



Vegetarian Gardens: Grow in Guyana or is the Grass Greener Elsewhere?

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Abstract. Vegetarian Gardens Inc., a Guyana-based non-meat food products company is at a crossroads. While a sole proprietor has run the young venture successfully until now, the focal entrepreneur has ambitions to spread beyond a one-man show and beyond the current local market. This might include other locations in Guyana, a leap to the developed world, or perhaps more manageably to countries nearby or expand domestically. What resources would be necessary and how might expansion unfold?

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1. Introduction

For as long as he could remember, Orin Hickerson had known his father Cecil Hickerson to be a serial entrepreneur. From selling imported clothing to leasing property in their home country of Guyana, Orin's father Cecil had started and run his own businesses without much help or education. Up to this point, Cecil had been successful in the capital and largest city of Guyana—Georgetown. Now, Cecil was trying to decide where to take this business.

Expanding their operations domestically or crossing national borders with their products would be new territory for both Orin and Cecil, but with the right strategy, they felt they could make their business—Vegetarian Gardens—an international success.

Orin suspected that the vegetarian community around the world was stable or growing. Reasons for the decision to forego ingesting animal products were

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primarily related to health or religion. In the absence of precise data, estimating consumption for a particular segment might be based on information about income, education, or age (generally correlated with health concerns) and religion (with ethnicity often used as a proxy). According to the International Vegetarian Union, the earliest records of a vegetarian society in Latin America was one formed in Chile in 1891 and another in Brazil in 1921. Such organizations were founded officially in Venezuela and Guyana in the mid-1970s.

Locally, Georgetown had a sizable vegetarian community drawing from the East Indian population adhering to Hindu or Muslim dietary requirements. Georgetown restaurants, from the finest dining to the most affordable served a variety of vegetarian fare. Neither Orin nor Cecil could think of an establishment that purposefully was vegetarian only, but they also could not recall a restaurant that offered no vegetarian options on their menus.

2. Company Background

Seven years earlier, Cecil's wife had gone on a trip to the United States and brought back something that she felt her husband would enjoy. Sitting him down at the dinner table she fed him some textured vegetarian products (e.g., soy-protein hot dogs), tofu, and other non-meat products she obtained on her travels. Upon tasting the different foods that his wife unveiled to him, Cecil's mouth watered and his eyes widened as he realized the opportunity he had lying in front of him and in his mouth. Cecil knew there was nothing like this at the grocery stores in Guyana. Cecil realized that he possessed the business knowledge, financial means, and personal contacts to bring these great new products to market.

Orin, now older and finishing his bachelor of commerce degree in Canada, had traveled the world—including study abroad—and seen how much opportunity there was for expansion of the family business. At the end of next semester, Orin would be graduating and knew that he was ready to step up and help his father take the business to the next level.

Vegetarian Gardens Inc., affectionately referred to as "VGI," imported vegetarian products (textured non-meat food, nuts, millets, and tofu) from the United States. Cecil then had the goods repackaged with his company logo and sold them to grocery store chains in Guyana, primarily Georgetown. Up to this point, VGI had held a distinct competitive advantage because it was essentially a one-man operation. Cecil did everything from marketing to driving the delivery truck. Orin frequently questioned his father as to whether this was most efficient—was his father just working all those extra hours to avoid hiring?

With such low costs, and with his extensive business network in Guyana, Cecil had been able to capture the majority of the Georgetown market—presumably the largest segment in Guyana. With the revenue derived from sales

of the assorted vegetarian products, Cecil expanded his investments into other profitable endeavors and had developed a very good reputation with local area investors.

3. Potential Markets

With a great record of accomplishments and the financial backing of his investors, Cecil was ready to expand VGI into other parts of Guyana, neighboring countries with high vegetarian populations (such as Suriname), and at his son's urging—other global markets and neighbouring countries. Knowing that such moves might make or break his company, Cecil needed to formulate an expansion strategy that would ensure success.

3.1. Domestic Market

Having dealt primarily in the capital of Guyana (Georgetown), Cecil was searching to strengthen his position in other markets that Guyana had to offer. He sought to take advantage of the relatively high population of vegetarians in the rest of Guyana and felt that this option may be a good place to start because he would still be able to do much of the work himself (driving a lorry with deliveries from town to town). This would allow him to keep his expenditures low and retain his competitive advantage. In addition to suppressing costs, Cecil was familiar with many communities in Guyana and believed he understood how to gain and retain customers in these various locales.

Nearly 250,000 Guyanese lived in Georgetown, making up about one-third of the country's total population of 740,000. Since people were concentrated in the capital, where VGI was situated, Cecil had to decide whether expansion into the surrounding domestic market (with questionable population density) carried enough of a potential customer base to make it worth the added costs that would be incurred. Orin was quick to point out to his father that with less than 10 percent of the 5,000 miles of roads paved, Cecil might be in for a bumpy ride. The good news was that around 90 percent of the population lived along the 285-mile-long coast, primarily either north or south of the port city, Georgetown.

Although this option might not have as large a potential reward for the Hickersons' enterprise, domestic expansion could prove profitable and it would be much less complex to pursue than entering international markets. Cecil believed his familiarity with the inner workings of this market was a true strength.

A Brief Primer on Guyana

Guyana, roughly the size of Great Britain or Idaho, was the third smallest country in South America after Suriname and Uruguay—and might be smaller in the

future. According to the CIA's World Factbook 'substantial portions of its western and eastern territories are claimed by Venezuela and Suriname respectively.' It shared a 695 mile-long border with Brazil to the south, a 460 mile-long border with Venezuela to the west, and a 370 mile-long border with Suriname to the east. Guyana held the distinction as the only South American country to have English as its official language.

Ethnically, Guyana was 50 percent East Indian, 36 percent black, seven percent Amerindian, and seven percent white, Chinese, and mixed. The religious composition was 50 percent Christian, 35 percent Hindu, 10 percent Muslim, and five percent miscellaneous. Culturally more Caribbean than Latin American, Guyana was considered part of the West Indies economically (CARICOM) as well as for music and sports (e.g., cricket and football). Without a common culture in Guyana, political issues often fell along racial lines with power swinging back and forth between blacks and East Indians. Prior to independence, Guyana had been under colonial rule for several hundred years with control passing among various European countries. The CIA World Factbook reported 'The abolition of slavery led to black settlement of urban areas and the importation of indentured servants from India to work the sugar plantations. This ethnocultural divide has persisted and has led to turbulent politics.'

3.2. Brazil

Brazil was a big "carrot"—just slightly smaller in size than the US, with a population of 188 million and 80 percent living in urban areas. Even if only a portion of the country enjoyed vegetarian products, Brazil held great prospect. Some of Brazil's most populous areas lay near the Brazil-Guyana border, making it easier to reach large segments with minimal transportation requirements from Georgetown, Guyana. In addition, Brazil's gross national income (GNI) per capita of US\$3,460 dwarfed Guyana's US\$1,010 by a factor of three. Though an imbalance in income distribution was a social concern, a sizable upper-middle class might be enticed to consume VGI's offerings.

With its high disposable income and large population, Brazil was definitely appealing. However, there was reason to pause before charging into the largest and most populous country in South America. A prime barrier to expansion was that the main language spoken in Brazil was Portuguese, followed by Spanish, and then English. This was expected to pose serious implications for many aspects of Cecil's business, including expenses associated with packaging/labeling requirements, as well as difficulties communicating with purchasers.

Justifying his school tuition, Orin located the World Bank's *Doing Business in Brazil* report (<http://www.doingbusiness.org/brazil>) for his father. The chief caution Cecil needed to keep in mind was that 'Brazilian cities vary significantly in the ease of doing business.' While one statement sounded decidedly pro-

business: ‘Creating jobs is a priority for any government, especially in Latin America, where many people work in the informal sector. Doing more to ease regulation and establish a favorable business environment for entrepreneurs is key to creating more jobs—and equitable growth,’ it was likely not pro-imports, something that parochial policymakers tended to see as substitutes for locally produced goods (see Exhibit). Other revelations in the report would not shock an entrepreneur accustomed to doing business in an emerging market economy: poor infrastructure, income concentration, low-quality public services, corruption, social conflicts, stifling institutions, and overwhelming government bureaucracy.

Exhibit: Country Comparisons

	Guyana	Brazil	Venezuela	Regional average	OECD average
Documents for export (number)	8	7	8	7.5	5.3
Signatures for export (number)	10	8	6	8.0	3.2
Time for export (days)	42	39	34	30.3	12.6
Documents for import (number)	11	14	13	10.6	6.9
Signatures for import (number)	1	16	9	11.0	3.3
Time for import (days)	54	43	42	37.0	14.0
Tax payments (number)	45	23	68	48.2	16.3
Time spent on taxes (hours)	288	2,600	864	529.3	197.2
Total tax payable (% gross profit)	20.7	147.9*	48.9	52.8	45.4
Informal economy estimate (% GNP)	?	39.8	33.6	41.5	17.4
Ease of doing business (Overall rank out of 155 countries)	105	119	120		

World Bank’s Doing Business (<http://www.doingbusiness.org>)

No data available for Suriname or Trinidad and Tobago

* Orin assumed that this was a typo and that the real rate was 47.9%

Brazil offered a large potential market with wealthy consumers; this certainly could translate into better margins for VGI compared to what Cecil was currently earning in Guyana. Traveling some of those 60,000 miles of roads (one-third paved) might just be worthwhile. However, the language barrier coupled with Cecil’s lack of knowledge about the Brazilian business environment posed a seemingly larger risk than did some other options.

3.3. Suriname

A GNI per capita of US\$2,540 gave the people of Suriname wealth comparable to that of Brazilians and well above that of the average Guyanese. The official

language was Dutch but English was commonly spoken in Suriname, giving it a distinct advantage over Brazil. In addition to commonalities in language, Suriname's business environment was known to be similar to that of Guyana, creating less uncertainty for Cecil than would expansion into Brazil. Coincidentally, Suriname was the only other country beside Guyana in the mainland Americas to drive on the left—one less cause for concern for Cecil's wife.

South America's smallest country by area, Suriname had a population of half a million. However, with about half of the population living in the capital city Paramaribo, this urban centre was certainly a worthwhile market and one that Cecil might be able to reach. Suriname was ethnically 37 percent East Indians, 31 percent Creole (mixed black and white), 15 percent Javanese, 10 percent black, two percent Amerindian, two percent Chinese, and three percent white and other. Suriname's annual net migration rate was $-8.76/1,000$ compared to $-7.49/1,000$ for Guyana. While both countries had birth rates sufficient for slight annual population growth of 0.2 percent and 0.25 percent respectively, many departed annually. It was estimated that over 300,000 Surinamers (including world-famous football athletes) lived in the Netherlands, representing about two percent of the Dutch population.

Although Suriname was host to a smaller potential market than that of Guyana or especially Brazil, it held distinct advantages over either option. Its business climate and protocols were similar to those of Guyana, making the transition easier and less risky than expansion into Brazil. The numbers suggested Suriname had consumers with personal incomes closer to that of Brazil's and two and a half times more than Guyana's (largely due to income from oil reserves and other natural resources), creating an attractive space for VGI to sell its products. Among these three options, Suriname seemed to fall in the middle between domestic expansion and Brazil. Additional reconnaissance would be in order.

3.4. Venezuela

Slightly larger than twice the size of California, Venezuela had a population of nearly 26 million people. With 85 percent of that population living in urban areas, Venezuela, like Brazil, was a huge potential market. With an average GNI per person of US\$4,810 Venezuela was an appealing option for VGI's expansion. This wealth, primarily based on oil exports, was not evenly distributed. Venezuela frequently exhibited political curiosities. On the global stage, President Chávez received much attention because of the country's oil reserves. Venezuela was a founding nation for OPEC and was the originator of the idea. The Venezuelan flag recently had an eighth star added and the coat of arms was altered. Allegedly, Chávez's eight-year-old daughter proposed that the horse be altered from running right while looking left to both running and looking left. Critics and comedians

suggested this was a reflection of Chávez's left-leaning politics. Linguistically, Venezuela was Spanish. Its ethnic composition was Spanish, Italian, Portuguese, Arab, German, African, and indigenous people. In terms of faith, 96 percent of Venezuelans were Roman Catholic.

Venezuela was home to a huge population with high wealth, but like Brazil, there existed barriers to market entry. The main language in Venezuela was Spanish, and just as with Brazil, this would cause problems with everything from packaging to dealing with customers. In addition to the language barrier, Cecil was not familiar with the business environment in Venezuela, which created a substantial degree of trepidation. He was committed to reducing uncertainty and learning a bit more.

The market potential and large income per capita along with the language obstacle made Venezuela something to ponder, and—as with Brazil—in order to penetrate this market effectively, the Hickersons would have to overcome many of the same problems. Some serious thinking was in order if they wanted to tackle this market. Orin wondered if they should really attempt to learn the local language and thought his father could at least look into finding a local distributor; otherwise, they would have to look for something else or not pursue this option at this point.

3.5. Trinidad and Tobago

Initially, Orin did not consider Trinidad and Tobago for market expansion. It was upon hearing an innocuous ethnic joke about Trinis (informal, non-derogatory label for Trinidadians) that he thought about how much alike Trinbagonians (pormanteau of Trinidadians and Tobagonians) and Guyanese really were. The commonalities were numerous and they did respect each other as demonstrated by the incessant friendly bantering that took place between these two peoples with common ancestry and language.

The island nation had a population of just over one million people—five percent of which was located on Tobago, which represented six percent of the overall landmass. The country's population was however declining—almost one percent per year—the lowest growth rate in the Americas. Births outnumbered deaths, but migration was $-11/1,000$ inhabitants per annum. Ethnically, the islands were 40 percent Indian, 37.5 percent African, 20.5 percent mixed, and two percent other. The religious breakdown for “T&T” was 26 percent Roman Catholic, 22.5 percent Hindu, and assorted other Christian denominations comprised the rest with no particular group accounting for more than eight percent. Trinidad, a crescent-shaped island, at the tips was a mere seven miles off the coast of Venezuela. Cecil could not drive his lorry across the channel, but there were alternatives—ferries or a short flight to the capital city Port-of-Spain with a population of 350,000.

Scrolling through a CIA World Factbook webpage Orin noted that Trinidad and Tobago was ‘the leading Caribbean producer of oil and gas,’ was ‘an excellent investment site for international business,’ and tourism was a growing sector. Oil prices and foreign direct investment contributed to a growing trade surplus and wealth for the islanders. GNI per person was a whopping US\$10,440. The final tidbit from the CIA was that ‘the government is coping with a rise in violent crime.’ ‘Yikes,’ Orin thought, that last part did not sound particularly good for tourism but it would not scare them off.

Trinidad and Tobago was the smallest country ever to qualify for the FIFA World Cup. Other interesting trivia was Pitch Lake located in the southwest of Trinidad—the world’s largest natural reservoir of asphalt. This, and the abundance of petroleum and its resultant wealth, explained why over half of the 5,000 miles of roads were paved. Another statistic was that 0.1 percent of the population spoke Spanish. This meant that it would be difficult for the rest of South America to penetrate this market. And while English was the official language, like Guyana, not everyone would be able to follow the Caribbean tongue—a mixture of Creole, African dialects, and Bhojpuri/Hindi. This language barrier was one that worked in he and his dad’s favour. He thought visiting a few Trini grocery stores might help.

3.6. The Rest of the World

Orin had traveled the world in recent years and always relayed to his father the great opportunities he saw to expand the business to places like Canada and Sweden. Orin noticed a growing health trend in other parts of the world that might represent strong options for VGI. Along with health concerns, fears about mad cow disease and the avian flu drove people from eating meat and in search of alternatives. In addition to these trends, Orin relayed to his father that the selection currently available in these markets was nowhere near the vast array of products their company offered. Orin believed this might be an excellent chance for them to woo these meat-scared consumers toward what VGI offered.

Cecil appreciated Orin’s input and that he brought new windows of opportunity to mind. Orin helped his father with research on these developed countries. Even after all expenses and tariffs, Orin calculated that they could still turn a profit in these markets. Cecil knew he had to weigh their options and appreciate the differences in business climate these countries had from Guyana. Up until now, Cecil’s way of conducting business had been informal; in these new markets there would have to be serious changes to the way VGI operated. Cecil knew there was real potential in these markets, but he also knew these markets would require a lot of adjustments to the way he and VGI did business.

4. Options for Growth

Although there were plenty of opportunities for Cecil, each with distinct advantages and risks, something had been bothering him about his plans for expansion. Until now, VGI had remained competitive because Cecil did almost everything himself. If he expanded into new markets he was not sure how to stay competitive. Cecil did not have a lot of direct information on the markets he planned to expand into, but he did know that competition was fierce and price competitive. In a recent conversation, Orin was able to get his apprehensive father to concede, 'I do plan to hire more workers, buy more trucks and drivers. Possibly set up an out-of-town branch, but I would need to find trustworthy employees.'

Cecil felt his first option was to approach the entrance of new markets the same way he approached business in Guyana. Essentially, driving his truck to make deliveries and meet with potential customers until he had expanded the business as far as daylight would allow him to go. Cecil would make no changes to packaging and give his best to get past language barriers in meetings. Expanding the business this way, Orin believed, did not hold promise for expansion because one man can only do so much. With Cecil's limited knowledge of the other markets, VGI would likely gain very little business.

The second option would be to continue to run the business on his own, but hire consultants to help Cecil overcome language and cultural barriers to these markets. This vicarious approach would allow VGI to reach new markets with custom packaging and local knowledge that may help Cecil in his business negotiations. If Cecil were to pursue this option he knew that consultants might be expensive and it would be difficult to measure the amount of return he was getting on that investment, but he knew that it held definite advantages over venturing into these markets alone. What he did not know was if the benefits that would accrue would outweigh the costs incurred by hiring help.

The third option was to find distributors in the markets selected for entry and have these distribution firms use their knowledge and understanding of consumers in that area to help move products successfully into those markets. The upside to this option for Cecil was that all he had to do was increase his orders and repackaging of the product to meet the demand of these distributors and the rest was taken care of by his partners in the other markets. This option was appealing to Cecil's wife because it would mean a lot less stress for Cecil, but there were some major concerns Cecil had with it. If he let someone else just take his product into these new markets he would not maintain as much control over the price, marketing, customer service, and many other aspects of the business that could impact the way his product was perceived in those markets. In addition to the loss of control, Cecil would relinquish profits. The idea of loss of control over certain company functions as well as a reduced margin made Cecil hesitant about this alternative.

Cecil wrestled with taking the big step of hiring additional employees, buying more delivery trucks, and increasing packaging facilities. This would require investment, but if successful, Cecil believed VGI would reap a higher reward than with any of the other options alone. Cecil was fond of this plan because he would maintain control over the functions of the enterprise while still providing growth. He was, however, aware of the risk of this move. Cecil knew that if a large amount of money were invested and the plan failed, it would set him back years. It had taken him much hard work to get where VGI was today.

In addition to the great consequences that such a loss would bring, Cecil admitted that moving forward would inevitably mean hiring employees that he must trust and depend on. Until now, Cecil had relied on himself; with this bold move came the uneasy thought of having to count on other people to work as hard as he had to see his enterprise succeed.

4.1. Current Operations

Orin pressed his father on a few more issues. Orin knew his father made as many sales calls as he possibly could. On the subject of sales volume, Cecil replied:

I import a minimum of three forty-foot containers per year. This includes mostly TVPs [textured vegetarian products] and other process canned products. To hit my profit margin I need to sell all of this product for the market to remain attractive. Each year I hope that the demand increases which increases the attractiveness of the market.

Orin then asked his father about the prospect of profits being squeezed in markets with strong price competition. Cecil Hickerson responded:

Apart from the low profit margin in out-of-town markets, I would have to cover transportation costs and personal expenses when selling to these markets. One 50-pound bag of TVP—valued at roughly US\$100 sales price—would cover my transportation and personal expenses when venturing into these markets. Over the last few years I have been importing a cheaper TVP to sell to the out-of-town market at a lower price. This strategy has been working well. Also, I get the out of town suppliers to pick up their orders when in the capital city where we are located. This further saves costs!

The point that resonated acutely with Orin was that most people, particularly those engaged in commerce, would have to pass through Georgetown periodically. Paperwork for banking, legal issues, and various matters of government bureaucracy would ensure a regular pilgrimage for those in business. In Latin America and the Caribbean, face-to-face transactions were still the norm. Orin wondered about Vegetarian Gardens' financial position, were they in any shape to expand? Though not Cecil's forte, he offered:

For the loans that we were granted the bank has assessed our current account over the years. In addition, they evaluated my personal assets. The bank has asked me to produce yearly financial statements, but this would incur accounting costs!

Orin was curious whether their suppliers in the United States dealt directly with any of the markets currently under consideration. His father nodded his head and said:

We don't know who our suppliers have agreements with in the other countries and Caribbean islands. I guess when the time comes we will have to inquire or find out the hard way. We are unaware of any relationships our suppliers have with buyers in the other islands.

They both knew that they did not want to alert suppliers to their plans too early or possibly ever, but the danger was that the suppliers would find out from the wrong sources. Suppliers might already be in these markets or decide to enter them. Cecil then asked his son how he felt about all of this. Orin replied:

I may have given you some of this information by e-mail already, but the Canadian market, for instance, lacks variety. I would say that the products are more expensive in Canada when compared to those in Guyana—even after they are shipped and duties paid!

What's most appealing about Western countries is the existence of large health-conscious markets and, of course, they have the disposable income! Trying to establish a business in countries out of our region will be expensive but we have the bank on our side. You say they're always wanting to loan you money. More research still needs to be done. What about the government?

Cecil interjected "There is a project called 'Go Invest Guyana' [<http://www.goinvest.gov.gy>] but we have no intention of using the services of this program." Orin then commented:

I think the company needs to invest more in ads and promotions. We don't have any billboards or television ads in the capital city. We used to partly sponsor a television program 'Buy Local.' The promotion would help push our new products such as tofu, soy milks, Ginseng Up, and others. Now are you facing any production concerns, how efficient are we, is Veggie Gardens ready to ramp up?

Cecil offered his son some information he might not have been aware of while off at university:

As demand increases, the cost per unit decreases. It is only this year that we started to ship directly out of [US state on the eastern seaboard] where the TVP is manufactured. Prior to this, our orders were consolidated in [another US state] and then sent to Guyana. This change has reduced costs! We outsource the

production of labeled bags. This is done in [one of the Caribbean islands]. I plan to commence building a new factory/storage facility within a few months. We use an assembly line packaging system. During the latter part of last year, we changed from double packaging to single packaging. This lowered cost and increased daily productivity, but we are experiencing losses due to poorly sealed bags resulting in wastage. This is usually discovered at point of delivery. We need to invest in some commercial sealing machines. Let's see, what else... oh, we upgraded to electronic scales.

4.2. Next Steps Moving Forward

Ever since Orin had returned from his time abroad, Cecil and his son worked tirelessly to evaluate each market and every entry strategy they could think of. Each strategy and market had its own advantages and was fraught with possible downsides, but Cecil decided there was no more time and some choices must be made.

Cecil was aware he was likely missing pieces of information that would help him better evaluate what decisions to take, but he had been in this situation before and knew that you sometimes have to proceed without all of the information you want or need.

One thing Cecil was certain about was his son; Orin was developing real business acumen and a decent global perspective. If Cecil needed to step back, VGI would survive. He mused, 'When you are young you carry much burden, but as you get older you can take on less responsibility. Only time can make you what you will be.'

As he sat in his lorry bouncing along past the beautiful scenery on the outskirts of Georgetown, he thought about the road ahead; Cecil wondered if there was anything he may not have considered that could have a major impact on his decision. He was filled with anxiety as he thought about what to do. He knew that it was time for him to choose a path, and as he bounded along with both hands on the steering wheel, he wondered which path would best lead to further the success of his business (and his family).

NOTE: Teaching Notes for qualified practitioners are available for this article at: info@senatehall.com