



BANU RINALDI & UTZ DORNBERGER UNIVERSITÄT LEIPZIG

**Export Plan Development for Market Entry of Indonesian Agri-Food SMEs
to Germany: Proposed Framework of Methods and Tools**

SEPT WORKING PAPER SERIES – Technical Paper: No. 30, January 2023

SEPT Working Paper Series
Universität Leipzig
SEPT
ISBN: 3-934693-32-6
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Alle Meinungsäußerungen geben die aktuellen Einschätzungen der Verfasser wieder, die nicht notwendigerweise die Meinungen des Programms widerspiegeln.

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List of Abbreviations

AUSVEG	Industry Representative Body for vegetable and potato grower
CBI	Centre for the Promotion of Imports from Developing Countries
MRLs	Maximum Residue Limits
NTZE	New Zealand Trade and Enterprise
ITPC	Indonesian Trade Promotion Center
ITC	International Trade Center
IPD	Import Promotion Desk
SBA	US Small Business Administration
SIDF	Saudi Industrial Development Fund
SMEs	Small Medium Enterprises
USDA	United States Department of Agriculture

INTRODUCTION

The Importance of Export Planning for Agri-Food SMEs

Agriculture is an essential sector for the economic development of developing countries (Timmer, 2002). Given the importance of this sector, agriculture products are being modernized worldwide within the global economy. One of the supporting initiatives is to explore exporting agriculture products to broader international markets (World Bank, 2008).

According to Caiazza (2016), the agri-food industry as significant sub-sector in agriculture has been increasingly recognized for internationalization. If we take a look at the global value chains, SMEs are dominating the agri-food industry. While the interest in the global supply chain is immense, knowledge about SMEs' internationalization is still underdeveloped. Agri-food SMEs need to produce high-quality products and collaborate with intermediaries to export them in high potential markets. However, most SMEs in the agri-food industry do not know the market as well as the respective regulations.

SMEs are believed to play a pivotal role in the country's development, but they face challenges trying to compete in the international market. Most of the SMEs' strengths are behavioral (e.g., entrepreneurial dynamism, flexibility, and motivation), whereas they have difficulties in economies of scale, financial resources, and technological resources. Compared to large firms, SMEs are therefore less likely to overcome the challenges in export (Paul, Parthasarathy, & Gupta, 2017).

David & Cariou (2014) claimed that SMEs expand activities to foreign markets for various reasons such as growth, profitability, and economies of scale. On the other hand, many SMEs do not possess certain assets or capacities to face greater challenges and new risk factors on the international market. For this reason, many frameworks of export assessment have been developed to evaluate SMEs' capacities for export. The assessment frameworks are used to help firms make decisions regarding exporting (Go or No Go) and explore options of distribution channels in selected markets.

Moreover, most SMEs export without planning and targeting. They only started to export as reactive exporters because they received inquiries from international markets. However, since they only conduct reactive export without planning and targeting, they are less successful in the export business. In the end, the export investment is not worth it, and the SMEs return to serving only domestic customers (Barry, 2015).

In conclusion, although the agri-food industry's internationalization is critical, especially for developing countries, the SMEs in the industry are facing difficulties in the process of globalizing the business. From this general context, we can see the need to develop an internationalization approach for agri-food SMEs. Developing an export plan with an effective readiness assessment and adequate information would help agri-food SMEs succeed in exporting.

The Potential Agri-Food Export from Indonesia to Germany

Indonesia has excellent opportunities in the agri-foods business. Indonesia has large virgin areas available for farming, and there is technology to support agribusiness. In addition, Indonesia is located on the equator and has a tropical climate that creates optimal plantation conditions. Thus, agri-food produced in Indonesia is very diverse and has a good taste compared to other countries. Many agri-food commodities originate from Indonesia are famous worldwide such as rice, palm sugar, coconut oil, tea, and spices. The agriculture sector contributes to 12.72 percent of the Indonesian economy's total output in 2019, which had an annual growth rate of 3.64% (Statistics Indonesia, 2020). Moreover, there has been an increase in Indonesia's organic food production since 2010 because of the "Go Organic" program organized by the government (Ministry of Trade, Republic of Indonesia, 2017).

On the demand side, the USDA Foreign Agricultural Service (2017) claimed that the German food market depends heavily on imports to fulfill customer demands for agri-foods. In 2016, Germany imported USD 56.1 billion of agri-food products. Another trend that increases customer demands for agri-food is about being green. The German consumers are willing to pay more for natural, sustainable, and organic products, which is based on the agri-food industry.

Besides, there is quite a significant number of Indonesian people living in Germany. According to the (BAMF, 2014), the Indonesian community ranks at number 66 of immigrant communities in Germany. In 2014, there are 15,881 Indonesian immigrants in Germany, which is also ranked fourth compared to other Southeast Asian immigrants (Vietnam immigrant group is the largest with 84,455). This phenomenon creates demand for Indonesian agri-foods import. Moreover, Indonesian agri-foods are frequently used (mainly for culinary) by other Asian immigrants. The Asian cuisines, which are currently trending in the German food market, also create a high demand for Indonesian agri-food from not only Asian immigrants but also from local German people.

According to Lord et al. (2010), Indonesian agri-foods have several advantages to be exported to Germany. First, Indonesia's agri-foods are cheaper in export compared with other countries because of the low production costs. Second, Indonesian agri-foods are beneficiaries under the Generalized System of Preferences (GSP) from the European Union, which can grant products to be duty-free access or tariff reduction. However, no agri-foods products have been using the GSP facility. Indonesia has frequently enhanced cooperation with the European Union. One of them is that Indonesia became the first Asian country who signed the Partnership and Cooperation Agreement (PCA) with the EU, which covers trade and investment. Furthermore, the Free Trade Agreement (FTA) with the EU is being established through ASEAN membership.

Even though the potentiality of Indonesian agri-foods to be exported in Germany is high, there is still a low performance of Indonesian agri-foods export to Germany. More than half of EU imports for agri-foods are from Brazil, Turkey, China, the US, and Thailand. Only 15 percent of the Indonesian agri-foods export is destined to the EU market. Moreover, Indonesia's share of the agri-foods market in the EU has decreased over the last decades (Lord et. Al, 2010).

There are several reasons why the Indonesian agri-food's export competitiveness is low in the German market. First, the customer tastes and preferences between Indonesian and German market are differences. Second, Indonesia's country regulations regarding health and packaging are not as strict as those in Germany and the EU. Third, lack of experience in international markets has reduced Indonesian exporters' competitiveness compared to major exporters of agri-foods from other countries, especially the US, China, Brazil, and South Africa. Furthermore, Indonesian firms lack networking capacities to interact with distributors or importers in Germany and EU countries. Moreover, access to Germany and EU agri-foods market is strictly regulated in food safety and agriculture health standard. Indonesian SMEs, which dominate the agri-foods industry in the country, show difficulties obtaining the required certification.

To conclude, there is significant potential for Indonesian agri-foods to be exported to Germany. However, there are challenges faced by Indonesian SMEs, which dominate the industry. It requires knowledge and capabilities development for Indonesian SMEs to successfully plan their export activities to Germany.

The Importance of Effective Methods and Tools to Develop the Export Plan

Overall, there are three problems for Indonesian agri-food SMEs to develop successfully an export plan. First, Indonesian agri-food SMEs have lack of capabilities to develop the export initiative plan. It is critical that the firms need to apply planning in order to implement an effective export initiative. Second, Indonesian agri-food SMEs do not possess the market information in Germany. This information is essential to understand customer needs and product selection and adaption. Third, they do not have the knowledge about the requirements to conduct exporting to Germany.

Based on the problems, there is a necessity to identify the effective methods and tools to develop the export plan for Indonesian Agri-Food SMEs' market entry to Germany. However, what are they need to conduct in export plan development?

Export plan development needs to consider the three internationalization theories for SMEs. Uppsala Model stated that market knowledge is required to conduct export (Johanson & Wiedersheim-Paul, 1975). Moreover, the Born Global Model emphasized knowledge as a competitive advantage in exporting (Oviatt & McDougall, 1994; Teece, 1998). The Networking Approach believed that knowledge is the essential asset taken from networking (Johanson & Vahlne, 2009). Therefore, it is suggested that knowledge is the key factor in developing an export plan.

There are three main knowledge gaps that have to be addressed by agri-food SMEs: i) potential product characteristics required in the target market; ii) condition in the specific target market; iii) export requirements for assessing the own expert readiness. Therefore, the following questions have to be answered by the proposed methods and tools to develop the export plan.

1. How can Indonesian agri-food SMEs evaluate and select the potential products to be exported in Germany?
2. How can Indonesian agri-food SMEs analyze the market conditions for the products in Germany?
3. How can Indonesian agri-food SMEs assess the readiness to export the products to Germany?
4. How can Indonesian agri-food SMEs develop an international business model for market entry to Germany?

PROPOSED EXPORT PLAN DEVELOPMENT FRAMEWORK

Overall, there are five stages proposed in the export plan development framework, which Indonesian agri-food SMEs should conduct in exporting to Germany (see Figure 2). The methods and tools will be presented in each stage to be utilized respectively.

This framework was developed based on the study's findings using a combination of qualitative research and action research methodology. Besides, the investigation examined the case study of coffee and coconut sugar as highly potential Indonesian agri-food products to be exported to Germany. Interviews with Indonesian diaspora and experts, as well as secondary data, were used to explore the findings. Moreover, workshops with Indonesian agri-food SMEs were used to learn about the development process. Please refer to [Appendix 1](#) for more details regarding the data collection.

Figure 1. Proposed Export Plan Development Framework



Stage 1. Product Evaluation and Selection

In the beginning, Indonesian agri-food SMEs require to select the potential product to be exported. The study found the potential product factors as the basis in evaluation and selection tools and method.

Potential Product Factors

Figure 3 below describes the factors which were found significant for potential product evaluation and selection. The factors are divided between the demand-side and supply-side.

Figure 2. Potential Product Factors



Perception

The key issue of perception explains how Indonesian agri-food products are seen in Germany. This perception is important to identify the potential of Indonesian agri-food products in Germany. Three factors have been identified here:

It was found that the popularity of Indonesian agri-food was low compared to other international agri-food supplier countries'. Even though the products have entered the German market, most Asian agri-food products in the German retail chain were not sourced from Indonesia, but from other competitors, mainly from Thailand. It can therefore be assumed that the Indonesian agri-food products should be evaluated considering the current popularity in German market.

The next interesting finding showed that Indonesian cuisine is the driver of Indonesian agri-food products' demand. Although the popularity of Indonesian cuisine was not high in Germany, it is predicted that the popularity will grow in the near future, pushing the demand for Indonesian agri-food imports. Therefore, it should be evaluated whether the agri-food product can be promoted as Indonesian cuisine ingredients.

It is interesting to note that most of the Indonesian agri-food products failed to be marketed due to a trust issue. However, this issue can be solved with traceability, which is reflected by regulation fulfillment and packaging/labeling communication. We can infer that the Indonesian agri-food products should be evaluated in traceability to overcome the trust issue.

Demand & Needs

The key issue of demand & needs investigated the needs of the German market for Indonesian agri-food products. It comes up with four factors for product consideration: German consumption level, substitution power, quality & taste, and sustainability perspective.

It was found that it is importance to focus on the products which have huge consumption potential by German consumers. There are several Indonesian agri-food products popularly sold in the German market but only for Indonesian people, such as instant spices and sauces. Nevertheless, it is recommended to explore the agri-food products consumed frequently by German consumers, such as chocolate and coffee, for the bigger market size and opportunity. It may help to understand that the Indonesian agri-food products should be evaluated considering the consumption level by German consumers.

Another interesting finding is related to the importance of substitution power in the agri-food market. Indonesian products faced huge competition from other Asian countries for distribution in Germany. It is recommended to export products that have a competitive advantage to overcome the substitution power. For example, specialty coffee has unique specification, so that is not so easy to be substituted by regular coffee.

Moreover, the results show that German consumers demanded products which have superior quality and taste. Therefore, quality control, production process, and product form are important to manage these aspects. It could be suggested to evaluate whether the Indonesian agri-food product has superior quality & taste compared to competitors.

In addition, it was found that sustainable products are in huge demand. Nowadays, the awareness of sustainability standards, such as Organic and Fairtrade, are growing significantly for consideration of agri-food product in retail chains. Therefore, the Indonesian agri-food products should be evaluated from the sustainability perspective.

Barriers

Barriers analysis is another demand-side key issue for exploring the potential product. It considers difficulties in terms of direct export, the durability of products, and tariff-barriers.

First, the difficulty in terms of direct exporting to final customers is an important issue. It is easier to export through German intermediaries. It can therefore be assumed that it is necessary to evaluate the availability of the intermediaries in Germany for the Indonesian agri-food product.

Another finding is about the difficulty of exporting non-durable products. The factor of durability of products is essential in product selection. The first reason is the long geographical distance between Germany and Indonesia. Secondly, it is difficult to manage sales cycle for non-durable products.

In addition, tariff-barriers impacting the market access have to be considered. Trip (2000) recommended checking duties, quotas, and other tariff rules from published government regulations for the exported product. Thus, the exporter should evaluate the tariff-barriers from each Indonesian agri-food product in Germany.

Product Advantage

One of the key issues which were explored on the supply-side is product advantage.

The first finding is that the production volume is a critical potential product factor. The case study showed that Indonesian coffee and coconut sugar were potential export products because they can be produced in larger quantities compared to other countries.

Moreover, it is important to understand the demand for local consumption of a potential export product. If the domestic market consumption and appreciation have already been adequate to cover the large production volume, there is no necessity to export it. The case study of Indonesian coffee and coconut sugar showed the opportunity to export because of abundant production and high appreciation in the international market, including in Germany. It implies evaluating whether the necessity of exports the product to Germany is higher than the demand in Indonesia.

Lastly, another finding is that the Indonesian agri-food product's international popularity is also an important factor. If the product is not popular globally, it will be challenging to promote the product to a specific international target market. The case study of Indonesian coffee and coconut sugar implied both have strong international popularity promoted in the German market.

Product Scope

Another key issue investigated in the supply-side of potential product factors is the product scope. It ensures that Indonesian agri-food SMEs can analyze in more detail about the product demand in the German market.

This research found the importance of product variety when exporting to Germany. There are only specific product varieties which can be exported to Germany for coffee (Arabica) and coconut sugar (*cocos nucifera* instead of *arenga pinnata*). Thus, it suggests that the variety of Indonesian agri-food products to be exported should be analyzed carefully.

Another important factor to determine is the processing type. It discusses if the product can be exported as raw or processed version to Germany. For example, green bean is more demanded in coffee products, and granulated sugar is more demanded in coconut sugar products.

In addition, the product variety and processing type are an important input to determine the Harmonized System (HS), which is mandatory to be identified in export products. HS Code specifies all the detailed regulations applied for the exported product, consisting of import

procedures, product requirements, import duties, internal taxes, and GSP (European Commission Trade Helpdesk, 2019).

Product Evaluation and Selection Tools

Overall, there are two proposed tools to be utilized for product evaluation and selection.

Worksheet of Potential Product Evaluation

This worksheet allows to compare two potential export products based on several evaluation criteria.

Table 1. Proposed Worksheet of Potential Product Evaluation

Evaluation Factors	Product A	Product B	Weight Factor	Product A Score x Weight	Product B Score x Weight
Popularity in Germany					
Related to Indonesian cuisine ingredients					
Traceability					
Consumed by Germans					
Substitution level					
Taste and quality					
Sustainability perspective					
Availability of intermediaries					
Durability					
Country production					
Necessity to be exported					
International popularity					
Tariffs (duties, quotas, etc.)					
<i>More factors can be included here</i>					
Total Score					

How to use the tool:

- 1) List the products to be evaluated. The number of products can be only two or more products.
- 2) Review the evaluation factors for the product. SMEs can eliminate recommended factors or add more factors if needed.
- 3) Put score for each factor between 1 to 5 and for each product in the list. 1 is the lowest and 5 is the highest.
- 4) Input the weight factor between 1 to 5 for each criteria. 1 is the least important, and 5 is the most important. The company needs to determine by itself the weight factors based on their estimation.
- 5) Calculate the score times weight for each factor and product.
- 6) Calculate the total score for each product.
- 7) Select the product which has a high score to be exported to Germany.

Worksheet of Product Scope Selection

It could be helpful to select the effective product scope to be exported. It compares the supply availability of the Indonesian company with the required once in Germany. In the end, it will provide the HS Code for the product.

Table 2. Proposed Worksheet of Product Scope Selection

Product Scope Factors	Supply Availability	Demand in Germany	Scope Selection
Product Variety			
Processing Type			
HS Code			

How to use the tool:

- 1) List product variety produced by Indonesia in 'Supply Availability' column.
For example, Indonesia produces Arabica coffee and Robusta coffee.
- 2) List product variety distributed in Germany in 'Demand in Germany' column.
For example, German consumers buy Arabica coffee.
- 3) List processing type that Indonesia supplies in 'Supply Availability' column.
For example, Indonesia supplies green bean and roasted bean (both non-decaffeinated).
- 4) List processing type that Germany imports in 'Demand in Germany' column.
For example, Germany imports green bean (decaffeinated and non-decaffeinated).
- 5) Choose the product variety to be exported in 'Scope Selection' column.
From the examples above, we choose Arabica coffee.
- 6) Choose the processing type to be exported in 'Scope Selection' column.
From the examples above, we choose green bean (non-decaffeinated).
- 7) Identify HS Code from product variety and processing type selected in 'Scope Selection' column.
From the examples above, we identify the HS Code is 090111.

Guideline for Product Evaluation and Selection

To summarize, below there is a proposed guideline that Indonesian agri-food SMEs could use to evaluate and select products to be exported to Germany.

Step 1: Evaluate the German consumer perceptions for the product

- How is the popularity of the product in Germany?
- How is the product related to the Indonesian cuisine attractiveness?
- How is the traceability of the product so that it can be trusted?

Step 2: Evaluate the demand by German consumers

- Is the product consumed frequently by German consumers (not Indonesian/Asian)?
- Does the product have a small number of substitutions from other countries' agri-food products?
- Does the product have superior quality and taste compared to other similar products?
- Is the product produced in sustainability practices such as organic and ethical practice?

Step 3: Evaluate the market access in Germany

- How is the availability of intermediaries to export the product?
- How is the durability of the product to overcome the distance?
- How is the regulation of trade barriers for the product (tariff, duties, quota, subsidies, etc.)?

Step 4: Evaluate the product advantage from Indonesia production

- Does Indonesia produce the largest volume of the product worldwide?
- Does the product have a high demand to be exported in comparison to the domestic market?
- Does the product have high popularity in the international market?

Step 5: Select the product scope

- What product variety from Indonesia can be marketed in the German market?
- What processing type from Indonesia can be marketed in the German market?
- What is the HS Code for the selected product?

Indonesian agri-food SMEs should utilize the Indonesian diaspora and ITPC Hamburg¹ in Germany to identify the necessary information.

Stage 2. Market Analysis

After selecting the product, agri-food SMEs require to analyze the market condition. Several market factors have to be considered in the market analysis.

Market Factors

There are important factors to be analyzed for Indonesian agri-food SMEs in the German market (see Figure 4). They cover the following aspects: market attractiveness, competitive position, and market access.

¹ www.itpchamburg.de

Figure 3. Market Factors



Market Attractiveness

This study found that high German consumption of the agri-food product in Europe is a critical factor. The huge consumption size for coffee and coconut sugar in Germany made both products potentials. It was also found that there was a substantial re-exporting activity of Germany towards Europe. The case study of coffee and coconut sugar showed that the re-exporting size of Germany is critical, where in some cases, the re-exporting size is more than consumption size inside Germany. Therefore, the German market size should be analyzed not only from consumption but also from a re-exporting perspective, especially to other European countries.

Another important finding is that there was a trend in the specialty product segment. This product trend creates differentiation for the consumers in terms of quality or healthiness with a premium price. Examples of the trend are specialty coffee/tea, natural sugar, exotic spices, and superfruits. Both coffee and coconut sugar are attractive because they have a substantial market potential regarding the specialty characteristic. Hence, exporting SMEs need to analyze the specialty product segment for Indonesian agri-food products to identify the the most relevant market segment.

Also, there was another main trend in Germany related to sustainable product consumption, especially for organic and fair-trade products. The sustainable certification of both coffee and coconut sugar is also getting more importance.

In addition, exporting SMEs need to make sure that the product has obtained adequate popularity in the German market. It can be seen from the case of Indonesian coffee and coconut sugar, which have been already entered well and have met consumer preference in German market. It highlights the need to analyze the market acceptance for the product.

Competitive Position

From the competitiveness perspective, several factors have been identified.

Supply performance was identified in this study to be one of the important factors. The supply performance is not only focusing on production volume but also supply consistency and continuity.

Next, it was found that the competition for agri-food products in Germany needs to be considered based on the product varieties offered. For example, Indonesian coffee has more variants based on different producing areas (e.g., Aceh Gayo coffee, Bali Kintamani coffee, etc.), creating more uniqueness and taste experience options in comparison to Brazilian and Vietnamese coffee.

Another finding is that product quality is needed to be analyzed to understand the competitive position. For Indonesian coffee and coconut sugar, it were difficult to gain a position in the German market because of less high-quality products.

Moreover, exporting level price was found to be an important factor in analyzing the competitive position. Coffee and coconut sugar segments are showing high price sensitivity. Because of limited technology utilization and production efficiency, Indonesia shows few price advantages.

It is also important to identify the end-market price for the products. In many cases, the final customers show low price sensitivity as long as the products fulfill the special customer needs. For example, the price of specialty coffee and organic coconut sugar is very high in the German retail chain. It implies benchmarking the price not only on the exporting-level but also on the final consumer level.

Market Access

Niche segmentation for final consumer targeting was found to be a significant market factor. The case study showed that targeting specialty coffee and organic segments impacted the success to enter the German market. Moreover, specialized intermediary targeting was found to be decisive to enter the German market. The case of Indonesian coffee and coconut sugar implied that it is recommended to target the specialized importers, large or small, depending on the value chain position.

Furthermore, trade fairs were found to be an effective channel to meet German intermediaries. COTECA and BIOFACH are mandatory to be visited by Indonesian coffee and coconut sugar exporter to enter the German market.

Additionally, trade promotion institutions were found to be critical to be utilized, such as governmental agencies, German chambers of commerce, and related associations. ITPC Hamburg was the most reachable institution for Indonesian exporters. Not only that, joining

national or regional associations (e.g., Specialty Coffee Association of Indonesia) can increase knowledge and promote networking for export activities.

Lastly, online marketing and trading sites were found to be decisive as channels to reach German customers in this digital era. Online marketing consists of a website, social media/networks, and two-way email communication. There are online trading sites that provide access to buyers in niche markets, such as Alliance for Coffee Excellence² and Organic-Bio³.

Market Analysis Tools

There are two proposed market analysis tools resulting from this study.

Worksheet of Market Sizing

The tool for Market Sizing contains several factors to be evaluated, as shown in the following table

Table 3. Proposed Worksheet of Market Sizing

Market Attractiveness Factors	Year 1	Year 2	Year 3
Consumption size			
Re-Exporting size			
Total market size			
Potential market share based on consumer trends for product segment (%)			
Potential market size for the product segment			
Potential market share based on market acceptance for Indonesian product (%)			
Potential market size for Indonesian product			
Potential market share for own product (%)			
Potential market size for own product			

How to use the tool:

- 1) Put the number of consumption size and re-exporting size.
- 2) Calculate the total market size (consumption size + re-exporting size).
- 3) Put the percentage of market share based on consumer trends for the product segment.
- 4) Calculate the number of potential market size for product segment (total market size X % potential market share based on consumer trends)
- 5) Put the percentage of market share based on market acceptance for Indonesian products.
- 6) Calculate the number of potential market size for Indonesian product (potential market size for product segment X % potential market share based on market acceptance)
- 7) Put the percentage of market share for own product based on estimation.
- 8) Calculate the number of potential market size for own product (potential market size for Indonesian product X % potential market share for own product)
- 9) Conduct all the above actions for Year 2 and Year 3.

² <https://allianceforcoffeexcellence.org/>

³ <https://www.organic-bio.com/en/directory/>

Worksheet of Benchmark Analysis

As discussed previously, the competitive position can be analyzed from supply performance, product type & variety, quality, exporting-level price, and retail-level price. Based on these factors, the following table for benchmark analysis was developed.

Table 4. Proposed Worksheet of Benchmark Analysis

Competitive Position Factors	Competitor/Country A	Competitor/Country B	Own Product
Supply performance			
Product variant			
Product quality			
Exporting-level price			
Retail-level price			
<i>More factors can be included here</i>			

How to use the tool:

- 1) List two or more products from other competitors or countries.
- 2) Describe the situation for each competitive position factor and for each competitor's product and your own product. The company can add more factors if needed.
- 3) Put score between 1 to 5 for each competitive position factor and for each competitor's product based on the qualitative explanation (1 is the lowest and 5 is the highest).
- 4) Analyze what is the competitive advantage of your own product compared to other competitors.

Guideline for Market Analysis

To conclude, Indonesian agri-food SMEs could use the following guideline for export market analysis

Step 1: Analyze the market size

- How big is the consumption size? How big is the re-exporting size?
- How are the consumer trends mainly in the specialty product segment and sustainable product segment?
- How can a product enter the German market based on popularity and preference?

Step 2: Analyze the competitive position

- How is the comparison in the supply performance of Indonesia compared to other countries?
- How is the product type/variety of Indonesian product?
- How is the quality of Indonesian product?
- How is the export level price and end-market level price?

Step 3: Analyze the market access

- How is the value chain of the product in Germany? How is the segmentation of final customers? What are the options of intermediaries?
- What are the trade fairs related to the product in Germany?
- What are the trade promotion institutions that can help to export to Germany?
- What are the online marketing platforms and trading sites to promote the product to Germany?

Stage 3. Export Readiness Assessment

Indonesian agri-food SMEs need to identify the export requirements for selected products. Then, the requirements have to be assessed by analyzing the current situation of the exporting company.

Export Requirements

Figure 5 explains the export requirements identified. They mainly focus on organization requirements and product requirements.

Figure 4. Export Requirements



Organization Requirements

One finding is that motivation is a key factor to be assessed. Without adequate and clear motivation, it is difficult to export the product to Germany. Additionally, it needs to be noted that motivation alone is not enough for exporting to Germany. The agri-food company should be also committed to the export project.

Another finding is that export experience and knowledge is an important factor in the organization requirements. However, inexperienced Indonesian agri-food SMEs could export their products to Germany as long they provide a certified specialty product or sustainable product using adequate export knowledge to manage the export activity.

Moreover, it was also found that language and networking capability are essential factors. The findings indicate that English language skill is necessary to conduct business with German

importers for both coffee and coconut sugar. Moreover, networking skills are required to obtain trust from German importers. It is complemented with adequate knowledge of business ethics and culture.

Another interesting finding is that supply capacity plays an important role. However, there are German importers who need only a small supply capacity, mainly for specialized products, which are recommended to be targeted for small exporters.

Finally, financial resources were identified as critical factors to be assessed for exporting. It is recommended to assess the financial resources which be able to reserve for export investments & costs and to check whether financing (bank credit) can be obtained easily (Trip, 2000; Holm-Olsen, 2009; AUSVEG, 2019; Trade Africa, 2019).

Product Requirements

This study identified the most important factors regarding product requirements. It was found that the product requirements consist of legal requirements (from EU or German regulation), common requirements (from German importers), and additional requirements.

One important finding is that the essential aspects in legal requirements were maximum residue limits (MRLs) and contaminations, which are checked by laboratory tests. Even though there are many legal requirements by EU and Germany for both coffee and coconut sugar products, focusing on these two aspects ensures that the product can enter the German market.

However, it needs to be noted that there are other elements regarding German legal requirements that require to be fulfilled by Indonesian exporters (European Commission, 2019). One of the main legal requirements is food contact materials (packaging) and labeling. In addition, the other main legal requirement is related to food hygiene procedures, which needed to be applied for the processed product (not mandatory for the raw product).

Another important finding is that there are product specifications which are required by common German importers. For example, specialty coffee has to fulfill certain specifications in grade 1 standard, and the cupping score should be more than 80.

Moreover, most German importers require quality management standards for production in fields like food safety management, working environment standards, and good agricultural practices, which are proven by certifications. These requirements depend on intermediary demand and product type.

Some German importers require sustainability standards, which are mostly in organic production and fair-trade field.

Export Readiness Assessment Tools

There are two proposed tools which can be used for organization readiness assessment and product readiness assessment.

Worksheet of Organization Readiness Assessment

The worksheet helps to assess readiness in terms of organization. It is important to note that the assessment should be checked together with the targeted intermediary.

Table 5. Proposed Worksheet of Organization Readiness Assessment

Organization Readiness Questions	Current Status	Assessment Results	Resources to Add
<p>Motivation and Commitment</p> <p><u>Ready:</u> Does the management have the motivation to export to Germany based on the competitive advantage? Does the management have a high commitment to conduct the export to Germany?</p> <p><u>Potential:</u> If not, is there any motivation based on the higher appreciation of products in Germany? Is there any motivation based on abundant resources in Indonesia?</p>		Ready/ Potential/ Not Ready	Describe management orientation (current/future)
<p>Export Experience & Knowledge</p> <p><u>Ready:</u> Is there any previous experience exporting to EU countries available in the company?</p> <p><u>Potential:</u> If not, does your company has certified specialty or sustainable products? Does your company provide export knowledge, especially for EU region?</p>		Ready/ Potential/ Not Ready	Describe human resources (current/future)
<p>Language & Networking Capability</p> <p><u>Ready:</u> Does anybody speak fluently English or German? Are networking resources related to German market players available?</p> <p><u>Potential:</u> If not, is there a chance to participate in international trade fairs or networking events with international associations/organizations?</p>		Ready/ Potential/ Not Ready	Describe human resources (current/future)
<p>Supply Capacity</p> <p><u>Ready:</u> Is the supply allocation adequate for targeted intermediaries in Germany?</p> <p><u>Potential:</u> If not, is there any excess supply that can be allocated for the German market?</p>		Ready/ Potential/ Not Ready	Describe farming and production resources (current/future)
<p>Supply Continuity</p> <p><u>Ready:</u> Could the expansion of supply be fulfilled quickly if there is larger demand of export?</p> <p><u>Potential:</u> If not, could the company produce with constant supply?</p>		Ready/ Potential/ Not Ready	Describe farming and production resources (current/future)
<p>Financial</p> <p><u>Ready:</u> Do the financial resources of the company cover the export requirements and operations?</p> <p><u>Potential:</u> How is the possibility to obtain financing/investment to fulfill export requirements and operations?</p>		Ready/ Potential/ Not Ready	Describe financial resources (current/future)
More organization requirements can be included here			

How to use the tool:

- 1) Explain the current status for each requirement based on the readiness question.

- 2) Determine the assessment result based on the explanation in current status. Select the result from three-level of readiness: *Ready*, *Potential*, *Not-Ready*. Explain it in detail.
 *Notes: *Ready* means the company is currently ready to export the product to Germany. *Potential* means the company is not ready currently but possible to fulfill the required resource in the future to export the product to Germany. *Not-Ready* means that it is very difficult to export the product to Germany.
- 3) Put the additional resources necessary to fulfill the requirements based on the assessment results. It is useful to include them in the export business model.
 *Notes: For a Ready-level company, the resources should be explained in the current condition. For a Potential-level company, the resources should be explained in the future condition.

Worksheet of Product Readiness Assessment

The worksheet helps to assess export readiness in terms of product characteristics. It should be considered that every requirement needs to be confirmed with the potential buyer intermediary. Other product requirements can be added to this worksheet.

Table 6. Proposed Worksheet of Product Readiness Assessment

Product Readiness Questions	Current Status	Assessment Results	Resources to Add
Maximum Residue Limits (MRLs) and Contaminations <u>Ready:</u> Does the company conduct laboratory tests to obtain the necessary certificates? Do the results fulfill the EU regulation for the product? <u>Potential:</u> If not, is there any possibility of reducing the levels?			<i>Describe laboratory test (current/future)</i>
Packaging and Labelling <u>Ready:</u> Does the company's packaging and labeling fulfill the EU regulation and common practice of German importers for the product? <u>Potential:</u> If not, is there any possibility to implement it?			<i>Describe packaging and labeling (current/future)</i>
Food Safety Management (HACCP) <u>Ready:</u> Does the food safety management fulfill the EU regulation and common practice of German importers for the product? Does the company conduct international certifications? <u>Potential:</u> If not, does the company currently conduct the practice or conduct local certification?			<i>Describe practice or certifications (current/future)</i>
Product Specifications <u>Ready:</u> Does the company conduct certified tests or report for product standards? Do the product specifications fulfill the common standards of German importers? <u>Potential:</u> If not, is there any possibility to improve the product specifications?			<i>Describe certified reports (current/future)</i>
Quality Management Standards <u>Ready:</u> Do the quality management standards fulfill requirements by German importers for the product? Does the company conduct international certifications in quality management?			<i>Describe practice or certifications (current/future)</i>

Potential: If not, does the company currently conduct the practice or conduct local certifications?			
Sustainability Standards (Organic, Fairtrade, or others) <u>Ready:</u> Does the company conduct international certifications for organic, fair trade, or other sustainability standards? <u>Potential:</u> If not, does the company currently conduct the practice or conduct local certification?			<i>Describe practice or certifications (current/future)</i>
More product requirements can be included here			

Please refer to the organization readiness assessment in order to use this table.

Guideline for Export Readiness Assessment

To summarize, the following guideline could be used by Indonesian agri-food SMEs in order to assess their export readiness to export to the German market.

Step 1: Identify the organization requirements

- How is the export experience and knowledge required by targeted buyer intermediaries?
- How are the language and networking capabilities required to conduct business with targeted intermediaries?
- How is the supply capacity required by targeted intermediaries?
- How is the supply continuity required by targeted intermediaries?
- How are the financial resources required to implement export management and operation?
- Is there any other organizational requirement by the targeted intermediaries?

Step 2: Identify the product requirements

- How is the maximum residue levels (MRLs) and contaminants regulated by EU?
- How is the packaging and labeling regulated by EU and required by targeted intermediaries?
- How is food safety management (HACCP) regulated by EU and required by targeted intermediaries?
- What are the product specifications required by targeted intermediaries?
- What are the quality management certifications required by targeted intermediaries?
- What are sustainability certifications (e.g., organic, fair trade) required by targeted intermediaries?
- Is there any other product requirement by the targeted intermediaries?

Step 3: Assess the organization readiness and product readiness

- How is the current status of our organization and product?
- How is the assessment result which compares current status to requirements (Ready, Potential, or Not-Ready)?

- What are the necessary resources to fulfill the export requirements?
- What are the action plans to provide the necessary resources?

In order to gather the export requirements information, Indonesian agri-food SMEs should check the market intelligence reports from ITPC Hamburg⁴, CBI⁵, and IPD⁶ for overview requirements of related products. Additionally, Indonesian agri-food SMEs should check EU Trade Helpdesk⁷ which provides the EU export requirements for a large number of products. Additionally, there are Market Access Map⁸ from ITC which provides the non-tariff requirements for selected products and Standards Map⁹ from ITC which provides the detail database on private standards requirements.

Stage 4. Export Business Model Development

Osterwalder (2010) explained that a “business model describes the rationale of how an organization creates, delivers, and captures value.” He proposed the canvas to build the business model, which can be described through nine basic building blocks. However, the business model canvas from Osterwalder (2010) is not very applicable to be utilized in export plan development. Many export management literature does not utilize the business model canvas to develop the export plan. Therefore, there was a need to build a new Export Business Model Canvas applicable for exporting agri-food products, which finally was tested with Indonesian coffee and coconut sugar SMEs.

Business Model Canvas for Agri-Foods Export

This study proposes the Export Business Model Canvas as a tool to develop a business model for Indonesian agri-food SMEs (see Figure 6). It was inspired by Dornberger (2018), who proposed that in an export business model canvas, a differentiation between final customer and intermediary is necessary analyzing the customer segments, the value proposition as well as the marketing and distribution channels (refer to [Appendix 2](#))

There are three additional updates to the export business model canvas proposed by Dornberger (2018) to develop a specific tool for agri-food SMEs. First, there is an addition of a Company Resources and Product Resources building block in order to consider more effectively the outcomes from organization readiness assessment and product readiness assessment. Second, there is no differentiation between the Value Proposition between final customer and intermediary, considering that the value proposition in agri-food sector for intermediary and final customer is not showing strong differences. Third, of the building blocks for Cost Structures and Revenue Streams were eliminated in order to simplify the management tool.

⁴ <http://itpchamburg.de/>

⁵ <https://www.cbi.eu/>

⁶ <https://www.importpromotiondesk.de/>

⁷ <http://trade.ec.europa.eu/>

⁸ <https://www.macmap.org/>

⁹ https://standardsmap.org/standards_intro

Figure 5. Proposed Export Business Model Canvas for Agri-Food Export

Company Resources	Value Propositions	Channels - Final Customer	Final Customer Segments	Target Market
Product Resources		Channels - Intermediary	Intermediary Segments	

Customer and Intermediary Segments

The customer segment can be determined based on information coming from market attractiveness and market access. The building block differentiates between final customers and intermediaries. The export plan development literature frequently emphasizes the importance of trade partnership selection as intermediaries before reaching the final customers (Trip, 2000; Formin Finland, 2018, SBA, 2019).

As shown above, the specialty segment and/or sustainable segment is essential to target agri-food SMEs in order to avoid competition. Moreover, the consumers in Europe (including Germany) can afford to be critical and demanding, so the product needs to be special or sustainable. On the other side, specialized importers of a specific product were agreed to be targeted as intermediaries.

Channels

The channel analysis can be based on the market access information. The building block Channels also differentiates between final customer and intermediaries. While final customers' channels are more focusing on promotion instruments, intermediaries' channels are more about approaching trade partnerships (Trip 2000).

Agri-food SMEs should conduct campaigns to increase awareness of final customers. Digital marketing platforms could be effective channels in this regard. On the other hand, agri-food companies should find the channels to increase the chance to communicate the product and meet directly with the industry players. Specialized trade fairs, such as COTECA and BIOFACH represents the most effective channels. Moreover, ITPC is a reachable trade promotion agency supporting intermediary interaction.

Value Propositions

Agri-food SMEs need to determine the special characteristics of their products. This study implies to focus on specialty/authentic benefits or sustainable production benefits in the value proposition. The value proposition helps European buyers to understand the USPs related to other competitors in the market (CBI, 2019c). Value propositions need to focus on few points but do those exceptionally well, to help to communicate it to customers (CBI, 2019; Strategyzer, 2019).

Key Resources of Company and Product

Key resources are needed to allow a business to design the value proposition and to operate successfully in the market (Osterwalder, 2010). Key resources can be identified based on value propositions and export readiness assessment. Moreover, key resources can be drawn from export readiness assessment which differentiates between product readiness and organization readiness.

Target Market

The target market block provides the main information in order to describe the attractiveness of the potential export market.

Additional Tools for Business Model Development

Besides the Business Model Canvas, there are additional tools that can be utilized in export plan development for agri-food SMEs.

Customer Profile Canvas and Value Map Canvas

These tools were introduced by Osterwalder (2014) and also known as Value Proposition Canvas. Customer Profile Canvas helps to understand more deeply customer demand. On the other hand, Value Map Canvas allows to create value propositions based on customer demand profile.

Customer Profile Canvas can be used to analyze the specific final customer and intermediary demands in the export business model in a very detailed way.

Customer Personas

Personas describe representative of actual groups of customers and their characteristics. For final customers, it can be described by biodata, family status, ethnic background, general buying behavior, hobbies, job description, education, salary, and statements. On the other hand, for intermediaries, it can be described by biodata, education, job position, company goals and challenges, communication preferences, and statements. Customer Personas can be utilized in export business model development to analyze more deeply the key characteristics of the target customers which at the end support the development of the customer demand profile.

Resource Analysis

Collis & Montgomery (1995) introduced the resource-based view, which focuses on the internal capability analysis. The concept believes that the company could have a competitive advantage when it has strategically valuable resources.

Resource Analysis can be utilized in export business model development to identify the most valuable resources. Especially for agri-food products which are not so innovative, it is critical to identify competitive advantage from the resource perspective.

SWOT Analysis

SWOT Analysis is one of the most common management tools being used. It can analyze the Strengths, Weaknesses, Opportunities, and Threats for the export business.

It can help to analyze the resources in export planning. The resources in terms of Strengths and Opportunities, which allow the company to manage Weaknesses and Threats, could be considered as key elements in the value proposition.

Guideline for Business Model Development

In summary, below is the proposed method in export business model development utilizing the export business model canvas and additional tools.

Step 1: Determine the target customers, separated by final customers and intermediaries

- Determine the target customers based on market attractiveness and market access information
- Target specialty product consumers and/or sustainable product consumers as final customers
- Target specialized importers of specific product types as intermediaries
- Analyze deeply the customer segments using Customer Demand Profile and Customer Personas

Step 2: Determine the channel strategies, separately by final customers and intermediaries

- Determine channels based on market access information
- Choose which digital marketing campaigns could be used to build awareness for final customers
- Identify specialized trade fairs
- Choose trade promotion institutions (ITPC is recommended) to develop your channels to intermediaries
- Choose digital platforms as channels to interact with intermediaries

Step 3: Determine Value Propositions

- Focus on specialty/authentic advantages and/or sustainable production advantages
- Use Value Map Canvas to identify the value propositions for final customer and intermediary
- Utilize the result of other tools, like Benchmark Analysis, Resource Analysis, and SWOT Analysis, value propositions design
- Select only the best value propositions to highlight the product's USPs
- Create value propositions which can be applied to both final customers and intermediaries

Step 4: Determine key resources

- Determine current/future company resources based on the outcomes of organization readiness assessment
- Determine current/future product resources based on the outcomes of product readiness assessment
- Focus on resources which create USPs in the value propositions using Resource Analysis and SWOT Analysis tools

Step 5: Describe target market

- Germany is the main target market in this study
- Provide key facts about the market attractiveness

Stage 5. Export Plan Writing

The last stage that agri-food SMEs require to conduct is to write the export plan, based on the outcomes from the previous four stages. Below is the proposed outline for an export plan.

Section 1: Executive Summary

The executive summary provides a brief overview of the export plan.

- Explain briefly the company's background and history.
- Explain briefly the agri-food product selected to be exported.
- Explain briefly the target country, which is Germany, in this study.
- Describe the motivation and overview of export readiness for exporting to Germany.
- Describe the overview of the business model developed as a market entry strategy to Germany.

Section 2: Target Market

This section describes the target market based on market attractiveness and competitive position analysis. Moreover, the result of Market Sizing, Benchmarking Analysis, and Porter's Analysis tools can be utilized here.

Here are the main points to be shown in the Target Market section.

- Describe the consumption size and re-exporting size
- Describe the consumer trends, especially in terms of specialty and sustainability trends
- Describe the market acceptance, which measures whether the product has been already entered well in the German market
- Describe the industry sector and competition in the German market
- Describe the other target markets in the future besides Germany

The content described here is an outcome of the Market Analysis stage.

Section 3: Customer and Intermediary Profile

Here are the main points to be shown in the Customer and Intermediary Profile section.

- Describe the target segment of final customers
- Describe the demand of final customers
- Describe the target segment of intermediaries
- Describe the demand of intermediaries

The content described here is an outcome of the Market Analysis stage and the Export Business Model Development stage.

Section 4: Product and Value Proposition

Product and Value Proposition section should describe product specifications and benefits which final customer and intermediary are able to gain from the product. The result of Value Map Canvas can be utilized here.

- Describe the characteristics of agri-food product
- Describe the value propositions which create benefits for final customers and intermediaries

Section 5: Channels Strategy

Channels Strategy section describes how the exporting company could interact with the target customers. The channels are separated by final customers and intermediary.

- Describe the awareness creation campaigns
- Describe the specialized trade fairs participation
- Describe the trade promotions institutions and associations
- Describe the online marketing and online trade platforms

The content is an outcome of the Market Analysis stage and the Export Business Model Development stage.

Section 6: Key Resources

In order to enable the export initiative, the key resources need to be described. The key resources are divided into company resources and product resources. Describe the assessment of export readiness

- Describe the current/future company resources
- Describe the current/future product resources

The content is an outcome of the Export Readiness Assessment stage and the Export Business Model Development stage.

CONCLUSION

Agriculture is an essential sector for the economic development of developing countries. A modernization initiative involves exporting agriculture products to broader international markets. The agri-food industry, as a significant sub-sector in the agriculture industry, has been increasingly recognized for its internationalization potential. However, it faces challenges in trying to compete on the international market. There are significant opportunities for Indonesian agri-food products to enter the German market. It requires knowledge and capabilities development for Indonesian agri-food SMEs to successfully plan their export initiative to Germany.

The present study was designed to develop effective methods and tools for Indonesian agri-food SMEs in developing an export plan to enter the German market. It used a combination of qualitative research and action research methodology. Overall, it provides the framework which consists of five stages in export plan development.

First, Indonesian agri-food SMEs have to evaluate and select a potential product. Potential product factors were identified to propose the method and tools in **Product Evaluation & Selection** stage. Second, they need to analyse the German market for the selected product. Market factors were examined to propose methods and tools in **Market Analysis** stage. Third, they must assess the export readiness based on requirements for the selected product. Export requirements were identified to propose methods and tools in **Export Readiness Assessment** stage. Fourth, they should develop the business model. The business model development process was analysed to propose a respective tool in **Export Business Model Development** stage. Lastly, it comes up with the method for **Export Plan Writing** using all of the outcomes in previous stages.

These methods are not only limited to the German market, but it can be utilized in other target markets, especially to EU countries or developed countries such as USA, Australia, Canada, and others. Moreover, these methods also can be the guidance for other countries' agri-food SMEs.

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APPENDIX

Appendix 1. Main Objectives, Data Sources, Data Collection Method and Instrument

Phase	Main Objectives	Data Sources	Data Collection Method	Data Collection Instrument
Potential Product Identification	To identify the factors to evaluate and select the potential product	<ul style="list-style-type: none"> - 2 Indonesian stores in Germany - 2 Indonesian restaurants in Germany - Indonesian trade promotion institution in Germany - Market intelligence reports 	<ul style="list-style-type: none"> - In-Depth Interviews - Secondary data collection 	<ul style="list-style-type: none"> Interview Guideline
Market and Export Requirements Identification	<ul style="list-style-type: none"> - To identify the factors to analyze the market for agri-food products - To identify the requirements for agri-food products 	<ul style="list-style-type: none"> - 2 Indonesian coffee exporters to Germany - 2 Indonesian coconut sugar exporters to Germany - Indonesian coffee exporter association - Indonesian trade promotion institution in Germany - Market intelligence reports 	<ul style="list-style-type: none"> - In-Depth Interviews - Secondary data collection 	<ul style="list-style-type: none"> Interview Guideline
Workshop with Participant Companies	<ul style="list-style-type: none"> - To transfer knowledge - To learn about the export readiness assessment - To learn about the export business model development 	<ul style="list-style-type: none"> - 4 Indonesian coffee SMEs - 2 Indonesian coconut sugar SMEs 	<ul style="list-style-type: none"> - Workshop - Primary data collection from the company - Data from previous phases 	<ul style="list-style-type: none"> - Presentation of Workshop - Export Readiness Assessment - International Business Model Canvas - Customer Profile & Value Map Canvas

Appendix 2. International Business Model Canvas

Company Resources	Value Proposition - Final Customer	Channels - Final Customer	Final Customer Profile	Target Market
	Value Proposition - Intermediary	Channels - Intermediary	Intermediary Profile	
Investments/ Costs				Revenue Streams

Source: Dornberger (2018)