



Internationalisation of innovation in SMEs

Case Studies, Exemplary Support Practices and Policy Implications

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Case Study No. 3:

Fruit Freshly, Germany: Selling freshness retainers and related services internationally

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About the InterSME Study

The study on "internationalisation of innovation in SMEs" was based on a contract between the European Commission, Directorate General Research and Innovation, and empirica Gesellschaft für Kommunikations- und Technologieforschung mbH (coordinator, Bonn, Germany) as well as Dialogic (Utrecht, the Netherlands).

The study focuses on two subjects – innovation and internationalisation – which are deemed to be crucial for the European economy. It has two main parts: (1) Twelve case studies of small and medium-sized enterprises (SMEs) with insightful international innovation practice and (2) an analysis of strengths, weaknesses, opportunities and threats (SWOT) of European policy measures seeking to enhance such internationalisation. This publication presents one of the twelve cases selected.



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Food Freshly sells freshness retainers for cut fruits and vegetables as well as related services to more than 20 countries. International business develops through trade fairs and inquiries from potential buyers all over the world. The firm seeks help from the Chambers of Commerce or Foreign Trade if need be.

Abstract



Food Freshly sells freshness retainers for cut fruits and vegetables and provides related services. The company was founded in 1994, is based in Bielefeld in North-Western Germany and has seven employees. Its core business is in Europe and North America but the company also sells to South America, South Africa and Asia – altogether to more than 20 countries. The company constantly improves existing products, develops new formulations for applications, and it enhances efficiency of existing processes. Originally the company only sold to German customers but international business developed when inquiries from foreign potential buyers came in with the rise of the internet. Food Freshly also extends its international business through presenting at international trade fairs. The company does not experience serious barriers to international business but it needs to deal with cultural differences, language barriers and also customs issues that may prolong delivery time. Food Freshly established a subsidiary in Canada in order to be able to better serve the important North American market. It also has a branch in Dubai for developing the Arabian market. So far the company has not yet used public support measures or participated in publicly funded research projects. If need be, Food Freshly seeks advice and legal services from the Chamber of Commerce and the Chamber of Foreign Trade. International business had a positive impact on the company – it grew with its foreign customers.

Case study fact sheet

<i>Full name of company:</i>	<i>FOOD Freshly AFC – Agriculture & Food Consulting GmbH, Bielefeld, Germany (http://foodfreshly.net)</i>
<i>Subsidiaries:</i>	<i>FOOD Freshly North America Inc., Mississauga, Canada FOOD Freshly Middle East, Dubai, United Arab Emirates</i>
<i>Year of foundation:</i>	<i>1994</i>
<i>Number of employees (year):</i>	<i>7</i>
<i>Industry sector:</i>	<i>Food and beverages</i>
<i>Business activity:</i>	<i>Selling freshness retainers for cut fruit and vegetables as well as related services</i>
<i>Activities focused in this case study:</i>	<i>Offering products and services from branches in the US and Dubai</i>
<i>Case gatekeeper:</i>	<i>Benjamin Singh, Marketing Manager, Food Freshly</i>

Background

Business activity and competitive situation

Profile: Food Freshly sells freshness retainers and sanitizers for freshly cut fruits and vegetables. It is a family-owned company based in Bielefeld in North-Western Germany. The company has two subsidiaries, one in Mississauga near Toronto in Canada, and one in Dubai, United Arab Emirates. It was founded in 1994 by Sukhdev Singh, a native Indian. He sought realizing business opportunities that opened up through contacts to experts in the field of preservatives. Today the company has seven employees.

Food Freshly's **products** are powdery dry-blends of vitamins and minerals which, according to the company, extend the shelf-life of cut fruits and vegetables to over 21 days. The products are patented and have registered trademarks. Food Freshly claims that their product range is approved to be used worldwide, and it can be applied to almost any fruit or vegetable. The company advertises the application to be easy, comprising four steps: Dilution of freshness retainers, dipping freshly cut fruits and vegetables in the solution, drying them, and packing them. All products are manufactured in Germany. Exhibit 1-1 shows the process for applying the company's products.

Food Freshly also offers **project management services** because the retainers need to be used "in conjunction with an efficient and well setup process"¹. Customer development may take quite a while and require in-depth consulting, as also indicated in the company's legal name. Such services are related to enhancing efficiency, developing new products and improving quality.

Exhibit 1-Fehler! Kein Text mit angegebener Formatvorlage im Dokument.-1: **Process for applying Fruit Freshly's products and services**



Planning



Water analysis



Dosage and measurement



Dipping system



Optimal packing



Innovative hygiene

Source: Fruit Freshly brochure

The company's **customers** are companies producing fresh cut fruit and vegetables – no canned food, and no other types of food. Hence, the company serves "a niche in a niche", as marketing manager Benjamin Singh says. The company sells to more than 20 countries. While the core business is in Europe and North America, it also has customers in South America (Mexico, Peru, Chile), South Africa, Arabia (United Arab Emirates, Saudi Arabia, Kuwait) and Iran, South Korea, and India. The company has sent product samples to countries all over the world. Its business **objective** is to grow further in the core markets where freshly cut fruit and vegetables have a large customer base such as the United Kingdom and Spain in Europe as well as North America. The large customers are located there. Food Freshly's **competitors** are mainly larger companies in the trade and chemicals business. In contrast to many competitors, Food Freshly's products are completely free of sulphites, allergens and genetically manipulated organisms.

Innovation is very important for Food Freshly. The company constantly improves existing products, develops new formulations for applications that are not covered by its standard product range, and it enhances efficiency of existing processes.

How and why Food Freshly internationalised its business activities

¹ See <http://foodfreshly.net/project.php>.

Originally, Food Freshly did not aim at selling beyond Germany. However, Germany is not the most favourable country to sell freshly cut fruit and vegetables: First, there is no deeply rooted tradition for such type of food. Second, if people buy it, they tend to go for low-priced food treated with preservatives rather than natural but more expensive procedures such as those offered by Fruit Freshly. Hence, when inquiries came in from other countries, Fruit Freshly welcomed the opportunity to extend its geographical market. This occurred with the rise of the internet around the turn of the millennium. Today, three quarters of sales are outside the home country.

Internationalisation of innovation in Fruit Freshly

Practice

Food Freshly's two **subsidiaries** pursue different functions. The subsidiary in Canada, which was founded in 2013, is meant to serve North America as the company's largest market. The subsidiary in Dubai, founded in 2014, is rather meant to develop the Arabian market. Both branches are managed by native speakers in order to be as close to the customers as possible. Food Freshly also has sales **partners** in order to market its products and services more effectively. These are often companies that can store Food Freshly's products, ensuring swift delivery.

Customisation of products occurs increasingly often. An estimated share of 20% of the company's sales is customised. Sometimes a special fruit or vegetable provides a challenge in terms of overall shelf-life, micro bacteria, or process set-up. In case an advanced solution is necessary, Food Freshly conducts internal trials.² Another example is that Food Freshly can, together with the retention procedure, flavour fruits – giving apples a grape flavour was a recent project.

As regards **staff**, Food Freshly has an international base right through the fact that it was founded and is led by an immigrant from India. Furthermore, one of the company's marketing specialists is from Spain, which qualifies him perfectly for dealing with Spain and South American countries.

Barriers to internationalisation

In its business activities outside Europe, Food Freshly encounters challenges related to cultural differences, language barriers, and customs. In Benjamin Singh's experience, **cultural differences** are no major barriers, but different cultures require different approaches. For example, US customers tend to require very efficient and to-the-point communication, while South-East Asian customers require a more "decorative" way of communication. It is a matter of courteousness to adapt to the customer. Moreover, US customers demand more service than those in Europe. Cultural differences do however not only occur outside Europe. "As a German you can even have cultural problems with someone from Switzerland", says Benjamin Singh.

Language barriers rather occur in Europe. For example, in the important Spanish market, English is not sufficient because at some point in the consultations a level of detail is required that needs to be dealt with in the mother tongue. **Customs** issues may extend the delivery process. This may be a problem because customers often wish to receive the product within a week, if not in a store around the corner.

Support to internationalisation

Food Freshly did **not yet receive any public support** for its international business activities. So far it has not considered participating in foreign trade delegations or publicly supported international research and development projects. When expertise is required for entering or serving foreign markets, for example in legal issues, the company finds paid help at the Chamber of Commerce and the Chamber of Foreign Trade.

The company gained many international contacts through presenting at **international trade fairs**. Fruit Freshly participates in eight to ten trade fairs per year all over the world. Luckily, the most important trade fair, the Fruit Logistica, takes place in Berlin. This is posing no language barriers and it is a city that can relatively quickly be reached from Fruit Freshly's headquarters.

² See <http://foodfreshly.net/r&d.php>.

Impact and lessons learned of internationalising innovation on Food Freshly

Impact

Marketing Manager Benjamin Singh says that internationalising the company's business activities has definitely had a **positive impact**. The company grew and intends to grow further with its foreign customers. Furthermore, the company learned much from high quality demands in the North American market, in particular in terms of food safety.

According to Benjamin Singh, it is a natural thing that a company does not gain all customers it seeks to do business with. His advice to other SMEs is to **prepare well**. Fast business normally does not work. When entering a new market, one needs to fathom the size of the market and the customers' preferences. Then one needs to consider how to serve the market best. Is it necessary to have a branch, or can the market be served through trade agents or even through the internet?

Lessons learned

- **International growth through presenting at trade fairs and through internet inquiries**

Food Freshly develops its international activities through presenting at international trade fairs and through inquiries by chance which occur since the rise of the internet. Hence, the company does not apply particularly complicated methods for gaining new customers.

- **Cultural differences require different communication styles**

Food Freshly has customers in many different countries and experiences different communication preferences. It is advisable to adjust to the customer's style and, for example, treat a US American customer in a direct and efficient manner as he or she desires.

- **Internationalisation may go well without public support**

Food Freshly did not receive any help from governmental agencies, support programmes, or publicly co-funded research projects. Help from the Chamber of Commerce and the Chamber of Foreign Trade has so far been sufficient for entering and expanding foreign markets.

References

Research for this case study was conducted by Stefan Lilischkis, Senior Consultant at empirica GmbH, Bonn, Germany, on behalf of the study about internationalisation of innovation in SMEs. Sources and references used include desk research plus the following.

Interviews

- Benjamin Singh, Marketing Manager, Fruit Freshly AFC GmbH, phone interview, 29/3/2016.

Websites

Food Freshly homepage: <http://foodfreshly.net>, last accessed 29/3/2016.

Food Freshly North America homepage: <http://foodfreshly.com>, last accessed 29/3/2016.

Literature

Food Freshly brochure, <http://foodfreshly.com/files/food-freshly-english.pdf>, last access 29/3/2016