno 2018.)

First of all, Tequila will always be named Tequila, or Tequila 100% Agave. Products that claim to be Agave distillate, Agave liqueur, Agave or Tequila flavored, are not Tequilas. Tequila labelling will also describe the classification of the Tequila, whether it is Reposado or Añejo, Silver or Gold, and so on. The bottle should also include other information such as; the producer details, the net content, alcohol percentage, batch (or lot) number and the inscription "Hecho en México". (TEQUILA.net 2017.)

Like mentioned in earlier chapters, Tequila that is not made from 100% Agave, can be bottled outside of the region of origin. These Tequilas can be exported in bulk and then bottled by another organization, in another country. In these cases, the labelling of the product should state clearly that the Tequila has been bottled outside of the origin and include the details of the organization responsible for the bottling. In the case, when the Tequila has been bottled in the allowed regions for the production, the label often mentions that the product has been bottled in origin. (TEQUILA.net 2017.)

Moreover, attention should also be paid on the NOM number, visible in the label of the Tequila. Each authorized Tequila distillery has its' own NOM number, provided by the Ministry of Economy. If a consumer is able to find a NOM in the label of the product, this will immediately tell the consumer, that the Tequila is authentic and has been certified by the Tequila Regulatory Council. Next to the NOM number, the labelling includes the letters CRT, which refers to the Tequila Regulatory Council, which also confirms that the product has been certified. (TEQUILA.net 2017.)

Labelling content may vary from country to country, due to the different regulation demands of each export market. However, the Mexican Official Standard, NOM, states that for export markets, minimum details required in the front label include; the word "Tequila", category and class of the product, name of any added flavor or aroma, and name of the registered Trademark followed with the symbol ® or "MR" (TM). The back label of the product should include; the statement "Hecho en México (Made in Mexico), or Producto de México (Product of Mexico), the official countersign (the NOM-number), and the lot or batch number. (TEQUILA.net 2017.)



FIGURE 6: Sombbrero Negro 100% Agave Silver Tequila label (Tequilas del Señor S.A. de C.V. 2018).

6.5 Export process of Tequila

This section will introduce the export process of Tequila. It includes information of the export documents to be drafted for the export of Tequila and it aims to explain the duties of the CRT in the process. The description is made based on the inner process within Tequilas del Señor. The information was obtained from an interview on 6.3.2018 with an employee of the company, Enrique Zaragoza, who is operating in the company as a logistics coordinator and is responsible for arranging exports and shipments.

The export process starts with negotiating with a potential buyer. While Tequilas del Señor is in the middle of the negotiation, they can already request a quotation to the shipping line or to the forwarding company. There are several shipping lines and forwarding companies that the company uses, depending on the country regulations and the type of shipment to be made. The inquiry is made before the buyer places their order, so that the quotation is available on time, and Tequilas del Señor can place an order for the shipping as soon as the customer makes an order as well. (Zaragoza 2018.)

Once the buyer places an order, Tequilas del Señor will draft a pro forma invoice, which includes all the details of the order; buyer (importer and consignee), payment terms, incoterm, port of loading, quantity of (cases or bulk) Tequila, type of Tequila, lot or batch number, price per liter or case, purchase order number, net weight, gross weight,

and the quantity of pallets or cases. The pro forma invoice is sent to the buyer for final approval, before the shipment is arranged. Once the pro forma invoice has been accepted, Tequilas del Señor proceeds to issue the original commercial invoice and requests the booking confirmation to the shipping line. The request for the booking confirmation, in other words, the order for the shipping, means that they request the equipment to load the cargo, in a specific date, to accomplish with the previous negotiation with the buyer, and according to the previously negotiated incoterm. The shipping company issues the booking confirmation for the shipment, which includes all the details of the shipment; the port of departure, and arrival, the dates, products being shipped, type of container, and so on. When Tequilas del Señor receives the booking confirmation, they can proceed to prepare the products for the shipment. (Zaragoza 2018.)

Before the cargo is loaded, the Tequila Regulatory Council (CRT) becomes involved. CRT verifier person, who is present at the distillery, will take samples of the products to be exported, according to the sampling regulations stated in the Mexican Official Standard, NOM. The samples are analyzed, and an analysis report will be drafted. Once the analysis report is issued, the logistics department of Tequilas del Señor issues a CRT form, which also includes the information about the products to be shipped. Both documents (analysis report and CRT form) are checked by the CRT verifier person in order for him to confirm that the goods are complete and accomplish with the Mexican regulations (font and back labels, milliliters, category of tequila, type of tequila, alcohol volume etc.). After the review, the CRT verifier person uploads the information "support" into the CRT verifier webpage, confirming that the information stated on the CRT form is correct. As this has been done, Tequilas del Señor can upload the commercial invoice to the CRT webpage and requests for a CRT Certificate. The Tequila Regulatory Council will check that the information in the commercial invoice matches with the information on the CRT verifier support. If so, they issue the CRT certificate, which is the document required to accomplish with the Mexican Official Standard, NOM. Without this document, no Tequila producer can export Tequila. Now the shipment can leave the distillery and head to the port of departure. (Zaragoza 2018.)

The above mentioned process with the CRT, slightly differs in the shipments of bulk Tequila. Bulk Tequila is more controlled, than bottled Tequila. Typically, the importer and Tequilas del Señor sign a co-responsibility agreement, which also states the brands that importer plans to use or bottle the bulk Tequila under. The importer also has to declare the quantity of Tequila in liters used for bottling their brands, as well as the quantity they possess, and the quantity that is lost in the process. Because the bulk Tequila is more regulated, when its being shipped from the distillery, the CRT verifier person has to first seal the tank after it has been loaded, before he can proceed to issue the support and start with procedure above mentioned. The tank is sealed before

issuing the support, because the forms, and ultimately the CRT certificate, has to include the invoice number, and the seal numbers of the tank. (Zaragoza 2018.)

After the cargo has been loaded, it heads to the port of loading (typically in Mexico: Altamira Tamp., Manzanillo Col., or Veracruz Ver.) to go through with the custom formalities. Once the container arrives to the port, the seal numbers are formally checked. If the numbers do not match the seal numbers stated in the forms, the shipment cannot proceed into the port to start the custom process. If the seal numbers match, and the cargo is allowed into the port, the custom agent issues the export declaration based on the documents sent by Tequilas del Señor, which include; the commercial invoice, CRT certificate, packing list, dangerous or hazardous goods declaration (only in the case of bulk Tequila), the certificate of origin issued by Mexican Ministry of Economy, and other documents required by the Mexican authorities. In case everything checks out, and the shipment is cleared, it can be sent on its way. (Zaragoza 2018.)

In the meantime, the shipping line will issue a draft of the bill of lading; this document is the proof that shipment is already shipped on a vessel. This document must contain important information such as; name of exporter, and -importer, consignee information (name, address, contact person, phone number, tax id etc.), booking reference number, vessel name, voyage number, port of loading, port of discharge, port of transshipment (if applicable), charges payable at origin or destiny, container or tank container number, seal numbers, cargo description, net-, and gross weight, and the freight charges. This document is sent to Tequilas del Señor and reviewed. The draft is then sent to the importer for final approval. Once Tequilas del Señor receives the final confirmation from the importer or buyer, they request an original bill of lading, telex release or express waybill, according to previous agreement with the buyer. (Zaragoza 2018.) Once Tequilas del Señor has completed the set of shipping documents; one original commercial invoice, three originals of the bill of lading, one original dangerous goods declaration (if applicable), one copy of the CRT certificate, one copy of the analysis report, one original of the certificate of origin, and one original packing list, the documents can be sent to the buyer. This list of documents may vary with different clients, and all the documents required have been previously negotiated on. (Zaragoza 2018.)

7 THE FINNISH ALCOHOL MARKET AND CONSUMPTION

In Finland it is allowed for 18-year old to buy beer, siders and wine, while spirits above 22% of alcohol volume are sold to the population above 20 years old. Drinking age in bars and restaurants is 18 years. In the year 2016, the total alcohol consumption in Finland was 49,7 million liters, as converted into 100% alcohol volume. The total average consumption per person was 10,8 liters, converted into 100% alcohol by volume, and considering persons 15 years old, and above. Overall the alcohol consumption in Finland has been declining for the last few years. (Terveyden ja Hyvinvoinnin laitos 2017.)

The available beverages in Finland can be categorized in five categories. Beer, sider, long drinks, spirits and wines. The most popular alcoholic beverage category in Finland is beer. In the year 2016, the consumption of beer covered almost half (49%) of the total alcohol consumption in the country. Measured in 100% alcohol, the consumption of beer recorded to 4,11 liters per person. Second in the place comes spirits, with the consumption of 1,81 liters per person. This category takes approximately 22% of the total consumption in the country, and this is the category concerning the consumption of Tequila as well. Consumption of wines recorded to 1,74 liters per person, being 19% of Finland's total consumption, long drinks 0,43 liters per person, representing 5% of total consumption, and last but not least, siders 0,34 liters per person, representing 4% of Finland's consumption. In the year 2016, the levels of consumption decreased in all of these drink categories. (Terveyden ja Hyvinvoinnin laitos 2017.)

The statistics from the year 2016, show that beer, siders and long drinks were more consumed in the bars and restaurants, rather than bought from the off-trade retail. On the other hand, wines and spirits were more popularly bought through retail, than consumed in restaurants. Retail sales of alcohol, through Alko or supermarkets, remain the largest channel for consuming beverages. This sector occupies 68% of Finland's total consumption. The consumption through on-trade takes approximately 10,3% of the consumption in the country. The rest of the consumption is considered as "unrecorded consumption", which includes the passenger imports from other countries, the legal and illegal alcohol prepared at home, smuggled alcohol, and the alcohol Finns consume abroad. Comparing to the year 2015, the overall on-trade consumption decreased by 1,8%, and the off-trade consumption through retail sales also fell by 0,8%. (Terveyden ja Hyvinvoinnin laitos 2017.)

In the year 2016, the Finnish passengers imported all together 81,5 million liters of alcoholic beverages. This number converted into 100% alcohol is 8,4 liters per person, and indicates an increase of 4,9 percent, comparing to the previous year. Even though

the number of passenger imports has been increasing, the imports represent only approximately 17% of the total consumption in the country. (Terveyden ja Hyvinvoinnin laitos 2017.)

7.1 Alko Oy

According to the Association of Finnish Alcoholic Beverage Suppliers, there are approximately 120 companies in Finland operating in the field of alcohol on-, and off-trade distribution (Suomen Alkoholijuomakauppayhdistys Ry, 2018). Such distributors also supply products for the highly important off-trade operator, called Alko.

Alko is a government owned retail store for alcoholic beverages, that operates as a monopoly in the Finnish market. They are the only store allowed to sell alcoholic beverages containing above 5,5% of alcohol by volume. The company was found in 1932, when the parliament of Finland gave the Alkoholiliike Oy the exclusive right to import, export, produce and sell alcoholic beverages. Since then, the company and the alcohol industry, and its legislation in Finland has been changing significantly, but Alko still remains as the government owned monopoly for selling alcoholic beverages to the consumers. Alko is entitled to sell alcoholic beverages to population of 18 years old, or above, and spirits to 20 years old, or above. (Alko 2018.)

Alko's net sales (including the alcohol tax), in the year 2016 reached 1 162,7 million euros, and the same year the company employed on average 2 385 people. The total amount of customers was as impressive as 57,7 million. The sales of Alko measured as liters, reduced by 0,6%, compared to the previous year, which can be explained by overall declining consumption in the country. (Alko 2016; Alko 2017.)

In 2016, Alko had all together 353 stores. Smaller cities that do not have Alko store, have collection points instead. In the year 2016, there were 66 collection points, which was 36,5% less, compared to the previous year. The drop was caused by Alko opening their own webstore in November 2016, which then led to some of the cooperative shops choose to no longer continue as a collection point for Alko. (Alko 2017.)

7.2 Competitor brands

Currently the Tequila variety in the Finnish market includes names such as; Patrón, Sauza, Olmeca, Sierra, Ocho, Corralejo, Don Julio, San José and Jose Cuervo. All these brands are available in the Alko webstore. Majority of these brands are fully, or partly internationally owned, and only some remain as 100% Mexican companies. The prices of the Tequilas in the Finnish market vary between 20 to 76 euros. After visiting Alko store in Kuopio, Finland, it was discovered that the selection only included four tequilas; Patrón, Olmeca, Sauza and Sierra Tequila. The selection offered from Alko's website, does not always equal to the selection in the stores. However, consumers can

order these Tequilas through the Alko website, even when they are not present in the product selection of the local store. In addition to already mentioned brands, some other brands do exist in the market as well. However, such products are only sold to restaurants and bars through the import companies, and so forth, we could say that other brands are harder to find in the market. (Alko 2018.)

7.3 Tequila consumption

Alko publishes sales statistics monthly in their website. According to the statistics of the year 2017, Vodka and other unflavored spirits take the lead position in the market, which comes as no surprise, since they are popularly consumed through both on-, and off-trade. Further looking into the sales statistics of 2017, the sales of Tequila through Alko amounted to 17 000 liters. In the previous year the sales were 18 000 liters. Comparing to Vodka, the sales of Tequila are very small-scale. In 2017, the sales of flavored and unflavored Vodka recorded to 5,663 million liters. Despite the impressive amount, the sales of unflavored Vodka dropped by 3,6%, compared to the previous year. The sales of flavored Vodka increased by 13,4%, but the sales were still a minority of the total Vodka consumed, since they amounted to 79 000 liters. According to Alko's sales statistics of 2017, Tequila was the least consumed spirit through off-trade. (Alko sales statistics 2018.)

Statistical information available through the website of Tequila Regulatory Council show that Tequila exports to Finland are much less than the sales in Alko, for example. When looking at the Mexican export statistics of the last five years (2013-2017), the amount of exports recorded every year approximately between 7 000 to 14 000 liters. The highest amount during these five years was exported last year, in 2017, recording 14 723,10 liters of Tequila. For the last 3 years the exports straight from Mexico to Finland have been growing (2016: 10 781 liters, 2015: 7 079 liters). In the years 2015 and 2016, there were small amounts of Tequila 100% Agave exported (2016: 8 liters, 2015: 615 liters). However, in 2017, Tequila 100% Agave products were no longer exported to Finland. By this we can conclude that the Finnish market mainly consists of mixto Tequilas, and that Tequila is exported to Finland also from countries other than Mexico. (Consejo Regulador del Tequila 2018.)

Because the Tequila is coming to Finland from several different countries, it is difficult to find concrete statistical information of the total amount of imported Tequila. Finnish import statistics categorize Tequila into "spirits, ethyl alcohol and vinegar"- category, which does not exactly allow us to concrete the amount of Tequila imports, since the category expressed is too wide. Despite the authors efforts to collect data from the

Allu- trade register and Tulli, unfortunately accurate data could not be obtained, and so on the amount of on-trade sales of Tequila could not be accurately estimated.

However, the author was able to interview two bar managers, Janne Seppänen (16.11.2017) and Heini Vartiainen (12.12.2017), which have experience from some bars operating in Kuopio, Finland. Both managers operate in bars, that aren't exactly the most desirable in terms of Tequila. Malja, is a bar that specializes in wines and beer, and Nousu is a bar that aims to bring customers the "after ski" atmosphere, and so forth, Nousu markets more drinks such as Jägermeister.

According to both interviews, in Finland, Tequila is not nearly as popular drink as Vodka or Jägermeister. However, customers still consume Tequila in the form of shots, and so forth, Tequila still has to be ordered to bars every week. The size of the order often depends on the size of the bar. The managers estimated that the weekly order of Tequila would fall between 3 to 6 bottles per week. Janne Seppänen, Manager of Malja, also had information of some other bars operating in Kuopio, and he mentioned that the bigger clubs, such as Tähti, in Kuopio consume amounts beyond ordering 6 bottles per week. To draw comparison to other spirits, according to Janne, in Malja they order on average 12 to 18 bottles of vodka per week. (Seppänen 2017.)

The Assistant Manager of Bar Nousu, Heini Vartiainen, revealed that in Nousu an average consumption of Tequila is approximately 40 shots per month and represents only 1,4% of the total sales. Heini also mentioned that the consumption is higher during student events, which indicates that the beverage is more popularly consumed with the young adults. Jäger is highly consumed in Nousu. The weekly order can reach even up to 40 bottles per week, and the sales represent 10% of the total sales. (Vartiainen 2017.)

When the Finnish population drinks Tequila, it is mainly done as a shot, or mixed to Margarita based drinks. Traditionally, Finns drink Tequila shots with the company of salt and lemon. Because Tequila is mainly consumed as a shot, it is popular mainly among students and young adults. In the Finnish market, the consumption of Tequila is very minimal. This makes the market highly competitive and challenging. Still, we may assume the consumption and sales of Tequila to be higher through bars and restaurants, rather than through Alko. (Seppänen 2017; Vartiainen 2017.)

8 FINNISH LEGISLATION AND REGULATIONS

Valvira is a national agency operating under the Ministry of Social Affairs and Health. They are responsible for supervising all social and health related matters, including the entire alcohol industry. Moreover, Valvira is involved in the process of permitting licenses for the production, import, wholesale, international transport and industrial use of alcoholic beverages and spirits. Valvira is responsible for supervising the activities of the retail monopoly Alko as well. (Valvira 2015.)

Valvira works in cooperation with Regional State Administrative Agencies, for example in the case of permitting licenses for local restaurants and bars to serve alcohol. The cooperation also consists of the maintenance of alcohol trade register, Allu. Allu collects data of the operators in the alcohol sector, and the data is further used to generate statistical information, which is being published annually by the National Institute of Health and Welfare. (Valvira 2008.)

8.1 The Alcohol Act

The Alcohol Act is the legislation that regulates the alcohol industry in Finland. The purpose of the act is to prevent social and health effects caused by alcoholic substances. The act applies to alcoholic substances, their production, import, export, advertising, transport, delivery, possession and use. The Alcohol Act was reformed and accepted by the parliament of Finland on 19.12.2017. The law was further approved by the President on 28.12.2017, and the legislation fully entered force on 1 March 2018. Some parts of the new law entered force on 1 January 2018. (Alkoholilaki 1102/2017; Ministry of Social Affairs and Health 2018.)

Changes as of January 2018;

- Retail stores are allowed to sell all kinds of alcoholic beverages, that contain 5,5% alcohol by volume, or under.
- Restaurants and bars are allowed to advertise happy hour discounts.
- Restaurant-, and bar opening hours are no longer limited. Bars can keep their doors open 24/7, however, they can only serve alcohol according to the serving hours. Serving is permitted until 01.30, or with a special notification until 4am latest. Bars can keep their doors open after 4am, with the obligation that the customers have to be consume their drinks within an hour from the end of the serving hours.
- Independent microbreweries can now apply for a license to sell craft beers at the brewery.

- Spirits are allowed to appear in producers, importers, wholesalers, bars and restaurants pricelists.

Changes as of March 2018;

- A-, B-, and C alcohol serving licenses were abolished. Restaurants and bars will all operate with a single serving license, which covers all beverages.
- Bars and restaurants are permitted to apply for a separate license for retail sale of alcoholic beverages. Retail sales are allowed between the hours of 9 to 21.
- Restaurants and bars are allowed to share their serving areas with other restaurants.
- Every restaurant or bar work shift requires an adult worker or manager present. A 16-year-old can serve alcohol in a bar or a restaurant, with the supervision of at least an 18-year-old manager. No special qualifications are no longer expected from the manager, the possession of the alcohol passport is enough.
- Alko's opening hours are extended by one hour. Alko stores can now retail sell alcohol until 9pm.
- Alko's stores on wheels and other existing stores on wheels are permitted to sell alcoholic beverages from the vehicle.
- Home production of beer and wine is permitted. Distilling at home remains prohibited.

8.2 Import and Marketing Regulations

A private person can import alcoholic beverages for his/her own use without a specific license, but in order to import alcoholic beverages for commercial purposes, the importer will require a license. An import license for spirits entitles the person to import spirits from both in-, and outside of the EU. However, the beverages imported from outside of the EU require an analysis certificate of the composition and quality of the product, issued by approved laboratory when the batch quantity exceeds 100 liters. The importer has the responsibility to ensure that the product, its labelling, and content complies according to relevant alcohol and food legislation. Any person who is engaging in import activities of alcoholic beverages for commercial purposes, has the obligation to notify the intention to act as an importer to Valvira, prior to commencing. Import notifications also include a payable fee. Valvira must also be notified monthly, of the number of imported batches for retail or serving purposes, by the 18th of the month following the import. The holder of the license is always required to inform Valvira, in case there are any changes in their activities. (Valvira 2015; Valvira 2018.)

The Alcohol Act permits advertising for alcoholic beverages, which contain under 22% of alcohol volume, but there are certain restrictions to it, stated in the Alcohol Act. For example, advertising of mild alcohol products must not take place in public areas or to be targeted to minors. (Valvira 2015.)

However, the Alcohol Act prohibits advertising activities for alcoholic beverages containing 22% or above alcohol by volume. The only allowed exception for advertising such products is, that it must happen in premises, where the alcohol is being retailed or served. (Valvira 2015.)

The new Alcohol Act, which partly entered into force on 1 January 2018, permitted the visibility of these types of alcohol products in producers, importers and retailers price lists, which previously was not allowed (Ministry of Social Affairs and Health 2018).

8.3 Taxes

Value Added Tax

Value Added Tax is a general tax, collected on the consumption of goods and services. The Finnish standard VAT rate has stayed the same since 2013 and it currently stands in 24 percent. The same rate also applies to all alcoholic beverages sold in Finland. Finland reaches to the top five of most high VAT rates of the EU member States. For certain products and services Finland has reduced VAT rates, which are 14%, 10% and 0%. The reduced VAT rates are applied on services and products such as; food, restaurant-, and catering services (besides alcohol), medicine, books, passenger transport, accommodation, TV, cultural events, and many others (Tax Administration 2017). The 0% VAT rate is applied on export activities. (Ministry of Finance 2018.)

Excise Duties

In Finland, the government levies excise duties for the sale and consumption of certain products. These taxes are indirect, and they are applied not only for the sake of supporting the government, but also for social and health related reasons. (Teivainen 2017.)

For example, in Finland the excise taxation on tobacco products has been rising in the recent years, this makes the price of cigarettes higher, and by this the government aims to reduce the consumption, in order to improve the health of the population (Valtiovarainministeriö 2018). The same method has been applied for alcoholic beverages as well, hence Finland has increased the excise duties on beer five times since 2008 (Panimoliitto 2017).

There are so called harmonized excise duties, for which a minimum taxation level has been set by the European Union. Finland, as a member of the EU is entitled to follow

these directives. Such excise duties have been placed on the taxation of alcohol, tobacco, electricity, and liquid-, and some other types of fuels. The country can also set their own national excise taxes, which Finland has done in the case of soft drinks and beverage containers, for example. (Tax Administration 2016.)

The excise duties on alcohol are relatively high in Finland. The European Commission has published excise duty tables of the member states, which show the national excise duties of each member country, as well as the directives set by the European Union, for the year 2018.

The tables show that the minimum requirement, set by the European Union, for the excise duty on beer is 1.87 EUR, per hectoliter / degree of alcohol in the finished product. In Finland the standard excise duty on beer is 35.55 EUR per hectoliter / alcohol volume percentage. Some reduced rates are applied on smaller independent brewery products, as well as on products not exceeding 2,8% alcohol by volume. (European Commission 2018.)

The standard excise duty for still-, and sparkling wine in Finland is 383 EUR per hectoliter, while the European Union has set no excise duties on wines. In Finland, reduced excise duties are permitted for wines, which do not exceed 8% alcohol by volume. The Finnish wine excise duties are the third highest among all the EU member states. (European Commission 2018.)

Fermented beverages, other than beer or wine, bear the excise duty of 383 EUR per hectoliter, and reduced prices are permitted for beverages not exceeding 8% alcohol by volume. Again, European Union does not state requirements for excise duties on these beverages. (European Commission 2018.)

For intermediate alcoholic products, Finland had the excise duty of 718 EUR per hectoliter, minimum requirement from the European Union is 45 EUR per hectoliter. In Finland, reduced rate of 464 EUR per hectoliter is permitted for beverages not exceeding 15% alcohol by volume. The standard rate is the second highest rate among EU member states. (European Commission 2018.)

Finally, for ethyl alcohol, the minimum excise duty is 550 EUR per hectoliter of pure alcohol. For Finland, the excise duty is 4,785 EUR per hectoliter. Again, Finland reaches to the second highest rate among the EU member states. (European Commission 2018.)

Beverage Container Tax

Like mentioned before, Finland exercises an excise duty on beverage containers. The aim of the particular tax is to ensure the environment friendly operations and the recycling of the materials. The containers can be made from many types of materials, such as glass, plastic, or aluminum, for example. The beverage container tax is 51 cents per liter of packaged beverage. (Verohallinto 2016.)

Finland has a deposit-based "pant" return system, which is widely used in the country for recycling bottles and cans. Customer can return their used bottles and cans to local stores, and in exchange they receive a return, or so called "pant" deposit, which varies between 0.10 and 0.40 euros per bottle. In other words, the customers receive money for their recycled bottles and cans. The recycled materials will get washed, or melted, and made into new containers, which are transported back to the producer for refill. (Suomen Palautuspakkaus Oy 2018.)

For a beverage producer to take part in the system, they have to apply for the register through ELY (Pirkanmaan elinkeino-, liikenne-, ja ympäristökeskus). The benefit of belonging to the register and to the pant system, is that such producers are not obligated to pay for the beverage container tax. (Verohallinto 2016.)

Payment Process

According to the Finnish customs tariff (European DDS/Taric), Tequila, as a product, is already custom-cleared. This means that the only obligation, in order to import the product, is to pay for the excise duties and the VAT. The taxes mentioned in the earlier chapters, can be paid in the following ways. (Kautiainen 2018; Tulli 2018.)

The first option is, that in the import process, the importer can pay for the excise duties fully in cash to the customs, and thus clear the products to enter the country. Alternative option is, that the customs can clear the products and transfer them to the importer's bonded warehouse. Once the importer takes products out of the bonded warehouse, he will inform the tax office of the amounts of alcohol that he or she acquires, and at this point, pays the excise duties directly to the tax office. (Kautiainen 2018.)

The VAT is not paid at the time of the import. Instead, the importer, whom is most likely VAT registered in Finland, will inform the amount of VAT in their own tax return notification to the tax office. (Kautiainen 2018.)

9 LOGISTICS

Tequila, just like many other products, can be transported by air, sea, rail or road cargo. However, there are some limitations. Tequila, when transported in bulk, is considered as a hazardous good (TIBA 2016). This often complicates the transport, by air for example. Air transport is an option as well, but often the process takes more time, since the airline has to carefully plan the transport to ensure the safety of the crew and the passengers. For example, Tequila placed next to another hazardous good in the air cargo, probably would not be such a great idea. These types of issues commonly delay the transport of the product. In most cases, the transport of Tequila is preferably arranged by sea to the international markets, or by road or rail to the near neighboring countries. (Zaragoza 2018.)

Finland's foreign trade is highly depended on sea transport (Transmare Logistics 2018). In Finland there are all together 44 international ports, which are available for import and export. Finland is a unique country in a sense that, it is covered with lakes. This proposes an opportunity, where products can be imported or exported from the ports located middle of the country as well, not only from the coast. Despite the possibility to enter the middle parts of the country, the largest ports for international import and export are still located in the coast of Finland. (Liikennevirasto 2017.)

For international import, the most commonly used port in 2016 was Kilpilahti. During this year, over 12 million tons of international freight was imported through this port. Second place takes the port of Finland's capital city, Helsinki, with 5,8 million tons of imported goods. Next comes Raahe, with over 4 million tons of imports, then Naantali with 3,7 million tons, and finally Hamina Kotka port with 3,3 million tons. (Liikennevirasto 2017.)

While looking into the most popular export ports, the port most used in 2016 was the Hamina Kotka port. The exports leaving from the port amounted to over 9 million tons. Kilpilahti port doesn't come far behind, the exports leaving the port recorded 8,9 million tons. Helsinki port comes third, with 5,6 million tons. (Liikennevirasto 2017.)

10 THE ENTRY STRATEGY

Tequilas del Señor is a medium sized organization, which has been exporting Tequila nearly since the beginning of their operations. Ninety percent of the total production in Tequilas del Señor, is produced for the international markets, and the company is fully experienced in the export of Tequila. The company has its own qualified department, which takes care of all exports. They are fully able to draft all needed export documents and organize any form of shipment, which is why there is no need for the services of export intermediaries. It was the most natural solution for the company to continue as they always have. It became clear, that the entry method to enter the Finnish market would be **direct exporting**.

The foreign alcohol products are distributed to the Finnish market through companies that operate as importers. These companies may also operate as wholesalers, but more importantly, they possess the required licenses for the import of alcohol. The import organizations do cooperation with the highly important retail monopoly, Alko. Alko holds great importance especially in the off-trade sales of spirits, since Alko is the only retailer in the market permitted to sell spirits directly to the consumer. The import companies often take the responsibility of distributing the imported products to Alko stores, and to companies operating as wholesalers. In order to widen the distribution for the whole country, the activities of the importer include cooperation with several local wholesalers and logistic operators around the country.

The import companies commonly handle distribution to the tax-, and duty-free sector as well. Duty-free shops can be located in airports or in the cruise ships operating in the Baltic sea. If the importer does not deliver products directly to duty-free themselves, the company may still have a partner for such distribution, like for example a company called the ME Group, which is one of the largest operators organizing distribution to the duty-free sector in Finland (Ab ME GROUP Oy Ltd 2017).

Wholesaler operators in Finland distribute alcoholic beverages for on-trade sales. In the case of beer, or other mild alcoholic beverages, which contain 5,5% alcohol by volume or under, the wholesalers distribute beverages for off-trade side as well, such as grocery stores and supermarkets for example. Like mentioned earlier, some import companies in Finland operate as a wholesaler as well. In this case, the company that imported the product, can be responsible for the distribution for both on-, and off-trade in the country. Most organizations in the alcohol industry in Finland cooperate with each other. Breweries, distilleries, importers, and wholesalers are often connected with each other, which ensures a wide distribution network that reaches the whole country, and in best case scenario, the whole Nordics.

10.1 Potential Clients

Because Tequila is an alcoholic beverage, a potential Finnish buyer cannot import Tequila without a specific license. Because of this, Tequilas del Señor would have to find an importer, which would possess the license required to import spirits. As mentioned before, the Finnish import companies often take the responsibility of distributing the beverages across the country. By finding an import partner from Finland, Tequilas del Señor would be able to distribute their products to Alko stores, HoReCa (hotel, restaurant, and catering), and duty-free sectors operating in the country. This strategy involves researching and analyzing such operators in the market, in order to find the most potential partner for the import.

In addition to the import companies, another potential client group was discovered. During the time this thesis was written, the Finnish alcohol legislation, the Alcohol Act, was reformed. As the legislation changed, a new market opportunity raised for Tequila as well, which was not available before. The new legislation permitted the sale of all kinds of alcoholic beverages in supermarkets, with the only limitation that the product should not contain more than 5,5% alcohol by volume. This allowed drinks based in spirits to be sold in supermarkets, while previously only brew based products were allowed. As of January 1, 2018, the mixed drinks entered the supermarkets. However, as the author made research, it was discovered that the current available mixed beverages were mainly produced based on vodka, or spirits, other than Tequila. An opportunity was discovered, where Tequilas del Señor could possibly enter the market by offering bulk Tequila for the production of ready to drink products. As the opportunity was realized, alternative strategy for the search of the clients involved researching Finnish alcohol producers, especially the ones with long experience in distilled beverages, and offering the bulk Tequila for their production purposes.

10.2 Entry barriers

Tequilas del Señor should also consider the possible entry barriers when moving into new markets. Some barriers do exist for the Finnish market as well. Probably the most crucial barriers to consider are the government proposed issues, such as taxes and legislation. Finland, among many other countries, supports trade barriers to some level in the form of import duties. The excise duties on alcohol are extremely high in Finland, and they keep rising year after year. In order to be profitable in the Finnish market, Tequilas del Señor would need to increase the price of the products to cover such duty costs. As the import duties keep increasing, so do the prices, which might drive off customers. Considering the already low consumption in the country, the price is an important competitive weapon that needs to be protected.

The legislation of the Finnish market also proposes barriers, due to the limited advertising possibilities. Since spirit advertising is prohibited in the Alcohol Act, Tequilas del Señor could struggle in gaining market share, since their brands are new to the market and they are somewhat unable to advertise them.

It doesn't make it any easier that there are already large international companies occupying the Tequila market in Finland. Patron Tequila is already considered premium in the Finnish market and the company surely possess a strong brand identity. Patron, among some other brands, have already become familiar to the Finnish consumer, and the rivalry may be too intense for Tequilas del Señor to take on. The products simply might not sell because of the lack of reputation in the market.

When it comes to the potential distributor, the cultural barriers also play a role. It is important that Tequilas del Señor recognizes the needed level of communication to be able to negotiate with the buyer. It could be difficult for the company to close the deal, just because they are unfamiliar with the Finnish style of communication. On the other hand, many of the larger import companies in Finland already distribute Tequila. Often such import companies are reluctant to take another competing Tequila to their product catalogue. The scenario does exist where Tequilas del Señor would be unable to enter the market because suitable partners are simply not available.

10.3 Cost and Competitiveness

The cost of the market entry is perhaps one of the most vital factors that organizations need to study before moving into new markets. Moreover, the costs are crucial to determine in order to configure a profitable price for the product as well. If the cost of the market entry is unclear, it is impossible to pinpoint the correct price of the products for the particular market. This was also accurate in the case of Tequilas del Señor. It was vital that the company discovers the costs of the Finnish market entry, in order to locate the correct price for the products, and to be able to compare whether the company would be able to compete against their competitors.

The cost of the market entry consists of many factors. As we began to build the cost, first, we sent an inquiry to three different shipping lines, requesting the cost for a particular type of shipment from Mexico to Finland. The companies responded with a quotation, that helped us to determine the approximate cost of the shipment. In addition to the cost of the shipment, the cost of the cargo insurance and the cost of custom fees in Mexico, also needed to be taken into consideration.

Next, we contacted a custom clearance agency in Finland, requesting to know information of the taxes and other custom clearance costs in Finland. As mentioned in previous chapters, the only obligation in Finland for the import of Tequila, is to pay for the excise duties and the VAT, which we included to the calculations. After these costs

were counted, the calculation also considered a margin for the profit of the importer or the distributor in Finland. Once these costs were determined, it was possible to calculate the approximate price, that the product could be offered in the market in.

All the costs above mentioned, eventually added up to the possible retail price of the product, however, this might not be the exact cost for Tequilas del Señor. The final cost that Tequilas del Señor would need to pay for the entry is highly depended on the potential buyer, and their requirements. For example, the margin for the distributor can vary, since companies often decide for themselves, what kind of margin they wish against their services. Also, the negotiated INCOTERM plays an important role, while determining which party will pay for the shipping costs of the products. We can conclude that the final cost is depended on the negotiated terms with the potential buyer.

In the Finnish market, the brands that are perhaps most common are Patrón, Olmeca, and Sauza Tequila. All of these companies are at least partially, if not fully internationally owned, and they are quite large operators in the sale of Tequila in Finland. Tequilas del Señor is the original producer of Patrón Tequila. The Patrón brand was later sold from Tequilas del Señor to Patrón. After the brand has been sold to Patrón, it could be argued, that the quality of Patrón products have decreased, from what they were in the production of Tequilas del Señor. However, Patrón has grown to a huge international company, and is dominating many international markets. The price of the Patrón Tequila is quite high, and in Finland it is one of the most expensive Tequila offered in Alko. Even though the quality of Tequilas del Señor products may be better than Patrón, because of the size of the company, Patrón is not considered as the first competitor for Tequilas del Señor. Tequilas del Señor mainly competes with medium sized, Mexican companies that produce high quality Tequila, with affordable price, instead of these internationally owned companies. An example of a competitor brand could be Corralejo Tequila, which is currently somewhat rare brand in Finland, but they do offer higher quality, with more affordable price than Patrón, for example.

As we determined the total cost of the market entry, and the approximate price level for the products, we discovered, that the products could indeed compete with the brands of our main competitors, offered in the Finnish market. The price of Tequilas del Señor products would be affordable and would fall somewhere in the middle. They would not be the cheapest brand in the market, neither the most expensive one, and they would be able to compete with the companies most considered as their competitors.

Comparing to the brands currently available in Finland, Tequilas del Señor products could have huge potential in the market. For example, the entry level product of the company, Sombrero Negro Tequila, is very high quality, and the taste of the product is

very balanced. We could say that the quality of the product is much better, compared to other entry level products that are currently offered in the market. Yet, the retail price of Sombrero Negro in the Finnish market, could easily compete with the prices of the products with lower quality. We also discovered, that the premium products, which of course bear a higher price, are also competitive, since they would fall almost exactly to the price category of our main competitors.

10.4 Advertising and Marketing Possibilities

The Finnish legislation highly limits the advertising possibilities for spirits. The Alcohol Act prohibits advertising activities for alcoholic beverages containing 22% or above alcohol by volume. The only allowed exception for advertising such products is, that it must happen in premises, where the alcohol is being retailed or served. This proposes only very limited opportunities, where marketing material could be perhaps introduced to bars, restaurants, or Alko's premises. Such material could possibly include brochures or bar equipment attached with the company logo.

One marketing opportunity could be to take part to international spirits competitions and fairs, just like many other organizations in the Finnish alcohol industry do. Such fairs and competitions include for example; Vinexpo, ProWein, TFWA World Exhibition, International Wine and Spirit Competition, and the Global Spirit Masters competition. These type of exhibitions and competitions are indeed a potential way to seek international visibility for the products and gain reputation for the brand. However, nearly all of the Tequilas del Señor products have already been through such competitions and have won several awards and recognitions for the quality and taste of the products. Despite, Tequilas del Señor still continues to participate in international food and drink fairs, which is of course recommended strategy for the future as well.

Because the advertising possibilities are so limited in the market, the author proposes that Tequilas del Señor should increase their presence in social media in order to reach the Finnish consumers. Comparing to larger brands, Tequilas del Señor might not be as active in social media. They can be found of course, but the company doesn't have a systematic approach to how and when they update their social media.

By investing in a proper social media strategy, the company could obtain many benefits. Firstly, they would be able to communicate with their customers directly and educate the consumer of the products. Generally speaking, Finns don't have knowledge of the Tequila culture or the correct way of drinking the beverage. Therefore, the educating is almost necessary, if the company aims to sell more premium Tequilas in the market. However, Tequilas del Señor could tackle the problem by providing more content on social media about it. Secondly, social media is a great tool for branding. Through the content that Tequilas del Señor would provide in the social media, they

could better position the brand by searching for a look or appeal that speaks directly to the target customer. Moreover, through a proper social media strategy, the company could gain more visibility in the competitive market and increase sales.

11 CONCLUSION

Overall, the Finnish market situation for alcoholic beverages is quite challenging. The consumption of alcohol has been declining for several years in the country, and the taxes on alcoholic beverages are rising year after year. The consumption hasn't necessarily dropped significantly in a period of one year, but when looking into a longer timeframe, the consumption in the country has decreased remarkably. It could also be argued that the current health trends and the pursue of the fitness lifestyle has become more popular in Finland over the years and may be another factor affecting to the low consumption as well.

The situation is even more challenging for Tequila products. The Agave products are somewhat unknown in the Finnish market, and the products are not as appreciated as other spirits may be. Finns do not see Tequila as a drink such as Whiskey or Cognac, something premium, that could be enjoyed at home by carefully tasting the aromas of the liqueur. Tequila is seen as a drink, that you order in shots, when you are out with your friends. There are some Tequila-, and Agave enthusiasts in the country, who do appreciate the culture properly, but we are only talking about individuals and small groups. The drink is perhaps least consumed spirit in the whole country, at least through the retail sales of Alko. However, the author failed to discover the consumption of Tequila through on-trade sales, which means there could still be great opportunities in the Ho-Re-Ca sector, but the total consumption and sales potential is yet to be determined.

Since there is no popular culture of drinking Tequila in the country, in a way that perhaps Cognac or Whiskey is enjoyed, the Tequila products that are currently offered in the market match the demand. Most of the products are low quality, since they are mainly consumed as shots. Would make no sense to buy expensive, high quality, premium Tequila and pour it down as a shot, without even tasting anything, right? Therefore, the Finnish market has very limited amounts of 100% Agave Tequila, instead, the market is dominated by large international Tequila companies, that bottle lower quality, mixto Tequila outside of the origin, and then export all over the world.

Without denying, Tequilas del Señor faces huge obstacles in the market. Tequilas del Señor has one mixto Tequila product, Sombrero Negro, which can easily compete with the current product selection in Finland and could potentially gain reputation and generate larger orders in the future. However, all the other products of the company are premium, much higher quality, and in Finland may only be consumed by the Tequila enthusiasts, if the company is not able to properly educate the Finnish consumer. The premium products may be harder to sell, and so on, they may not generate much profit

for the company. If these products were offered in the Finnish market, they would require efficient marketing efforts. With applying a proper social media strategy for the company, even the premium products could succeed in the market as the Finnish consumer gains more knowledge and becomes familiar with the products.

Despite the challenging market situation, some great opportunities still exist in the Finnish market. If Tequilas del Señor were able to find a suitable distribution partner, they would be able to sell products in the Finnish bars and restaurants. We can assume the consumption to be higher there, than through Alko, since the interviews with the bar managers indicate that Tequila has to be ordered in bars weekly. Through Ho-Re-Ca sector, Tequilas del Señor would be more able to generate re-orders in the future. Also, with the assistance of the distribution partner, the products could also enter to the duty-free sector, which has been showing a great potential, since the passenger imports have been increasing despite the overall declining consumption in the country.

Yet, probably the most profitable route for Tequilas del Señor would be to offer bulk Tequila for Finnish distilleries, for the production purposes of mixed beverages or the distillery's own tequila bottling. This would definitely generate re-orders, as the distillery produces more products. However, such partner client may be difficult to find.

12 DISCUSSION

The author considers the research made to be fairly reliable. Most of the information concerning the alcohol industry in Mexico and Finland was obtained straight from the professionals in the field, including Tequilas del Señor S.A. de C.V. directors and employees, and the websites of important Finnish operators. The research doesn't include surveys or any other numerical data that would have been created by the author and could have errors in the analysis. Instead, the only reliability issues of this research are mainly involved with the assumed consumption of Tequila in the Finnish market.

The interviews of two bar managers regarding Tequila consumption revealed that in the bars of Kuopio, Tequila still must be ordered weekly. However, Kuopio is relatively small city compared to Helsinki, for example. Bars around Helsinki and other larger cities could generate much more consumption than what the interviews made in Kuopio would so far indicate. We can assume the consumption to be higher through on-trade rather than through off-trade, but the consumed quantity can only be speculated at this point.

The author was able to unveil the off-trade sales of Tequila in the Finnish market, through the retail monopoly Alko. However, the thesis objective was to discover the total consumption of Tequila in Finland, and so on the information of the on-trade sales through the Ho-Re-Ca sector could still be further studied. Therefore, the full sales potential of the market is yet to be determined.

For the author this thesis process was extremely interesting. Previously not knowing anything about Tequila or the alcohol industry in general, it was fascinating to get to know the industry and learn. The author was especially pleased with the opportunity to travel to Mexico and see the Tequila industry up close. Daily visits to the distillery, as well as visit to the Agave fields are experiences that the author couldn't even dream of having. Planting and harvesting an Agave will remain as the authors contribution to the industry. In the next 10 years someone might drink Tequila that came from the little shoot of an Agave that the author had the pleasure of planting, which is incredible.

What happened with Tequilas del Señor then? Did the company successfully enter the Finnish market? Well, to begin with the export process, Tequilas del Señor analyzed multiple import companies from Finland. Out of such companies, it was especially important to recognize companies which didn't yet import Tequila but were already experienced with importing spirits. After the analysis, the company contacted the most potential partners by email or phone. As we were analyzing the potential partners, Tequilas del Señor also looked into the distilleries. Many Finnish distilleries were relatively

small, and often highlighted the Nordic appeal in their products, which may not fit with Tequila that well. However, the company did discover one potential partner, and ended up contacting a large Finnish distillery, pitching the idea of producing mixed drinks based on Tequila. Initially the particular company was interested on the idea and the topic got further introduced to the product developers. However, the particular distillery already had connections with other Tequila producers, which leads us to assume, that they chose another partner, or they came to the conclusion that the products wouldn't have enough demand in the market, since Tequilas del Señor hasn't heard from them since.

Currently, Tequilas del Señor still continues to pursue the Finnish market. Several import companies have shown interest on Tequilas del Señor products, and multiple product samples have been sent to Finland. Currently Tequilas del Señor continues to negotiate with one import organization. In addition, the retail monopoly Alko, was on a search for a special patch of Tequila in the early autumn of 2018. Two of the Tequilas del Señor products applied for the spot, and made it into the final round of evaluations, but unfortunately the products were not chosen to the selection of Alko yet. However, several restaurants in Finland have expressed their interest on the products directly to the import organization. Tequilas del Señor remains hopeful to receive first order from the import company, and to start exporting products to the Finnish market.

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APPENDIX 1: Email conversation regarding Tequila import.
SA-TU Logistics Oy, Ossi Kautiainen, Import Team Leader.

20. March 2018 at 20.18 Sales Support <sales.support@tqds.mx> wrote:

Hei,

Kaipaisin konsultointi apua.

Työskentelen Tequilas del Señorille, tequilaa valmistavalle yritykselle Meksikossa. Olemme mahdollisesti järjestämässä tuotteillemme ensimmäistä kertaa maahantuontia Suomeen, ja kaipaisinkin siis lisätietoja lainsäädännöstä, koskien Tequilan maahantuontia. Potentiaalisen maahantuojan kanssa neuvottelut ovat vielä kesken. Haluaisimme kuitenkin yrityksessä etukäteen tietää mahdollisista rajoituksista, esim. mitä tuotteissamme tulisi ottaa huomioon. Onko Suomessa rajoituksia esim. etyylialkoholin, tai yleensä alkoholin volyymin, pitoisuuteen tuotteessa? Miten verojen maksaminen käytännössä tapahtuu? Kaikki informaation aiheeseen liittyen olisi arvostettua! Kiitos jo etukäteen.

In English (just in case): I would be in need of consulting services. I work for Tequilas del Señor, a tequila producer from Mexico. We are possibly arranging our first export to Finland, and so forth, I am searching for information concerning the import of Tequila, and the legislation issues involved. We are still in the middle of negotiations with the potential importer. However, we would like to know in advance, about the possible legislation concerns, for example concerning our products. Are there any special limitations in Finland, for example for the level ethyl alcohol, or for the alcohol volume in the product? How are the taxes handled/paid? All information about the topic would be much appreciated! Thank you in advance.

Ystävällisin terveisin,

Niina Voutilainen
Tequilas del Señor, S. A. de C. V.
Puh: [+52 33 5000 5228](tel:+523350005228)
Henk.koht.puh: [+52 \(1\) 33 2609 1683](tel:+5213326091683)



[Rio Tuito # 1193](mailto:RioTuito#1193), Col. Atlas CP 44870, Guadalajara, Jalisco, México

www.tequilasdelseñor.com

22. March 2018 at 11.32 SA-TU Import <ossi.kautiainen@sa-tu.com> wrote:

Hei Niina,

Kiitos yhteydenotostasi, hienoa saada viestiä sinulta 😊

Tequilalle ei ole tuonnin osalta rajoituksia määrän tai alkoholipitoisuuden suhteen EU:hun. Tuote on jo taricin mukaan tulliton joten siitä kannetaan maahantuonnissa valmisteverot (alkoholivero ja juomapakkausvero) sekä tietysti ALV jonka maahantuojia ilmoittaa oma vero ilmoituksella jos ovat ALV rekisteröityjä Suomessa eli rahallista maksua mahaantuonnin hetkellä ei siitä peritä.

Jos maahantuojalla on valmisteverottoman varaston valtuutetun varastonpitäjän lupa niin valmisteveroja ei tarvitse maahantuonnin yhteydessä kantaa vaan lähetys tullataan maahan siirtämällä se valmisteverottomaan varastoon ja maahantuojia ilmoittaa verottajalle sitä mukaan ne määrät alkoholia jotka se ottaa pois varastosta sekä maksaa tässä vaiheessa niistä valisteverot suoraan verotajalle.

Jos maahantuojalla ei ole valmisteverotonta varastoa kannetaan silloin nuo valmisteverot jo maahantuonnin yhteydessä täysimääräisinä. Tämä tarkoittaa käteistullausta tällä hetkellä koska tullin tietojärjestelmä ei anna mahdollisuutta sähköiseen tullaukseen alkoholeissa.

Alkoholivero tequilalle on 47,85 senttiä senttilitralla etyylialkoholia ja juomapakkausvero on 51 senttiä / litra.

Eli esimerkikinä jos tuodaan 10 litraa 80% tequilaa niin siinä on silloin 800 senttilitraa puhdasta (100%) alkoholia joten alkoholivero olisi 800 senttilittraa x 47,85 senttiä/senttilitra = 38280,00 senttiä = 382,80 eur. Juomapakkausvero on 51 senttiä / litra x 10 litraa = 510 senttiä = 5,10 eur.

Toivottavasati tästä infosta on teille hyötyä.

Mukavaa päivän jatkoa☼

Ystävällisin terveisin / Best Regards

Ossi Kautiainen
Import Team Leader

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Noudatamme kaikissa toimeksiannoissamme Pohjoismaisen Speditööriliiton yleisiä määräyksiä (PSYM 2015) lukuun ottamatta 25 §:n A -kohdassa mainittua vakuuttamisvelvoitetta sekä 7 §:n 2 momentissa ja 19 §:n B-kohdassa tarkoitettua aikalupausta. PSYM-ehdot löytyvät verkkosivuiltamme www.sa-tu.com.

All and any business undertaken by us is transacted subject to the General Conditions of the Nordic Association of Freight Forwarders (NSAB 2015), excluding the obligation to insure the goods as in § 25 A as well as the obligation in § 7.2 and § 19 B (time guarantee). The NSAB conditions can be found on our website www.sa-tu.com.