



Internationalization of SMEs

Case Study of the Empresa de Cervejas
da Madeira

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ABSTRACT IN ENGLISH

This thesis delves into the internationalization of Empresa de Cervejas da Madeira (ECM), a venerable enterprise with over 150 years of history, commanding an impressive 80% market share in the Autonomous Region of Madeira and achieving a remarkable presence in every continent globally. The case study meticulously examines the key drivers behind ECM's decision to venture into international markets and the strategies it employed for successful global market entry.

The study highlights ECM's meticulous approach to the internationalization process, emphasizing the specific phases it navigated and the entry modes it adopted to maximize profits. Through a detailed analysis, this thesis uncovers the countless risks and opportunities that emerged from ECM's international expansion, as well as the diverse marketing strategies the company had to devise to overcome the challenges presented by different international markets.

Furthermore, this thesis provides valuable insights into the significant impact of ECM's journey on the global business landscape. It offers a comprehensive view of how this centennial company, and others like it in the future, can achieve success in the global market. The findings of this study serve as a crucial reference point for SMEs aspiring to expand internationally, demonstrating the importance of strategic planning, market adaptation, and risk management in global business success.

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ABSTRACT IN PORTUGUESE

Esta tese explora a internacionalização da Empresa de Cervejas da Madeira (ECM), uma empresa respeitada com mais de 150 anos de história e que detém uma impressionante quota de mercado de 80% na Região Autónoma da Madeira, alcançando uma presença notável em todos os continentes. O estudo de caso examina detalhadamente os principais motivadores por detrás da decisão da ECM de se aventurar nos mercados internacionais e as estratégias que aplicou para uma entrada bem-sucedida no mercado global.

O estudo destaca a abordagem metódica da ECM no processo de internacionalização, ao enfatizar as fases específicas pelas quais passou e os modos de entrada que adotou para maximizar os lucros. Através de uma análise detalhada, esta tese revela os inúmeros riscos e oportunidades que surgiram com a expansão internacional da ECM, bem como as diversas estratégias de marketing que a empresa teve de desenvolver para superar os desafios apresentados pelos diferentes mercados internacionais.

Além disso, esta tese oferece percepções valiosas sobre o impacto significativo da jornada da ECM no panorama de negócios globais. Ela proporciona uma visão abrangente de como esta empresa centenária, e outras semelhantes no futuro, podem alcançar o sucesso no mercado global. As descobertas deste estudo servem como um ponto de referência crucial para PME's que aspiram à expansão internacional, demonstrando a importância do planeamento estratégico, a adaptação de mercado e a gestão de riscos no sucesso dos negócios globais.

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1. Introduction

1.1. Contextualization

In recent times, the landscape of international business has suffered a remarkable transformation. Traditionally, the realm of internationalization was primarily occupied by large corporations, with Small and Medium-sized Enterprises (SMEs) confined to local markets. However, a paradigm shift has occurred, driven by initiatives to reduce barriers to expansion and the attraction of foreign direct investment.

This evolution has accompanied in a new era where a substantial number of SMEs are actively engaged in internationalization. Unlike the past, where their operations were predominantly local, SMEs are now seizing opportunities on the global stage. The facilitation of expansion, achieved through strategic measures aimed at welcoming foreign direct investment, has provided SMEs with the incentive to explore and establish their presence in international markets.

Notably, SMEs constitute a staggering 99% of all companies in Europe (SMEs and mid-caps). This statistic emphasizes the crucial role that SMEs play in the fabric of economic globalization. The sudden increase in their international activities has not only diversified the global business landscape but has also injected vitality into the broader economic narrative. SMEs, once confined to the periphery of international business, are now acknowledged as key protagonists, shaping the outlines of global economic integration.

As we research into the phenomenon of SME internationalization, it becomes apparent that their involvement transcends mere economic statistics. SMEs contribute not only to the numerical dominance of businesses in Europe but also foster innovation, adaptability, and a dynamic interplay within the global market. In this context, understanding the details of SME internationalization becomes not only an academic pursuit but also a critical exploration of the changing dynamics defining the contemporary global business ground.

1.2. Justification for studying the specific internationalization of this company

Empresa de Cervejas da Madeira stands out as the leading player in beverage production and distribution within the Região Autónoma da Madeira. Boasting an impressive 80% market share, the company commands a leading position in the local market, reaching every corner of the

island with at least one of its products through a comprehensive distribution network. With 250 employees and an extensive clientele of approximately 3500 customers, Empresa de Cervejas da Madeira is not merely a business entity; it is crucial for job creation and an essential force driving economic growth within the region.

What elevates the significance of studying the specific internationalization of Empresa de Cervejas da Madeira is the company's ambitious vision. The company's reach extends from the northern to the southern regions of the country, representing, for an island-based company, an effective form of internationalization due to the peculiarities in sales that require exports beyond the island, similar to the process of exporting products to other countries. Subsequently, the company exports its products to every continent worldwide through strategic local partnerships, presenting a compelling case for further exploration. This strategy on global expansion, positions Empresa de Cervejas da Madeira as a dynamic player internationally, going through challenges and opportunities that hold implications for the broader dissertation on the internationalization of SMEs, particularly within the context of the beverage industry.

In essence, Empresa de Cervejas da Madeira's unique position as a regional market leader, its integral role in local economic development, and its global reach converge to make it an intriguing subject for in-depth research. Through an exploration of its internationalization journey, the thesis aims to unravel valuable insights into the complexities and strategies employed by a regional power crossing through the world.

1.3. Research objectives

The internationalization of the Empresa de Cervejas da Madeira is a very interesting theme for the thesis, as it offers a huge variety of research areas that are relevant and in line with my MSc in Management with Specialization in Strategy, Entrepreneurship & Impact.

By doing this thesis, it is possible to understand many interesting topics such as the market value of the industry, internationalization strategies and their barriers.

Just to provide a glimpse into the essence of the beer industry, it's valuable to introduce this data, enhancing the comprehension of its dynamics, so as for the first theme, according to Fortune Business Insights, in 2022 the global market value of beer was USD 793.74 billion, while in the current year it is expected to grow to USD 821.39 billion. Due to the growing increase in global

consumption, its value is expected to exceed USD 1,000 billion by the year of 2030, with a Compound Annual Growth Rate (CAGR) of around 3.88%.

Continuing the previous theme, according to STATISTA as shown in Figure 1 in the Appendix, the average per capita revenue in Portugal is much higher than the average per capita revenue of the world's population. According to the graph, it can be seen that in 2022, Portugal had a per capita revenue of USD 88.11, while the world's population had only USD 74.68, making our country a major consumer of beer.

Although China is not one of the countries with the highest per capita revenue, it is by far the country with the highest total revenue worldwide, having obtained a huge amount of USD 121.40 billion last year, which compared to, for example, Portugal's USD 0.89 billion is a gigantic difference.

The most successful companies in the beer sector use different internationalization strategies. One of the most frequent is the granting of an operating license, in which company 1 allows company 2 (which belongs to the country in which it wants to start trading), to produce and market its products and in exchange for the use of its brand, company 2 pays royalties to company 1. This process aims to ensure that company 1 does not have any expenses with the investment necessary to enter a new market (6 estratégias de internacionalização de empresas para ajudá-lo a dar o passo em frente, 2022).

Another option could also be franchising, which just as the granting of an operating license involves the granting of rights but, franchising on the other hand, involves a little more control and more structuring, as it offers more assistance in managing the business.

Finally, another strategy that is also widely used is the creation of subsidiaries. A subsidiary is a company that is later part of another (which is called the parent company) and is widely used in internationalization processes because it helps the company enter the desired region and better integrate into the new country (as it already knows its habits, customs and culture).

2. Literature Review

2.1. Historical Evolution of Company Internationalization

The internationalization of companies has experienced a remarkable evolution since the repercussion of World War II, driven by a combination of technological, political, and economic transformations. This historical journey starts for understanding the analysis of the internationalization of Small and Medium Enterprises (SMEs), which have achieved great things, but with unique challenges.

In the early post-war period (late 1940s until 1960s), the focus was primarily on reconstruction and expanding beyond domestic boundaries. The beginning of Multinational Corporations (MNCs) emerged as a notable phenomenon during this era, with firms establishing subsidiaries or engaging in partnerships around the globe. Technological advancements played a key role, facilitating improved communication and transportation across borders, thereby allowing firms to manage operations in different places.

As the world transitioned into the 1970s through to the 1990s, there has been a great wave of globalization, due to the liberalization of trade policies in many countries. This period saw the growing of global supply chains as companies wanted to capitalize on cost differentials, expertise, and resources domiciled in varied countries. The establishment of regional economic alliances such as the European Union (EU) and North American Free Trade Agreement (NAFTA) has further encouraged business around the world.

The digital revolution marking the late 1990s and extending into the 2000s significantly dropped the barriers to internationalization. The internet became essential, enabling even small companies to reach customers in the whole world. The spread of e-commerce platforms increased international sales with lower investments, creating a favorable environment for SMEs to enter into international markets.

In the contemporary era (2010s - present), companies operate within difficult global networks, making collaborations with diverse stakeholders, partners, and consumers worldwide. The ascension of emerging markets presents both a lot of opportunities and a set of challenges for companies, especially SMEs, aiming to internationalize. An understanding of local market dynamics along with global sustainability standards has become imperative for successful international operations.

The internationalization of companies has given rise to a place where there are countless opportunities but also several challenges. For SMEs, the history of the internationalization has offered knowledge that can teach the companies how to make profit in the international business, adapting strategies employed by larger corporations while adapting methods to fit in the characteristics related to small and medium-sized ventures. As SMEs try to expand their global footprint, the lessons learned from the histories of business internationalization serve as a guide for innovative global strategies.

2.2. General concepts of SME internationalization

In the article “Internationalization of SMEs: a systematic review of 20 years of research” it is “verified that the three most relevant themes of the 20- year period were Antecedents, Patterns, and Outcomes of SME internationalization.” (Steinhäuser, Paula, & Macedo-Soares, 2020)

Starting with the first theme, the Antecedents, focuses on the factors that influence the decision of SMEs to internationalize. It includes factors such as firm size, resources, capabilities, international experience of key decision-makers and networks.

On the other hand, the theme Patterns explored the different patterns and strategies adopted by SMEs during the internationalization process, which includes themes, such as entry modes, country selection, internationalization paths and market entry timing. Process Innovation and Proactivity also emerged as influencing internationalization path decisions and geographic scope. Innovation, in terms of experimenting with new ideas, products, technologies, and techniques, was found to influence a firm's ability to internationalize.

The last theme to discuss is the Outcome, which examined the performances and outcomes of SMEs in their internationalization efforts, which includes factors, as firm performance, market performance, international competitiveness and financial performance. Product Innovativeness and CEO's Attributes were also identified as important factors in determining the success of SMEs in international markets.

Policymakers can implement several strategies to support the success of SMEs in international markets. One of the strategies is trade facilitation measures, in which they can reduce trade barriers, boost trade facilitation agreements and improving logistics and transportation infrastructure.

Another possible strategy is the financial support, because “lack of financial resources is often a main concern” (Yuhua, 2015) when entering international markets. One of the solutions passes

by policymakers provide financial support through loans or subsidies, for instance, to help SMEs overcome financial barriers and to gain access to the necessary resources for international expansion.

A further strategy could also be the facilitation to the information and network access provided once again by the policymakers which could establish platforms that connect SMEs with diverse stakeholders, causing in finding potential partners.

To finalize this theme, policymakers could invest in capacity building programs and training initiatives to develop the skills and capabilities of SMEs in areas such as international marketing and cross-cultural communication.

Despite all the help that policymakers can give, there are some risks that SMEs may face when engaging internationalization. One of the problems is lack of resources and expertise in which SMEs don't have enough financial resources, human capital, or even knowledge to compete in the international markets.

On the other hand, SMEs may also struggle to meet the compatibility of standards required in foreign markets, which can limit their ability to compete with local regulations. One other possible challenge that SMEs face is the protection of intellectual property rights, which can lead to the risk of imitation by other competitors.

SMEs may also be exposed to political instability or changes in government policies that can influence their profit and operations. However, SMEs may encounter corruption too, which can affect their reputation. (Yuhua, 2015)

As said before, it is important for policymakers to address these risks and challenges through well-designed policies that offer support, control, and resources so that SMEs enter into international markets. However, despite all these risks mentioned above, many companies still want to internationalize, mainly because of the large increase in revenue that the company will obtain.

One of the ways in which SMEs are able to earn more revenue comes from entering new markets, which will subsequently offer new customers and therefore more revenue, because in these foreign markets there may be greater demand for the product on offer. SMEs will also no longer be dependent on a single market, so there is less risk of fluctuations or recessions that could affect their operations.

Another advantage for which SMEs decide to internationalize is because it leads to the increase production volumes that will result in cost savings, so that they can benefit from economies of scale by expanding their operations. At the same time, they have access to advanced technology and innovation (Yuhua, 2015), due to the collaboration with foreign enterprises, through partnerships or even joint ventures, that ultimately will lead to increase revenue. Finally, the internationalization will help the SMEs build a strong brand presence around the globe, which can attract a lot of new loyal customers making higher sales and eventually profit.

2.2.1 Internationalization of SMEs in peripheral/tourist regions

Firms in European peripheral regions differ in their international open innovation strategies compared to firms in other regions in several ways. Firstly, due to their peripheral location, firms in these regions often face unique challenges such as limited access to resources, markets, and networks. This can impact their ability to engage in open innovation and collaborate with external partners.

Secondly, firms in peripheral regions may have a stronger focus on local markets and may be less inclined to pursue internationalization strategies. This can be attributed to factors such as limited market opportunities, higher transportation costs, and cultural differences.

However, open international innovation can offer several benefits for firms in European peripheral regions. Open innovation allows firms to enter a global network of knowledge and expertise. By collaborating with partners from different countries, firms in peripheral regions can gain access to new ideas, technologies, and best practices that can improve their innovation capabilities (Lopes, Gomes, Oliveira, & Oliveira, 2022).

Another thing that international open innovation enables is that the firms can explore new markets and so increase their customer base beyond their domestic market. By joining forces with other partners, this firms can get better insights into local market preferences, cultural differences which can then help them to improve their products into specific international markets. Furthermore, by collaborating with different partners can help them to increase their competitiveness through more innovative products that meet international standards and compete in global markets.

Nonetheless, international open innovation can offer firms in these regions more access to funding and resources, creating more accesses to specialized facilities and opportunities (Lopes,

Gomes, Oliveira, & Oliveira, 2022). On top of that, firms can get some facilitation in knowledge transfer between them, other firms and also their external partners, gaining then valuable insights into market trends, new technology and best business practices.

Overall, international open innovation offers firms in European peripheral regions the opportunity to overcome the challenges of their geographical location and tap into global networks of knowledge, resources, and markets. It can help them enhance their innovation capabilities, expand their market reach, and improve their competitiveness in the international markets.

2.3 Literature review on the internationalization of companies in the beer sector

Companies need to implement adaptive strategies to achieve their goals. One of the strategies used by SMEs in the beer sector in Baja California (Mexico), for example, passes by collecting some local networks that encourage collaboration and knowledge sharing, allowing them to share best practices and to improve the industry in this region (Alvarado, 2022).

Another possible strategy is to bet on the product differentiation and innovation, as so the companies try to create a unique and distinct beer flavor to stand out in the market and to attract new customers. Continuing from the previous idea, SMEs prefer quality over quantity, emphasizing the use of quality ingredients and attention to detail to guarantee that their beer has a superior taste than their rivals.

Craft beer companies in this region, often have a strong storytelling with the purpose of compelling and attracting new customers, by making references to their local culture, having stories behind their product and creating an emotional connection with the customers (Alvarado, 2022).

This companies have some advantage in relation with the internationalized companies, due to the strong relations with local distributors, bars/restaurants allowing them to build a strong customer base and to have a good presence in their region.

Despite the fact that these local SMEs have numerous advantages over companies from other regions, they still find it very difficult to compete with them, because nowadays it is increasingly easy to internationalize due to the lot of factors that influence them.

For example, in the Brazilian craft breweries, the internationalization process is often motivated by the background and international experience of the entrepreneurs (Stocker, Abib, Jhuniór, & Irigaray, 2021). Their knowledge and connections in the global market play a crucial role in expanding the breweries internationally.

The decision to internationalize is determined by the intention of the company to have their products at an international level, rather than in one simple domestic market. Beside that, craft breweries that invest in innovative products are more favorable to have a quick internationalization, because innovation is an important factor for the development of this industry and to achieve their success abroad.

Participation in international fairs and festivals also helps in establishing contacts and consolidating the brand abroad. Collective productions and partnerships with foreign breweries facilitate the entry into international markets. At the same time companies also enter in leading markets where the beer market demands a high-quality product and so demands a unique and improved beers causing in the improving of the quality of their product.

3 Methodology

3.1 Description of the specific methodology for studying the internationalization of the Empresa de Cervejas da Madeira

The goal of this research is to study the internationalization process of the Empresa de Cervejas da Madeira (ECM), the leading beer producer in Madeira. This study uses a case study approach to better understand their processes, motivations and strategies of internationalization and their challenges during its expansion through the internationalization markets.

To do this, I first researched articles that would give me a better understanding of how SMEs internationalize and what challenges are usually presented during this process. On the other hand, I also thought it was relevant to understand how companies in peripheral regions can internationalize, where they can have numerous disadvantages compared to other companies, due to their lower capacity to obtain products and even knowledge and contacts. Finally, I also thought it was important to get a sense of how companies in general in the beverage industry were able to progress and improve in the face of the dense process of internationalization.

From this data acquired through the articles, I was able to get a better idea of which data collection methods are most suitable for this thesis.

3.2 Data collection methods

To get an even more comprehensive picture, I conducted several interviews with employees of Empresa de Cervejas da Madeira and used some of the tools provided by their website to get a better view of the extent of the processes involved in achieving a good internationalization.

The main person I interviewed is Dr. Gustavo Coelho, who holds the position of export director at ECM and who can best help me with any questions I had regarding the company's internationalization process. The questions I asked are described in the Appendix as Table 1.

To go into more detail, I used the company's website, which had lots of tools that helped me in this study. Starting with the ECM page, the website has a category called "Empresa", in which it has the entire history of the company by years, where it holds the most important years of ECM. On the other hand, this page also has all its activities, mission and values, besides all their factory planning (Empresa de Cervejas da Madeira, s.d.).

Next, the website explained all the products sold by the company, along with its sales locations throughout the country. It also includes the company's goals and future projects that are expected to be realized.

At last, another data collection method is to observe the company's facilities in order to better understand how the company functions and realize how it works to achieve the best possible results.

3.3 Reasoning behind choosing these methods

The use of interviews as a data collection method is mainly due to the more specific views on the company and due to the more detailed and unique information that no other tool could provide. Through this type of method, it was also possible to have a better understanding and clarification of the ECM and to be able to ask more questions in order to remove as many doubts as possible.

On the other hand, the use of the website is fundamental, as it is the company's best communication platform and it is through it that I had access to company updates, such as new partnerships, new sales locations and new strategies.

Ultimately, it's through observing the factory (was made possible through the generous assistance of Dr. José Moniz, who took the time to elucidate the intricacies of its operations) that I got a better understanding of the entire product creation process, quality control and all the logistical processes carried out by ECM.

By using these methods, the overall understanding of how the company works as a whole becomes much clearer and how it works efficiently to achieve a better strategy for internationalization.

4 The Case Study

4.1 Empresa de Cervejas da Madeira Profile

4.1.1 History and evolution of the company

Empresa de Cervejas da Madeira (ECM), established as the premier beverage production and distribution enterprise in the Autonomous Region of Madeira, has a rich history dating back to 1872. In this year, the inception of what would later be known as Empresa de Cervejas da Madeira began with the establishment of the "Atlantic Brewery" by the visionary Henry Price Miles.

By the year of 1934, the company has a pivotal moment unfolded when Henry Price Miles joined forces with the esteemed "Fábrica Leão," under the Sociedade Araújo, Tavares e Passos Lda. and with the Leacok family. This alliance was formed in the aftermath of the bankruptcy of Banco Henrique Vieira da Silva, a consequence of the 1929 Great Depression that plunged the world into economic chaos, marked by rising unemployment and plummeting industrial production and stock values globally.

António Egídio Henriques Araújo, then director of "Araújo, Tavares e Passos, Lda." and "Água do Porto Santo Lda.", played a pivotal role in ECM's foundation. He shifted his investments from the former to the latter, which was subsequently renamed Empresa de Cervejas da Madeira. This new entity emerged primarily from the amalgamation of the only two breweries of the time: "Fábrica Leão" (from "Araújo, Tavares e Passos, Lda.") and "Fábrica Miles" (from "H.P Miles & Companhia"). The partnership expanded to include "H.P. Miles" from the Miles family and "Leacok & e Companhia Lda." from the Leacok family.

In the initial share distribution following the merger, "Água do Porto Santo Lda." and "H.P Miles & Companhia" each acquired 47% of ECM, while "Leacok & e Companhia Lda." held the remaining 6%. A significant development occurred in 1965 when Humberto Pelágio, then director of Sociedade Central de Cervejas (a major Portuguese beer brand), suggested to ECM's director, António Araújo, that the two largest shareholders sell 15% of their stakes to avoid a potentially damaging rivalry between ECM and Sociedade Central de Cervejas in the Madeira region that could lead to major losses for the company.

The landscape of ECM underwent a dramatic change following the Portuguese Revolution on April 25, 1974. The government nationalized the remaining 62% stake of "Água do Porto Santo

Lda." and Sociedade Central de Cervejas, integrating it into the Madeira Regional Government's holdings. In 1994, the "Grupo Pestana" acquired a majority 51% stake in "H.P Miles & Companhia" (which included 32% of ECM and an additional 6% purchased from "Leacock & e Companhia Lda."). Dr. Miguel Sousa assumed the role of ECM's board chairman, a position he continues to hold.

The narrative took another turn in 1999 when the "Grupo Pestana", in collaboration with the Miles family, purchased the 30% of ECM shares previously nationalized by Central de Cervejas. This acquisition gave them control over 68% of ECM, while the Madeira Regional Government retained a 32% stake.

To conclude, due to the interview conducted by Dr. Gustavo Coelho it is possible to learn that it was only in 2004 that the Pestana Group acquired the entirety of ECM's shares, purchasing the remaining quotas previously owned by the Government of Madeira, thus assuming full control of ECM. This strategic move solidified ECM's position as a dominant force in the beverage industry of the Autonomous Region of Madeira.

ECM, being wholly owned by the Pestana Group, stands out as the only brewery that is entirely Portuguese (excluding craft beers) which has a significant impact on the market. This uniqueness is evident when considering that Super Bock is affiliated with the Carlsberg Group and Sagres with the Heineken Group. Sagres faced substantial losses in various markets due to Heineken's decision to terminate international operations, including its own distributor in the United States, which sought a 100% Portuguese product and consequently chose to switch to ECM.

This example illustrates the numerous opportunities that ECM has, positioning itself as the sole major beverage company in Portugal with a completely national identity.

4.1.2 Description of the organizational structure

The Empresa de Cervejas da Madeira exhibits an organizational structure that plays a crucial role in its growth and development. This structure is characterized by the division into various specialized departments, each focusing on specific aspects of the business, allowing for efficient and targeted management.

Starting with the commercial department, which itself is split into three main markets: The Madeira Market, the Mainland Portugal Market, and the Foreign Market. Focusing on the Madeira Market, it features two commercial directors, each overseeing distinct channels. One director manages the On-Trade channel, which includes locations where the customer acts as

both the buyer and immediate consumer. This category encompasses bars, restaurants, cafes, bakeries, nightclubs, hotels, etc. This division enables the company to develop marketing and promotion strategies that are specific to these environments. On the other hand, the other director is responsible for the Off-Trade channel, comprising sales points such as supermarkets, hypermarkets, grocery stores, and kiosks where customers purchase products to take home. This distinction between On-Trade and Off-Trade allows ECM to tailor its strategies to meet the needs of each channel more effectively (ON & OFF TRADE - On & Off Trade is industry jargon for the types of venues and premises).

Furthermore, ECM places significant emphasis on exportation, with a dedicated director and a lean but efficient team (10 persons). This team consists of market managers (7 out of those 10 people) in mainland Portugal and a back-office group (3 out of 10 people), which allows ECM to effectively cater to different market segments, ensuring tailored strategies and approaches for each, thereby enhancing its market presence and adaptability in various environments.

The company also boasts specialized departments such as Production, Logistics, Marketing, Quality, Purchasing, Human Resources, and Information Systems. Each of these departments plays a vital role in managing different aspects of the business, ensuring that all areas are managed with expertise and efficiency. The existence of a general management and a management board indicates a centralized decision-making structure, which can be beneficial for the rapid implementation of strategies and maintaining a unified vision of the company.

ECM also demonstrates flexibility in human resource management, with 250 direct employees and about 50 in outsourcing. This approach allows the company to adjust to seasonal fluctuations and market demands while maintaining operational efficiency.

This organizational structure enables ECM to respond quickly to market changes, adapt to different segments, and efficiently expand into new markets. The specialization of the departments ensures that each aspect of the business is managed with expertise, while the centralized management structure facilitates the implementation of unified corporate strategies. All this contributes to sustainable growth and adaptability in a competitive market, being fundamental to ECM's continued success in the beverage sector.

4.1.3 Key aspects in the local market

The Empresa de Cervejas da Madeira has achieved notable milestones in the local market, particularly highlighted by its impressive market share. Currently, due to the interview

conducted by Dr. Gustavo Coelho it is possible to know that ECM holds almost 80% of the market in the Região Autónoma da Madeira, a testament to the consistent and dedicated work carried out over the years. ECM's brands are not only recognized but deeply embedded in the local culture. With over 150 years of history, the company boasts iconic brands such as Coral, which has celebrated its 50th anniversary, and Brisa, also over half a century old. These brands are extremely cherished by the Madeiran public, to the extent that they have become synonymous with Madeira's own history. Often, when Madeira is mentioned outside the island, people immediately recall Brisa Maracujá and Coral Beer, demonstrating the lasting impact and emotional memory that ECM has managed to create through its products.

Furthermore, ECM is one of the leading companies in Madeira's local industry, and the quality of its products represents another significant achievement. The ability to create positive memories in people through the excellence of its products has been a key factor in the company's ongoing success. This combination of a strong market presence, iconic brands, and high-quality products solidifies ECM's position as an undisputed leader in Madeira's beverage market.

4.2 Motivations and Strategies for Internationalization

4.2.1 Specific reasons why Empresa de Cervejas da Madeira decided to internationalize

The decision of Empresa de Cervejas da Madeira (ECM) to internationalize stopped from a growth necessity due to the saturation of the local market. Having captured about 80% of the market share in Madeira and covered 100% of the sales points, totaling approximately 3500, ECM reached a point where further expansion in the local market was impossible. Even in places where Coral beer was not available, at least one of ECM's products, such as Brisa or Laranjada, was present. Thus, the lack of room for internal growth led the company to look towards foreign markets, initiating the process of internationalization.

The first step was naturally towards Mainland Portugal, which, although not being considered internationalization, it is in the strict sense for island companies represented a new and significant market. In this market, ECM accounts for about 60 per cent of its exports, thus having greater weight and presenting a different and much heavier daily work volume than the other markets, which means they have to work much more closely with partners in Mainland Portugal.

The company operates in two distinct segments: the Horeca channel and the food channel. The Horeca channel is mainly characterized by the preparation and marketing of food and drink, using products previously purchased in establishments or points of consumption (What is HoReCa? The ultimate definition of the HoReCa channel). Due to the interview conducted by Dr. Gustavo Coelho it is possible to understand that in this channel, the company works with 34 exclusive distributors in mainland Portugal, covering representation from the north to the south of the country.

Also due to the interview conducted by Dr. Gustavo Coelho it is possible to learn that in the food channel, the company has an additional facility in Azambuja, where it keeps all its products ready for sale to large companies, including SONAE (Continente Supermarket), Pingo Doce, AUCHAN and Lidl. It also runs four temporary actions with the Brisa product that are present in some InterMarche shops. The point in Azambuja not only serves the food channel, but also serves as a distribution center for the Horeca channel, supplying products to various establishments in Portugal.

After consolidating its presence in the continent's markets, the company focused on the so-called "Saudade" markets, which are those where Madeiran immigrant communities reside. Motivated by this cultural connection, they began exporting to destinations such as the United Kingdom, South Africa and Venezuela. This strategic move powered gradual and consistent growth.

The recognition of ECM's brands began to arouse interest in markets beyond those initially targeted. This interest catalyzed the formal start of the company's internationalization process. The commitment to the quality and authenticity of its products not only consolidated its presence in the markets of the Madeiran diaspora, but also opened doors to new opportunities for global expansion. ECM then embarked on a more solid path towards its international presence, taking advantage of its reputation to explore markets beyond its initial borders.

Now, taking a more specific approach, let's consider the example of the internationalization into the Chinese market, which began at the end of 2015 and differently of the majority of the internationalization processes of this company was not a premeditated choice by ECM. Before entering the Chinese scene, the company was present in other markets, such as Angola, which represented a source of opportunity for a period. However, between 2014 and 2015, the Angolan market fell significantly, making room for new emerging markets, notably China, for European products.

ECM didn't actively start looking for the Chinese market; on the contrary, the interest came from a Trader who approached the company's employees, exploring the possibility of commercializing the products in China. Due to the interview conducted by Dr. Gustavo Coelho it is possible to know from that point on, a series of negotiations unfolded, leading ECM to identify a considerable opportunity to enter this market. What began as a modest experiment in 2018 quickly turned into sales of around five hundred containers a year. At one point, this market represented up to 20 per cent of the company's total production.

4.2.2 Strategies adopted to enter international markets

Firstly, the strategy was to expand, as was written before, into the "Saudade" markets, namely those where emigrants, already familiar with ECM's brands, were eager for their products to arrive. The strategy has always involved finding local partners (distributors) to represent its brands. After the "Saudade" markets, they reached large markets such as China. As the brands began to gain some international notoriety, it became easier to find distributors willing to represent ECM's products.

ECM has adopted a consistent approach in its efforts to enter international markets, based on the search for robust local partnerships. This philosophy is applied not only in export markets, including mainland Portugal, but also in its international expansion. The company chooses to work exclusively with local partners, using distributors in all foreign markets, as it recognizes the importance of having a direct and specialized presence in each location.

This core strategy of ECM is fundamentally centered on choosing partners who can effectively represent its products. The company believes that local partners bring a deeper and more comprehensive knowledge of the markets, especially in regions that are culturally diverse and far removed from Portuguese culture. This approach significantly simplifies the work of the company's employees, allowing them to concentrate on direct sales, while the responsibility for local representation and distribution is entrusted to the partners.

Although ECM has been fortunate to find highly effective partners over time, they recognize that in some situations, partnerships may not hold up, often due to the specific economic conditions in each country. In some cases, partners have represented the brand well for a period but, due to adverse economic circumstances, business continuity has been jeopardized.

The ECM strategy adapts to the reality of each country, taking into account the size of the market and its peculiarities. In some cases, such as the UK, the company has multiple

distributors in a single region, such as London, recognizing the need for a more comprehensive presence in large territories. Due to the interview conducted by Dr. Gustavo Coelho it is possible to learn that the company also has plans to recapture previously served European markets, such as Lithuania and the Baltic countries. which were lost due to geopolitical events such as Russian and Ukrainian war.

In addition, ECM is eyeing opportunities in the Spanish market, evaluating the potential for return, despite past challenges. As for the South American markets, the company is currently present in Venezuela, but has aspirations to expand into neighboring countries such as Cuba and Panama, as well as strengthening its presence in the United States. In China, on the other hand, ECM aims to expand into three more provinces, building on its initial success in Fujian, which, despite being just one province, is home to a significant population of 40 million.

4.3 Internationalization process

4.3.1 Specific stages in the internationalization process of Empresa de Cervejas da Madeira

ECM's internationalization process goes through several strategic phases, each of which plays a crucial role in entering and maintaining a presence in global markets.

The first phase involves identifying the target market, an essential step in defining the direction of international expansion. In some cases, ECM proactively seeks out markets that align with its interests. However, in situations such as the foray into the Chinese market, it was the partners who showed initial interest and, due to the circumstances of COVID-19, the reactivation of this business was driven by ECM's own initiative to seek out this market again.

The second phase focuses on the search for a local partner, a crucial stage for the success of internationalization. ECM is looking for partners who are not only aligned with its intentions, but who also share a similar strategic vision. The choice of partner is guided by the desire to be not just another supplier in their portfolio, but someone integrated into the strategic thinking of both parties.

The third phase involves the effective implementation of the product on the market, with a special focus on ongoing support to ensure that ECM's products are always in the best possible condition. This phase also includes formulating and implementing a solid marketing strategy,

which is crucial in markets where ECM is not yet known to consumers. Effective communication plays a vital role in building brand awareness and establishing a solid presence.

The fourth phase consists of commercial evaluation meetings, where sales performance and the strategies adopted are analyzed. This process allows for adjustments as necessary, as planned strategies often need to be adapted during the internationalization process. The ability to be flexible and respond to specific situations is fundamental in this phase.

Finally, the fifth phase is dedicated to market consolidation. The aim is to work proactively to stabilize the ECM's presence and maximize its permanence on the international market. This phase involves ongoing strategies to strengthen relationships with local partners, adapt to market dynamics and respond effectively to changing business conditions.

In this way, the internationalization process of the ECM is a strategic journey that ranges from the choice of market to consolidation, through strategic partnerships, effective implementation, constant evaluation and continuous adaptation.

4.3.2 Entry modes chosen and their justifications

ECM adopts a flexible approach when entering international markets, adjusting to the particularities of each situation and specific market. The company employs various methods, including proactive partnerships, identifying markets on its own and participating in business missions supported by government organizations.

In some cases, ECM establishes strategic partnerships when partners express interest in its products, indicating a specific demand in the market. On the other hand, the company also actively identifies potential markets, analyzing distribution opportunities based on feasibility and demand analyses.

Participation in business missions is another strategy adopted by ECM, often in collaboration with government entities. The Government of Madeira plays a significant role, offering support not only to ECM, but also to other Madeiran companies interested in expanding internationally. Examples of such missions include forays into the Cape Verdean market, providing ECM with the opportunity to explore new markets with government backing and support.

The choice of entry mode varies according to the specific characteristics of each market and the circumstances in question. ECM looks for ways that best adapt to local conditions, maximizing

opportunities for success. This strategic approach reflects ECM's ability to dynamically adjust to the challenges and opportunities inherent in international expansion.

4.4 Challenges and Opportunities in Internationalization

4.4.1 Specific challenges and risks faced by the company when internationalizing

ECM faced several challenges and risks as it ventured into internationalization, the first of which was the complexity inherent in the diversity of markets. Each market has specific characteristics, requiring careful adaptation on the part of ECM to ensure the suitability of its products. A notable example is the Chinese market, which imposes strict registration processes, including detailed identification and verification of ingredients. This process, which is necessary for export, highlights the need to meet specific standards and follow specific procedures in order to operate successfully in each territory.

Due to the interview conducted by Dr. Gustavo Coelho it is possible to learn that in the Canadian scenario, another significant challenge comes in the form of a single government model for the alcohol industry. In this case, alcohol is not purchased directly by the distributor, but by the Canadian government, which strictly controls the entry of alcohol into the country. The distributor, in turn, requests a purchase order from the government, and a thorough understanding of and strict compliance with government regulations is essential.

Adapting to different market philosophies and practices is a constant challenge, requiring extensive and dedicated effort on the part of ECM. Finding suitable local partners is one of the most pressing challenges, as these partners play a crucial role in the effective representation and distribution of products in the destination market. The alignment between the expectations and working methods of ECM and its local partners is vital for continued success.

In addition to the challenges, there are also the risks inherent in the economic conditions of the target countries. In markets such as Angola, ECM faces the volatility of the economic climate, with the possibility of an abrupt drop in sales due to unexpected events. Faced with these risks, ECM adopts a prudent strategy of market diversification. By expanding its operations to different regions, the company reduces its dependence on a single market, ensuring greater resilience in the face of economic fluctuations and adversities specific to certain territories.

In this way, ECM not only faces the operational complexity of international markets, but also develops strategies to mitigate risks, promoting a sustainable and adaptable global presence.

4.4.2 Opportunities identified and seized by the company when internationalizing

ECM has identified and capitalized on several significant opportunities throughout its internationalization process, including a wide range of markets available for exporting its products. When the possibilities for growth in domestic markets reach a limit, exploring new territories becomes essential. The willingness to actively seek out new markets, combined with the necessary focus and dedication, opens up extraordinary opportunities for global expansion, especially when product quality is a differentiator.

One strategic opportunity identified by ECM lies in the diversity of markets. While some markets, such as Africa, are more price-sensitive, others predominantly value product quality, making price a secondary consideration. This distinction gives ECM the advantage of adapting its pricing strategy according to the specific profile of each market. In markets that prioritize quality, the company can position its products with higher prices, reflecting the value perceived by consumers. Thus, internationalization not only increases turnover, but also provides the opportunity to capture higher margins in markets that value product excellence.

In addition, internationalization offers ECM the chance to diversify not only geographically, but also in terms of market segmentation. By exploring markets that value quality over purely price considerations, the company can consolidate its position as a supplier of premium products. This strategic diversification not only strengthens ECM's global presence, but also reduces vulnerability to fluctuations specific to certain markets.

In short, ECM perceives internationalization not just as a response to the need for expansion, but as a strategic opportunity for substantial growth, both in volume and price positioning. The ability to understand and adapt to different market dynamics, combined with the relentless pursuit of excellence in quality, drives ECM's continued success on the global stage.

4.5 International Marketing Strategies

4.5.1 Marketing approaches used in international markets

Marketing plays a crucial role in the business vision. Many companies, including ECM, leverage marketing to conduct numerous business activities.

However, it is essential to understand the distinction between two types of marketing: domestic and international. (Difference Between Domestic and International Marketing, 2023)

In terms of domestic marketing, the focus is on targeting people from the same region or country. This is relatively simpler because the company shares the same culture, language, and must obey to the laws of its own country. (Difference Between Domestic and International Marketing, 2023)

On the other hand, international marketing is more complex. In addition to not sharing the same language and culture as the domestic market, the company must navigate challenges such as price differences, as it cannot set the same prices for countries with a less affluent economy. Another significant difference is that in international marketing, companies have to compete with a greater number of businesses, including those with less extensive knowledge than familiar companies that they are consistently competing in the local market. Moreover, companies operating internationally are unaware of the primary preferences and how local customers prefer the product, necessitating the involvement of a local distributor.

By examining Figure 2 in the appendix, we can observe these numerous differences between these two types of marketing (Difference Between Domestic and International Marketing, 2023).

So, it is crucial to recognize the substantial differences between these two types of marketing for the development of the company in the international context. The company cannot employ the same marketing strategies used in its home country due to the unique challenges posed by international markets.

ECM's international marketing strategy reflects a deep understanding of the cultural nuances and distinct characteristics of each market. The fundamental role of local partners is recognized, as ECM values their insights due to limited direct knowledge of international markets. The marketing plan is thus molded in response to feedback, incorporating elements such as language, culture and local preferences.

Cultural adaptation is a fundamental pillar of the ECM approach. For example, in China, where comics are a prominent form of communication, ECM adjusts its marketing strategies to align with this cultural preference. This cultural flexibility is essential to building a significant presence in diverse markets.

ECM recognizes the need for a distinct marketing approach in different regions, such as the United States, where merchandising materials are adapted to suit local preferences and reflect an in-depth understanding of consumer behavior.

An innovative approach adopted by ECM is shared responsibility for marketing. The company allows customers to assume part of this responsibility by allocating a discount directly to the invoice as a "marketing discount". This gives customers the flexibility to direct these funds towards marketing strategies, while ECM maintains tight control over brand image.

The company also demonstrates sensitivity to legal and cultural restrictions, as evidenced in Arab countries, where bans on advertising posters featuring people on the beach consuming alcoholic beverages are respected. This awareness and respect for local regulations is crucial for an ethical and successful presence on international markets.

In short, ECM not only recognizes but incorporates global diversity into its marketing strategies. Cultural adaptation, strategic flexibility and collaboration with local partners are essential elements in building a solid and sustainable international presence.

4.5.2 Adaptation of the company's brand image and promotion strategies

ECM demonstrates a strategic and adaptive approach when dealing with brand image and promotion strategies in different markets. When approaching marketing in mainland Portugal, the company adopts comprehensive internal management, ensuring that all campaigns, initially conceived for the Autonomous Region of Madeira, are replicated and implemented with the same dedication on the mainland. This consistency not only reinforces the brand's identity, but also guarantees uniform and effective management of the national market.

Although sales management on the mainland involves distributors to represent the brand, ECM maintains direct control over marketing and communication strategies. Managers, aligned with the company, operate locally, ensuring that the brand's vision is maintained and that campaigns are effectively adapted to the needs of the market. This hybrid approach, combining internal management and collaboration with distributors, aims to optimize both operations and marketing effectiveness.

In terms of advertising campaigns, ECM collaborates with communications agencies to develop regional and national strategies. This approach reflects the company's understanding that local nuances play a crucial role in consumer preferences. Campaigns are thus sensitively adapted to the specific characteristics of each market, guaranteeing a relevant and engaging message.

Standing out on the digital scene, ECM is focusing significant attention on social networks. Recognizing the international potential of these platforms, the company takes advantage of the global reach of social networks to strengthen its brand presence. This strategy not only serves local consumers, but also engages international partners, providing an effective channel for communication and product promotion.

In short, ECM adopts an integrated approach, combining in-house management, collaboration with distributors and partnerships with communications agencies to adapt its brand image and promotion strategies in an effective and culturally sensitive way in different markets. The focus on social media as an integral part of digital marketing reflects the company's progressive vision, recognizing the crucial role of this channel in today's international arena.

4.6 Impact of Internationalization on the Company

4.6.1 Evaluating the financial impact of internationalization

Internationalization, as previously said, has had a significant financial impact on ECM, evidenced by the fact that exports to the Chinese market at one point represented an impressive 20% of the company's total production volume. Although exports currently account for 10 per cent of the Empresa de Cervejas da Madeira's total revenue, this figure is still considerable and fundamental to the company's continued growth.

It's worth noting that, due to the interview conducted by Dr. Gustavo Coelho it is possible to learn that in international markets, where sales are often not direct, profit margins may not be as attractive compared to the direct sales practiced on Madeira Island. However, this is a trade-off that ECM must deal with in order to expand its global presence.

Despite its growing international presence, the domestic market remains a key part of ECM's strategy. Because of the interview conducted by Dr. Gustavo Coelho it is possible to know that the company has recorded impressive double-digit growth year on year in the Portuguese market, increasing its share by 120 per cent in the last two years. Mainland Portugal has been particularly highlighted as a significant investment area, while international markets are managed through strategic partnerships with local distributors.

ECM currently has a comprehensive coverage of 90 per cent of Portugal's geographical area, with 34 distributors. However, the company faces specific challenges in the Castelo Branco and Guarda regions, where the search for a distributor has presented some difficulties. The company

is committed to overcoming these obstacles and is in negotiations to guarantee 100 per cent coverage of the country's entire geographical area next year. A peculiar case involves the Autonomous Region of the Azores, where direct sales of ECM products do not take place. This is due to a strategic supply agreement between ECM and the Melo Abreu beer factory, which previously belonged to ECM. Under this agreement, ECM supplies all the plastic bottles used by Melo Abreu, because they don't have plastic lines. Given this agreement, which is a partnership, the boards of both companies have a gentleman's agreement that as long as this supply agreement exists, ECM will not enter the Azorean market, but will only be present indirectly.

Thus, the financial impact of internationalization is significant, providing ECM with a strategic diversification that contributes to its robust growth in both domestic and foreign markets.

4.6.2 Changes in operations and internal management

ECM's internationalization led to a series of significant changes in operations and internal management, reflecting the need to adapt to a constantly evolving global scenario.

Firstly, it was essential to create a department dedicated to managing international markets. As the company expanded its operations beyond national borders, it became imperative to establish a specific organizational structure to effectively support these markets. Previously, international support was provided by just two people in the sales department. However, with the continuous growth and range achieved, the creation of a specialized department became inevitable. This department, which started with just two people, has expanded to a team of 10 professionals, emphasizing the magnitude of ECM's commitment to international expansion. In addition, there are plans to continue increasing the team, looking for highly qualified specialists to deal with the specific and complex aspects of exporting, such as customs processes.

The implementation of these changes was not limited to the creation of new departments, requiring significant investment in the Human Resources area. The increase in the international team required a review and reinforcement of personnel management practices, ensuring that ECM had highly trained and specialized export professionals. Substantial investments were also made in training programmes to enable the team to approach and implement effective strategies in international markets.

Although these initial investments represent a financial impact, ECM recognizes that they are essential to guaranteeing a successful international operation and, more importantly, generating sustainable returns in the long term. The search for experienced and specialized professionals,

coupled with continuous investment in training, reflects ECM's commitment to maintaining high standards of excellence in the management of its international operations. These changes not only position ECM as a globally competitive company, but also reflect a strategic and sustainable approach to managing the challenges associated with international expansion.

4.7 External Environment and Internationalization

4.7.1 Analysis of the political, economic, social and cultural environment in the international markets (PEST Analysis)

ECM strategically employs PEST analysis to proactively navigate diverse market entries. PEST analysis serves as a comprehensive methodology for evaluating the multifaceted environment within which a company operates, encompassing political, economic, sociocultural, and technological factors (Fairlie, 2023).

In the realm of politics, the dynamic landscape significantly influences a company's operational environment. Notably, geopolitical events such as Russia's conflict with Ukraine can echo across industries, impacting commodity prices like aluminum, consequently affecting the production of canned goods (Kasi, 2023). Additionally, government policies play a pivotal role, exemplified by Canada's stringent control over alcohol entry, shaping market accessibility for specific products.

The economic sphere introduces an excess of factors shaping ECM's trajectory. Fluctuations in inflation rates or steep interest rates can pose considerable challenges. The Angolan market, once a keystone for ECM, experienced a downturn following the 2014/2015 crash, prompting a reevaluation of its export viability.

Sociocultural dynamics underscore the necessity for delicate cultural sensitivity. Operating in diverse global markets, such as the Middle East, demands a deep understanding of cultural nuances to avoid inadvertently offending sensitivities. This underscores the imperative for ECM to tailor its approach to align with local values and norms.

In the technological dimension, ECM recognizes the paramount importance of innovation in contemporary business landscapes. Strategic investments in automation and sustainable packaging not only enhance industrial processes but also contribute to a more environmentally conscious and efficient operation. This focus on technological advancements positions ECM to achieve a competitive edge and foster a greater profit margin.

In conclusion, ECM's utilization of PEST analysis underscores its commitment to adaptability and foresight. By comprehensively examining political, economic, sociocultural, and technological factors, ECM positions itself strategically in the global market, mitigating risks and capitalizing on opportunities for sustained growth and success.

4.8 Innovation and Technology in Internationalization

4.8.1 Innovation and technology during the internationalization process

Innovation and technology have played crucial roles in ECM's internationalization process, providing a modern and efficient approach to reaching global markets. The integration of technological innovations has allowed the company to overcome geographical barriers and present its products in an impactful way on international markets.

Digitalization has played a significant role, making it easier to enter markets through virtual means. The availability of digital catalogues has considerably simplified the process, offering potential customers a comprehensive overview of ECM's products. Online presence, whether through the company's website or digital platforms, has become a valuable tool for establishing connections with international customers and partners. The ease of communication, whether through emails or phone calls, has provided a direct channel for requests for additional information and prices.

Technology has also transformed the way ECM conducts business in international markets. Holding meetings via virtual platforms such as Teams or Zoom has optimized the negotiation process, saving time and resources that would previously have been spent travelling. This virtual approach has made it possible to conduct negotiations and reach agreements without the need for physical presence, demonstrating the effectiveness of technology in managing global business relationships.

While technology is an essential tool for entering new markets, ECM recognizes the importance of face-to-face visits to understand the culture and specific workings of each market. These trips not only contribute to a deeper understanding, but also strengthen relationships with clients and partners, demonstrating ECM's commitment to building solid partnerships.

To summarize, the combination of innovation and technology has played a key role in ECM's international expansion, providing an agile, effective and adaptable approach to the challenges and opportunities encountered in the various markets around the world.

5 Teaching Notes

5.1 Case Synopsis

This case presents the story of the Empresa de Cervejas da Madeira, a company with more than 150 years of story and as the company has around 80 per cent of the market share in the region, it had to expand abroad in order to continue its growth. The themes discussed in this case study are related to the reasons why ECM decided to internationalize, what were the strategies that ECM did adopt to enter international markets, know the specific phases of the internationalization process and their entry modes. In this case study, students can comprehend what were the main challenges and risks faced in the internationalization process, as well as the opportunities that were identified. As a result, the key learning objectives extracted from this case study are:

- To understand the main challenges companies that want to internationalize will face and the possible solutions.
- Identifying the main reasons that lead companies to internationalize.
- To analyze historical events or economic shifts that have significantly impacted the approach to internationalization.
- To analyze the unique challenges that SMEs in peripheral or tourist regions face when internationalizing.
- To evaluate if the specific strategies have proven effective for beer companies in their internationalization efforts.
- To know what the key stages in ECM's internationalization process were and evaluate each contribution to its global success.
- The importance of strategic partnerships in the internationalization process of ECM.

It is recommended that students thoroughly review the case study and leverage the insights gained from the literature review to grasp key theoretical concepts and frameworks. The success story of ECM, marked by its profound internationalization journey, offers an excellent platform for engaging discussions between students and the lecturer. This case facilitates the application of various internationalization concepts, enabling students to formulate their own recommendations and interpretations on the matter.

5.2 Case Questions

1. **What historical events or economic shifts have significantly impacted the approach to internationalization?**

In addressing this question, it is imperative for students to possess a robust understanding of world history to fully grasp the intricacies of internationalization. A comprehensive historical perspective enables them to appreciate the contextual factors that have shaped the global landscape and the emergence of multinational enterprises.

Post-Second World War, a significant paradigm shift occurred, marking an era of relative global peace. This period saw the genesis of multinational corporations, facilitated by the accessibility of open markets worldwide. The ability to establish numerous subsidiaries became a viable option, fostering the growth of businesses. Simultaneously, the opportunity to engage in collaborations with local partners in diverse regions not only expanded the network of contacts but also facilitated entry into different markets.

A discerning examination of the internationalization process reveals pivotal waves of globalization from the 1970s to the 1990s. The expansion of the European Union during this period played a pivotal role, prompting a surge in globalization. The inclusion of numerous countries into the EU framework brought forth policies supportive of companies engaging in international ventures.

Moving into the late 20th century and the early 21st century, the landscape of internationalization underwent further transformations. The 1990s and especially the 2000s witnessed a substantial reduction in barriers to this process. Notably, the advent of the Internet emerged as a revolutionary force, enabling even small enterprises situated in peripheral and distant regions to seamlessly conduct business on a global scale. This technological advancement democratized the internationalization process, empowering businesses of varying scales to engage with a global audience.

In essence, this historical journey serves as a foundation for understanding the evolution of internationalization. It underscores the interconnectedness of historical events, economic policies, and technological advancements that have collectively shaped the global business landscape. Through a nuanced comprehension of these historical nuances, students can glean insights into the multifaceted forces driving internationalization, enriching their analytical capacity in the field of internationalization studies.

2. What unique challenges do SMEs in peripheral or tourist regions face when internationalizing?

To embark on a comprehensive exploration of international business dynamics, it is imperative for students to delve into the discernible differences between companies situated in peripheral areas and those operating in regions more predisposed to internationalization. This foundational understanding is essential for unraveling the intricate fabric of global economic landscapes.

Importantly, students should recognize the inherent disparities between these two types of business environments. Companies in peripheral areas may face unique challenges, stemming from limited exposure to international markets, resources, and technologies. Conversely, businesses situated in more internationally inclined regions often enjoy broader access to ideas, technologies, and a global network.

Nevertheless, a noteworthy observation emerges from this dichotomy. Despite initial disparities, companies, regardless of their geographical location, have the potential to prosper through internationalization. As they venture beyond their local confines, businesses encounter novel ideas and cutting-edge technologies previously unknown to them. This exposure sparks innovation, fostering the development of new concepts and solutions that can propel a company to unprecedented heights.

To facilitate this growth and innovation, it is imperative for businesses, especially those in peripheral areas, to strategically expand their operations globally. By doing so, these enterprises can accrue invaluable experience and knowledge from diverse markets, thereby accelerating their evolution into globally competitive entities. This process is not merely about gaining a larger market share but is fundamentally rooted in the acquisition of a multifaceted understanding of international business dynamics.

Educationally, this perspective offers students a broader canvas upon which to paint their comprehension of global business. Through examining the journey of companies from peripheral regions as they navigate the complexities of internationalization, students gain insights into the motivations behind this strategic shift. The quest for expanded horizons becomes more than a business imperative; it transforms into a journey of discovery, exploration, and adaptation.

In conclusion, this exploration into the disparities between peripheral and internationally oriented businesses, and the potential for growth through internationalization, provides students with a nuanced understanding of the multifaceted realm of global business. Armed with this knowledge, students can better appreciate the motivations, challenges, and transformative power that internationalization brings to businesses worldwide.

3. What were the key stages in ECM's internationalization process, and how did each contribute to its global success?

In the intricate landscape of international business, students must grasp the paramount significance of cultivating robust partnerships, particularly on a local level, that align seamlessly with a company's expectations and vision. These partnerships form the foundation of ECM's international strategy, serving as conduits for invaluable contacts, embodying the core values, and encapsulating the cultural nuances of the target country. Without such strategic alliances, the company would encounter formidable barriers to entry, underscoring the pivotal role of local partners in facilitating a smooth market penetration process.

A pivotal phase demanding meticulous analysis by students is the identification of markets. Here, it is imperative for students to transcend mere acknowledgment of markets as entities and delve into the intricacies of market dynamics. Understanding how a market operates precedes market entry, necessitating an inclusive comprehension of the cultural, economic, and regulatory nuances unique to each locale. This preliminary groundwork is indispensable, serving as the compass guiding companies through the maze of global markets.

Moreover, students should delve into the nuanced realm of market-specific marketing strategies. Recognizing that a one-size-fits-all approach is inadequate, students must comprehend the imperative of tailoring marketing initiatives to resonate with the distinct characteristics and preferences of each market. This demands a sophisticated understanding of cultural sensitivities, consumer behaviors, and competitive landscapes, enabling companies to craft strategies that resonate authentically with diverse audiences.

Lastly, students must immerse themselves in the intricacies of exporting products under optimal conditions. This involves an examination of logistics, trade regulations, and negotiation skills. Understanding the complexities of global trade ensures that the product reaches international markets seamlessly, meeting not only regulatory requirements but also consumer expectations.

In essence, this exploration into the dynamics of global business equips students with multifaceted insights into the pivotal role of partnerships, the nuances of market identification, the intricacies of market-specific marketing, and the art of optimizing product exportation. Through these lenses, students gain a holistic understanding of the multifaceted journey companies undertake as they navigate the global business terrain.

4. What were some of the significant challenges ECM faced during its internationalization, and how were they addressed?

In addressing this pivotal question, students must cultivate a nuanced awareness of the substantial differences inherent in diverse markets. This comprehension is foundational, underlining the imperative for companies to adapt dynamically to the distinct mechanisms influencing each market they seek to enter. The intricacies of global business demand a sophisticated understanding of the multifaceted nature of markets, where a one-size-fits-all approach proves inadequate. This adaptability is not merely a strategic choice but an essential competency for success in the ever-evolving global marketplace.

An additional challenge that students must grapple with is the recognition that finding an ideal local partner is often a complex endeavor. Beyond the fundamental requirement of possessing an intimate knowledge of the market, a local partner must align seamlessly with the company's objectives. This synergy is crucial for a fruitful collaboration that transcends mere market knowledge to incorporate a shared strategic vision. The scarcity of such partners magnifies the intricacy of the internationalization process, necessitating students to delve into the complexities of partner selection, negotiation, and long-term collaboration.

Concluding this exploration is the imperative for students to comprehend the formidable risks associated with internationalization. Contrary to a simplistic narrative of entering a market and initiating product sales, the reality is far more intricate. Engaging in comprehensive market research becomes a prerequisite, demanding a meticulous analysis of consumer behaviors, regulatory landscapes, and competitive dynamics. The enormity of this preparatory phase underscores the gravity of informed decision-making in the internationalization process.

In essence, students engaging with this thesis must traverse the multifaceted terrain of global markets, adapting to diverse realities, navigating the challenges of securing suitable local partnerships, and confronting the inherent risks of internationalization. This holistic perspective equips them with the intellectual capacity needed to comprehend the intricacies of international business, fostering a mindset geared toward strategic adaptability and meticulous preparation in the face of a dynamic global business landscape.

6 Conclusion and Recommendations

This thesis has explored the internationalization process of Empresa de Cervejas da Madeira, giving a more detailed understanding about the company and showing how it manages to enter new markets and continues to grow through this process, highlighting the entry modes, different marketing approaches and strategies adopted to face internationalization.

From a more theoretical point of view, this case study offers more generalized concepts about the internationalization process for SMEs through its literature review. This allows people to understand that even companies located in more peripheral areas can make good use of internationalization. Finally, through a practical example, it is possible to understand how companies in this highly competitive industry manage to compete in foreign markets. So, through this literature review, it is possible to have both an academic and a business view that can offer a good example for an SME in the beverage sector that wants to internationalize.

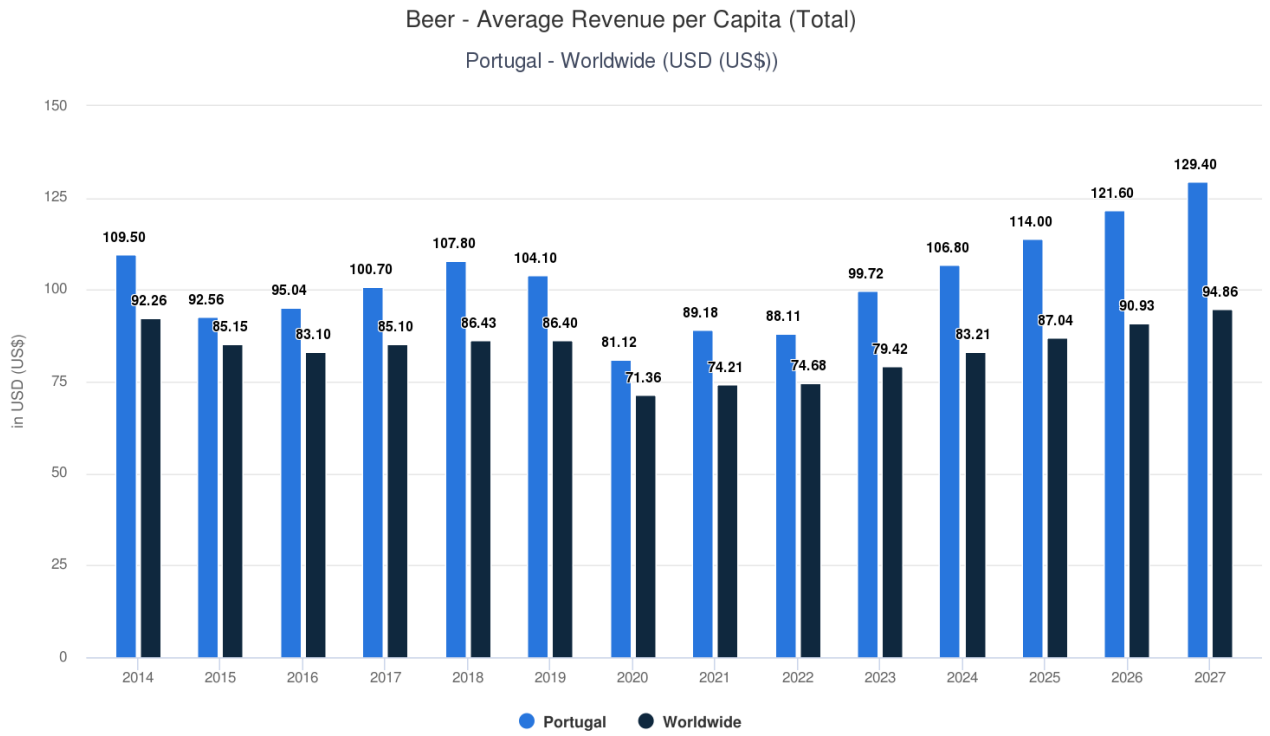
However, this study also has some limitations. To begin with, it is necessary to know what operations the company has to carry out in order to support its internationalization process, since being an SME has many disadvantages as it often doesn't have the necessary capacity to withstand this process. On the other hand, another major limitation of this case study is to understand how ECM continues to maintain the quality and consistency of the product in different markets, because often due to the great distance that these markets have from Madeira Island, it can be difficult to keep the products with the same flavor. Finally, it should be emphasized that this study is restricted to SMEs in the beverage industry and not to other sectors, which means that other companies may not have an idea that is in line with their plans.

Regarding the recommendations, it is imperative to highlight the need for enhancing the company's operational capacity. This includes recruiting additional staff with expertise in internationalization, a critical area where the company currently has only a 10-person team managing extensive responsibilities across numerous countries on several continents. A significant recommendation is the necessity for continuous adaptation by the company to effectively navigate the dynamic changes and emerging trends in each of the international markets where it operates. Furthermore, the development of a more strategic approach is crucial. There are untapped markets where Empresa de Cervejas da Madeira could potentially thrive. However, due to suboptimal strategies, opportunities for significant business expansion and customer acquisition are being missed, leading to substantial profit losses.

Another vital aspect is the role of SMEs in national economic development. This case study illustrates how ECM significantly contributes to the economy of the Autonomous Region of Madeira. Continued investment and growth in such companies can foster widespread economic advancement nationally, especially considering that SMEs comprise approximately 99.9% (PORDATA, 2021) of the total economy.

To conclude, the case study of Empresa de Cervejas da Madeira offers an insightful perspective on the intricacies of a successful internationalization process. By examining its strategies, challenges, and various entry modes, this study provides clear learning points. These insights are invaluable, serving as a source of inspiration and guidance for future SMEs embarking on their journey towards internationalization.

7 Appendix



Source: Statista Market Insights

statista

Figure 1 – Average Revenue per Capita (USD)

Questions for the interview		
Number of the question	Question	Purpose
1	How is the company's organization structured and how has this influenced its growth?	To understand how job titles, roles, and responsibilities are assigned within the company.
2	What are ECM's main highlights and achievements in the local market?	To comprehend the important content and details about the brand.
3	What were the specific reasons that led ECM to decide to internationalize?	To know the advantages that took the company to internationalize.
4	What strategies has ECM adopted to enter international markets?	To understand the best strategies that made them perform well in the international markets.
5	Can you describe the specific phases of ECM's internationalization process?	To understand better their business operations into foreign markets.
6	What modes of entry has ECM chosen for international markets and why?	Using the right mode of entry is fundamental for the success of the company internationally.
7	What were the main challenges and risks faced by ECM when internationalizing?	Identify the challenges and risks that can help to understand how the company can anticipate and manage their internationalization efforts.
8	What opportunities did ECM identify and capitalize on during this process?	To know which factors contribute to the international expansion.

9	What marketing approaches does ECM use in international markets?	Marketing approaches are different in local and international markets, so it is relevant to change them when the company internationalize.
10	How has ECM adapted its brand image and promotional strategies for different markets?	To comprehend how the company image suited different cultures, social and economic environments.
11	How has internationalization impacted ECM financially?	It helps in understanding whether the expansion into international markets has been profitable and sustainable.
12	What changes have occurred in operations and internal management since internationalization?	It helps to comprehend what alterations have happened in ECM due to the internationalization process.
13	How does ECM analyze and adapt to the political, economic, socio-cultural and technological environments in international markets? (PEST Analysis)	To comprehend the assessment of the major areas of influence that affect the beverage sector.
14	How have innovation and technology been used in the internationalization process?	Helps to understand the level of the innovation used by the company.
15	How does ECM adapt to the technological demands of different international markets?	This question explores how ECM identifies and responds to the technological needs and preferences of different international markets.

Table 1 – Questions for the interview

Number of the Question	Domestic Marketing	International Marketing
1	Domestic marketing focuses on a single country's market.	International marketing involves marketing activities across multiple countries or global markets.
2	The target market is limited to the domestic market or local customers.	The target market expands to include customers from various countries and cultures.
3	Marketing strategies are tailored to meet the specific needs and preferences of the domestic market.	Marketing strategies consider cultural, economic, and social differences in each target international market.
4	Language and communication are typically focused on the local language and cultural nuances.	Language considerations are diverse, requiring localization and adaptation to multiple languages and cultural contexts.
5	Market research primarily focuses on the domestic market and local customer insights.	Market research involves understanding the preferences, behaviors, and trends of diverse international markets.
6	Pricing strategies are determined based on domestic market factors, competition, and customer purchasing power.	Pricing strategies consider factors such as exchange rates, international competition, tariffs, and localized pricing dynamics.
7	Distribution channels are designed to reach customers within the domestic market efficiently.	Distribution channels may involve complex logistics and international partnerships to reach customers in various countries.
8	Advertising and promotional campaigns are targeted toward domestic customers and their specific interests.	Advertising and promotional campaigns adapt to cultural sensitivities, local media channels, and international market dynamics.
9	Domestic marketing typically involves a narrower scope and focus on local market trends.	International marketing requires a broader perspective and consideration of global market trends and influences.
10	Customer service and support are primarily provided in the local language and according to domestic customer expectations.	Customer service and support require multilingual capabilities and an understanding of diverse customer needs and expectations.
11	Legal and regulatory compliance primarily relates to domestic laws and regulations.	Legal and regulatory compliance involves understanding and adhering to the laws and regulations of multiple countries.
12	Product development and customization are primarily based on domestic customer preferences and needs.	Product development may involve adapting products to meet the requirements and preferences of different international markets.
13	Domestic marketing decisions are influenced by local economic conditions, market trends, and domestic competition.	International marketing decisions are influenced by global economic conditions, international market trends, and global competition.

14	Market entry strategies focus on establishing a strong presence within the domestic market.	Market entry strategies require consideration of entry modes, partnerships, and market-specific entry barriers in various international markets.
15	Domestic marketing may involve less complexity in terms of cultural adaptation and coordination across markets.	International marketing requires cultural sensitivity, cross-cultural communication, and coordination across different markets.
16	The focus of domestic marketing is on understanding and addressing the needs of a single domestic market.	The focus of international marketing is on identifying commonalities and differences among various international markets.
17	Domestic marketing campaigns often emphasize local traditions, values, and national identity.	International marketing campaigns seek to find a balance between global brand consistency and local cultural relevance.
18	Domestic marketing decisions are primarily influenced by domestic political and social factors.	International marketing decisions are influenced by political, economic, and cultural factors of different countries.
19	Domestic marketing allows for deeper market penetration within the local market.	International marketing offers opportunities for market diversification and expansion into new markets.
20	Domestic marketing may have lower logistical complexities and lower costs associated with distribution and operations.	International marketing may involve complex logistics, supply chain management, and additional costs related to international trade.
21	Domestic marketing campaigns may have a shorter duration and be more localized in scope.	International marketing campaigns may require longer planning cycles and broader reach across multiple markets.
22	Domestic marketing strategies focus on building strong relationships with local customers and stakeholders.	International marketing strategies require building relationships with customers, partners, and stakeholders in different countries and cultures.
23	Domestic marketing aims to understand and respond to domestic consumer behavior and preferences.	International marketing requires an understanding of diverse consumer behaviors, cultural norms, and purchasing habits.
24	Market segmentation and targeting primarily focus on the specific needs and characteristics of domestic customers.	Market segmentation and targeting involve identifying and addressing the unique characteristics of different international market segments.
25	Domestic marketing decisions are primarily driven by domestic market trends and opportunities.	International marketing decisions consider global market trends, international growth opportunities, and potential risks or challenges.

Table 2 – Difference between domestic and international marketing

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