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The role of ViniPortugal in the internationalization of Portuguese wines

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Abstract

The role of ViniPortugal in the internationalization of Portuguese wines

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This thesis is a case study on ViniPortugal, the official agency for Portuguese wine promotion. Standing in a period where Portugal wine production reaches its maximum capacity, consumers demand changes, international competition increases, and environmental causes destroy wine productions, Portugal had to adapt its wine internationalization strategy to be able to improve its performance.

The aim of this thesis is to understand to which extent ViniPortugal helped in this adaptation process. The emphasis will be on ViniPortugal and its brand “Wines of Portugal” strategy and on how they were able to implement it achieving a considerable success in this new globalized world.

To achieve success with this new strategy focused on the increase of Portuguese wines perceived value, rather than on increasing quantity exported, ViniPortugal promotional activities played a crucial role by enabling the increase of Portuguese wine perceived value.

Hence, this research can be used to study ViniPortugal strategy and analyze its results. By doing so, it is possible to understand the advantages of a quality-driven strategy in comparison to a quantity-driven one, mainly on a globalized world where no one can run from the international competition.

Keywords: Internationalization strategy; Promotion; Strategic market; Exports; Portugal; Portuguese wine.

Resumo

O papel da ViniPortugal no processo de internacionalização dos vinhos Portugueses

César Manuel Veloso Ferreira Proença

Esta tese é um estudo de caso sobre a ViniPortugal, a agência oficial encarregada da promoção dos vinhos portugueses. Vivendo numa situação onde a produção de vinho portuguesa alcança a sua capacidade máxima, a preferência dos consumidores altera-se, a competição internacional aumenta e causas ambientais destroem produções de vinho, Portugal vê-se obrigado a adaptar a sua estratégia de internacionalização de vinhos de modo a ser capaz de melhorar a sua performance.

O objetivo desta tese é de entender até que nível a ViniPortugal ajudou no processo de adaptação. A ênfase centra-se na estratégia da ViniPortugal e da marca “Vinhos de Portugal” e no modo como foi implementada para suceder neste mundo global.

Para obter sucesso com esta nova estratégia focada na valorização dos vinhos portugueses, em vez de aumentar a quantidade exportada, as atividades de promoção da ViniPortugal tiveram um papel crucial pois possibilitaram o aumento do “perceived value” dos vinhos portugueses pelo mundo.

Assim, esta pesquisa pode ser usada para estudar a estratégia da ViniPortugal e analisar os seus resultados. Fazendo isso, torna-se possível entender as vantagens de uma estratégia concentrada na qualidade dos seus produtos em comparação com uma focada em quantidade, principalmente num mundo global onde ninguém pode escapar da concorrência internacional.

Palavras-chave: Estratégia de internacionalização; Promoção; Mercado estratégico; Exportações; Portugal; Vinho português.

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List of Abbreviations

CVR = Comissão Vitivinícola da Região de Lisboa

IVDP = Instituto dos Vinhos do Douro e do Porto

WDI = World Development Indicators

OIV = International Organization of Vine and Wine

IVV = Instituto do Vinho e da Vinha

EU = European Union

RBV = Resource-Based View

HL = Hectoliter

IWSR = International wines and spirits record

B2B = Business to business

B2C = Business to consumer

US = United States

UK = United Kingdom

EUR = Euros

1. Introduction

The Portuguese trade balance showed a positive growth trend over the period 1996-2016 driven by the observed stronger growth of exports relatively to imports. However, it was only in 2012 that Portugal achieved a positive value (229.1 million¹). With the higher exports growth pace, Portugal achieved a positive value of 4.065,2 million in 2016 and reached the 5th consecutive year of external surplus, thus inverting the historical cycle verified before the 2011's request for financial assistance.

Portuguese wine industry strong background translated into a positive wine trade balance between 2010 and 2016 while consistently showing an increasing trend (from 2010 to 2015 the Portuguese wine trade balance increased at an annual average rate of 3.33%²). This is mostly driven by the observed growth of total wine exports, which showed an annual average growth rate of 3.65% over the same period (exports total value). At the same time, export volumes increased at an average annual growth rate of only 0.96%, thus translating in an increase of exported wine average price by 2.66%³. In 2016, Portugal wine exports represented 4% of total consumer goods exports and 29% of total food and beverage exports⁴.

After understanding the relevance of wine industry for Portugal, developing a strong and efficient internationalization strategy becomes one of the most challenging tasks. This task has several inherent challenges as going international typically means developing an internationalization strategy from scratch, thus requiring companies to adapt the way they operate internally to the challenging global world.

As other countries like Italy, Chile or Argentina, Portugal started following an internationalization strategy focused more on the increase of the Portuguese wine perceived value ("premium wines") rather than in high quantities as Spain does. Some countries were forced to change their strategies since the wine consumers preferences are shifting from a more basic wine towards a premium wine and the increase in competition led to a decrease in margins that destroyed the profits when exporting cheap wine in high quantities.

The Portuguese wine price increase and the new internationalization strategy focus was only possible because of the high-quality wines exported by Portugal with an excellent price/quality relationship and the increase in the awareness and value of the Portuguese wine

¹ See Table 9: Portuguese Trade Balance (source: PORDATA).

² See Table 10: Portuguese Wine Trade Balance (source: ViniPortugal).

³ See Table 11: Portuguese Wine Exports and Prices (source: ViniPortugal).

⁴ According to ViniPortugal.

brand all around the world. The creation of brand awareness is the ability to recognize or recall a brand and is a key element of branding strategy (MUNOZ & KUMAR, 2004). It possibilities the achievement of a higher market share in this new globalized industry (MUNOZ & KUMAR, 2004).

This new globalized industry translated into an active competition towards a worldwide marketplace environment, composed by the integration of national markets and leading companies competing in different countries to achieve worldwide leadership (CHOLETTE, CASTALDI, FREDRICK, 2005).

The increase in the awareness of the Portuguese wine brand supported the Portuguese exports to countries outside the EU market. Between 2010 and 2015, wine exports to EU countries increased at an average annual growth rate of 1,75% while exports to non-EU countries increased at an annual average growth rate of 6,57%. As a result, the stake of non-EU exports increased from 37% in 2010 to 43% in 2015. These changes in Portuguese wine exports destination lead to an annual average growth rate of 6,57%⁵ in the wine trade balance with countries outside the EU.

With the changes in the wine industry, wine is becoming a very emotional product. As such, wine consumers tend to have their opinion about the wine quality and attributes and are willing to share those opinions with others (MATEI, 2013).

Now, wine producers are obligated to listen to the consumers opinions expressed through various social networks while formulating their strategy if they want to thrive in the market (MATEI, 2013).

The goal of this study is thus to understand in detail the evolution of the wine industry exportations in recent years and the strategy adopted by Portugal, mainly the work of ViniPortugal in the promotion and in the internationalization process of Portuguese wines.

In order to help understanding the job of ViniPortugal in the internationalization process of the Portuguese wine market, this study aims to respond to 4 main research questions:

- *What changed in the Portuguese wine internationalization strategy in recent years?*
- *Why the need for the change in the strategy?*

⁵ The increase in the Wine trade balance with the non-EU market is almost equal to the increase in the exports because the increase in imports with EU countries and with non-EU countries is also almost equal (5,41% and 5,64% respectively) – see Table 10: Portuguese Wine Trade Balance (source: ViniPortugal), Table 12: Portuguese Wine Exports Intra-EU and Non-EU (source: ViniPortugal) and Table 13: Portuguese Wine Imports Intra-EU and Non-EU (source: ViniPortugal).

- *How ViniPortugal promotional strategy contributed to the success of this strategy?*
- *Does Portugal have a competitive advantage on the internationalization process?*

In the next section, the relevant literature is reviewed, in section 3, methodology is briefly presented; in section 4 the data collections is described; followed in section 5 of the results, and section 6 discussion the conclusions.

2. Literature review

a. Internationalization

Internationalization “*is the process of increasing involvement in international operations*” (WELCH & LUOSTARINEN, 1988).

With the increasing globalization trend, internationalization is not anymore just a growth option which firms can choose to follow or not, but a “*sine qua non*”⁶ condition for survival and success (MAJOCCHI et al., 2005). This phenomenon also happened in the wine industry. Roughly twenty years ago the wine industry was highly fragmented and wine producers had low cross-border interaction. However, with the decreases in tariffs, reduction in transportation and logistical costs and in other barriers to international trade, wine producers gained the opportunity to sell their products outside of their local region, encouraging the internationalization (CHOLETTE, CASTALDI & FREDRICK, 2005).

Within internationalization, exports occupy a crucial role being viewed as the simplest, quickest and most common way to enter foreign markets (MAJOCCHI et al., 2005) as it involves minimum business risks, requires low commitment of resources and offer high flexibility of movements (exporting to a foreign market is typically perceived to have low commitment requirements due to the lower exit costs compared to alternative strategies such as setting international production facilities) (LEONIDOU, 1995).

Exports play a vital role in a company strategy and its importance is expected to grow even more as markets become even more global. Also, firms cannot continue believing that international competition will not affect them because they are exclusively focused on their local market (BARBER & ALEGRE, 2007).

When going international, companies will face a new and wider set of threats and opportunities (WELCH & LUOSTARINEN, 1988). The ones that are able to adapt to this larger and diversified market will gain significant competitive advantage (CHOLETTE, CASTALDI

⁶ Latin expression that means that without internationalization is impossible for a firm to survive.

& FREDRICK, 2005), while the ones that are not able to adapt may incur considerable losses. Nevertheless, if their international strategy does not go well, there is always the option for the company to recur to foreign divestments. This approach is growing and reflects poor financial performances (BODDEWYN, 1979).

Over the last years there has been a growing interest in the firm's internationalization process by many entities. While the companies are preoccupied with making operations more effective and efficient in this competitive global environment, governments are preoccupied to ensure that this process has a positive effect on the nation and trade unions are preoccupied about the impact on working conditions, wages and their own power (WELCH & LUOSTARINEN, 1988).

b. Old World vs New World producers

With globalization the wine sector suffered large structural market changes which have been followed by scientific and technological improvement by the Old and New World producers. (GIULIANI et al., 2010).

The New world producers⁷ are described as “latecomers” on the wine industry. Though, by 1980s they had not only mastered the current technology utilized by the Old-world producers, but they created new technological and organizational bases for producing premium wine with high quality and in high volumes (GIULIANI & BELL, 2007). On the other hand, the Old world producers correspond to wine makers that have been making wine for centuries and come mainly from Europe and some from North Africa and the Middle East (Portugal, Israel, Bulgaria, Croatia, Cyprus, Armenia, Georgia, Austria, Poland, France, Spain and Italy).

With time, these latecomers started stealing some exports from the Old producers. In the 70s and early 80s, the Western European producers accounted for around 70% of the total world wine exports. This share increased to 80% in the late 80s. Though, with the increase of these new producers, this share declined to 75% by the 90s. On the other hand, the New World producers suffered a giant increase in their market share. While in the 70s they accounted for a share of roughly 1% and in the 80s 2%, by the 90s they achieved a 15% market share (GIULIANI & BELL, 2007). They are also growing quickly in the markets of the future⁸ (CAMPBELL & GUIBERT, 2006).

⁷ Countries that produce wine and are not from the traditional wine-growing areas of Europe and Middle East: United States, Australia, India, China, New Zealand, South Africa, Argentina and Chile.

⁸ China and USA, countries where wine consumption is likely to rise quickly.

With the appearance of the New World producers, the competition increased thus creating the need for wine producers to adapt their internationalization strategies to this new phenomenon giving more importance to the promotion of their wines.

With these changes, exporting to the new fast-growing emerging markets became more and more important (BLITZ, PANG & VLIET, 2013) as exporting to countries outside the EU, due to the bigger size of the market and the increasing growth trend of the wine consumption.

c. Industry Life-Cycle

The industry life-cycle model traces the evolution of a given industry by identifying five sequential stages that lead to five different types of industry environments (Embryonic, Growth, Shakeout, Mature, Decline) (HILL, JONES & SCHILLING, 2014). The length of each stage can vary significantly among industries.

The theory of an industry life-cycle was introduced by Abernathy and Utterback in 1975 with the intent of differentiating the industry life cycle phases in respect to increases and decreases in product and process innovation.

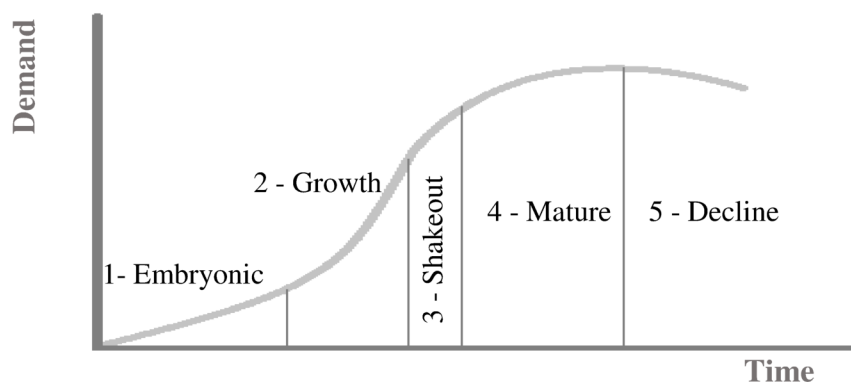


Figure 1: Industry Life Cycle (Hill, Jones & Schilling, 2014)

When an industry is in an embryonic phase it is only just starting its development process. In this phase, the growth is slow as buyers are unfamiliar with the product and the prices are high because corporations cannot yet achieve economies of scale. Additionally, barriers to entry are high and price competition inexistent. The rivalry among firms will be solely on opening distribution channels, educating costumers and improving the design of their product.

In the second stage, growth stage, first-time demand increases rapidly with many new consumers entering the market. Companies start achieving economies of scale which will lead to decreases in average prices. The rapid growth in the demand allows companies to increase their sales and profits without taking market share away from competitors (low need for

rivalry). Consequently, a company should take advantage of this stage to prepare itself for the intense competition in the next phase.

Sooner or later, with less first-time consumers, the demand growth will slow leading to an increase in competition. Demand will reach saturation levels and some companies will have excess productivity capacity. This stage of an industry is called Shakeout.

As maturity is achieved, the competition landscape becomes much clearer. In this stage, market share and profits become the main priority for companies while growth starts being less significant. Consequently, entry barriers will increase, and firms will start competing more on prices rather than on differentiation or improving their products.

Eventually, most industries reach a stage of decline. There, sales decrease at an accelerating rate (negative growth), due to international competition, technological substitution and social changes. With the negative growth, the competition among existing firms will increase and companies will start having excess capacity. All of this will generate a price war and will force weaker competitors out of the industry.

Only by knowing in which stage of industry development a company is, may companies adapt their business strategy to respond to the changing environments request (SABOL, SANDER & FUCKAN, 2013). This model can also be useful to analyze the effect that industry evolution has on competitive forces (HILL, JONES & SCHILLING, 2014).

d. Promotion

Marketing is crucial to reach new customers both in the domestic market and across the internationalization process. As Peter Drucker famous quote says “*the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well, that the product or service fits him and sells itself*” (DRUCKER, 1973).

When going international company overall performance is highly influenced by firm-specific factor. Two of these factors are the firms R&D⁹ intensity and marketing¹⁰ intensity (KOTABE, SRINIVASAN & AULAKH, 2002). Managers need to focus not only in overseas expansion products but also in their R&D and marketing activities to make their expansion successful.

One way of increasing marketing intensity is by investing more in advertising. Firms that invest more in advertising will generate more sales in foreign markets than those that do not

⁹ Research and development is used to improve the manufacturing process and the product quality and design.

¹⁰ According to Kotabe, marketing capability is the firm ability to differentiate their products and services from competitors while building a successful brand.

(KOTABE, SRINIVASAN & AULAKH, 2002). Also, firms that tend to use advertising as a common marketing strategy and that invest more in R&D tend to be more geographically diversified as they have more intangible assets such as brand name and recognition and a premium reputation that can be easily transferred to new countries (DAVIES, RONDI, SEMBENELLI, 2001; KIM & MATHUR, 2008). With the higher reputation achieved, firms can charge premium prices in these new markets thus increasing their profitability (KOTABE, SRINIVASAN & AULAKH, 2002).

The brand is the most valuable attribute for foreign wine consumer and it can be used easily and effectively to reach markets abroad (OLMOS, 2011). In a consumer's purchase decision, if a product has higher brand awareness it can influence the consumer choice (GREWAL, MONROE & KRISHNAN, 1998).

In the Portuguese case, **ViniPortugal** has the mission of promoting the Portuguese image as a wine producer while promoting and increasing the awareness of the brand "**Wines of Portugal**". The goal is to increase the appetite for Portuguese wines, making them more competitive.

e. Strategies

With the change from a fragmented wine industry to a more globalized and competitive one focused on the internationalization process, firms started facing competition everywhere, either by firms in the same country or by international firms. Therefore, managers are obligated to always try to make the best decisions that can produce a competitive advantage to earn above-average returns (NEWTON, GILINSKY & JORDAN, 2015).

For companies to survive and succeed in these competitive markets, like the wine market, they need to follow a **cost leadership strategy** or a **product differentiation strategy** (PORTER, 1980).

According to Porter, firms can have a better performance than others in the short-run by producing products with a lower cost, following a cost leadership strategy. Though, assuming perfect information¹¹, firms with cost advantage will soon be mimicked and lose their lead.

If a firm follows a product differentiation strategy, they can charge a higher price because consumers are willing to pay a premium for this.

However, in both strategies firms need to be committed to continuously reduce the cost of the product or differentiate it even more.

¹¹ With perfect information all consumers and producers have knowledge about the product price, quality and production process.

Companies in the wine industry have been following a production-driven growth strategy rather than a quality-driven strategy. This strategy, which is more focused on growing volume while lowering costs, is no longer working for many wineries as the increase in competition and the need for marketing expenses lead to a decrease on margins that destroyed the firm's profits (STEINTHAL, 2004). Also, with time the average consumer's preferences have shifted from a basic wine towards a higher quality or premium wine that indicates a "lower quantity but better quality" trend on the market (BERNETTI et al., 2006).

By looking at the main wine producers, several different internationalization strategies become visible. On one hand, countries like Spain are still following a quantity-driven strategy while on the other hand countries like Italy and Chile are focused on a quality-driven strategy.

Virgin of the Vineyards¹² is the biggest wine producer in Spain and, according to their director, they are like a factory "*We do not elaborate wine here – we produce wine*". They opted to follow a strategy where they produce vast quantities, lowering their cost so they could export more. Though, this strategy is affecting the country's wine reputation and price negatively.

Their wine sector is dominated by small wineries that do not have brands to distinguish themselves, which impossibilities them to develop promotional and marketing strategies in foreign markets to increase their prices (OLMOS, 2011). Their wine sector is facing an excess supply for the existing demand. (OLMOS, 2011).

When looking at the table 14 and 15, we can see that between 2012 and 2016 Spain is the country with the highest wine exports in volume. Though, since Spain strategy of selling more in bulk dropped the prices, Italy and France achieved higher export value than Spain with less sales. "*We've boosted our exports significantly, but probably too rapidly, so that we've now got the wrong price pyramid, with a lot of wine sold very cheaply*" said Rafael del Rey, the director of the Spanish Observatory of the Wine Market¹³. Spain account for 22.02% of the total HL exported and only 8.97% of the total wine value exported, comparing with the France 13.56% and 28.28% respectively¹⁴.

On the other hand, we have countries like Chile and Italy that opted to follow a quality-driven strategy where their goal is to enrich and increase their wine perceived value (labelling

¹² Located in the region Castile-La Mancha which accounts for half of Spain's wine production.

¹³ Organization created by the Federación Española del Vino (FEV) and the Ministry of Agriculture to promote their wines around the world and to analyse and research about their country wine sector.

¹⁴ See Table 16: Top Wine Exporting Countries in Percentage of Global Wine Volume and Value Traded (source: OIV).

them as “premium products”) with high quality while differentiating them from their competitors, increasing their price, reputation and brand image (GIULIANI et al., 2010).

Both countries have a business association (**Wines of Chile (WOC)** and **Vitality International**) that is responsible for the promotion and marketing of their wines and their wines route. Both have a long history of wine production but only experienced economic growth since the 80s, when the consumption of their wine segment focus began to grow (premium wine) (GIULIANI & ARZA, 2009).

Since the focus on the high-quality segment of wines in the late 90s, the Chilean wine quality improved a lot (GIULIANI & BELL, 2007) and Chile started being considered a “*shining star*” among the new world producers (GIULIANI et al., 2010).

f. SWOT

The SWOT analysis is a dashboard of an organization’s strengths¹⁵, weaknesses¹⁶, opportunities¹⁷ and threats¹⁸. The analysis of the company resources and capabilities will indicate the company strengths and weakness while an analysis of its environment will indicate the company opportunities and threats (STACEY, 2007).

After performing a SWOT analysis, the company actions should match strengths with opportunities, avoid threats and overcome weaknesses (STACEY, 2007).

This type of analysis has been widely adopted and admired for its simplicity and practicality (PICKTON & WRIGHT, 1998). It can be helpful for a company because it allows managers to focus mainly on the key issues that affect the business development and growth (PICKTON & WRIGHT, 1998).

First decision-makers should look at their firm goal and see if it is attainable with their SWOT. If the goal is not achievable, they must choose a different goal and repeat the process.

However, with the aging of the SWOT framework and with the change in the strategic management, the traditional SWOT model may not match today’s complex world (HELMES & NIXON, 2010)

The SWOT analysis, with its vague and simplistic methodology became “a victim of its own success”. Instead of giving a sense of direction for managers to dive into strategic issues, the conventional SWOT fails to provide a sufficient context for managers to decide which

¹⁵ Characteristics that give an advantage over others.

¹⁶ Characteristics that places the company at a disadvantage over others.

¹⁷ Elements in the environment that the company can take advantage of.

¹⁸ Elements in the environment that can cause trouble to the company.

strategies they should implement. Its simplicity leads managers to use it incorrectly, limiting their work to just judge which listed items characterize a business and which do not (VALENTIN, 2001; HELMES & NIXON, 2010).

g. Porter's five forces

Porter's five forces framework tries to explain how to get a competitive advantage by an **external analysis**. According to Porter's framework, competition goes beyond the current industry rivals. This framework tries to explain which forces shape an industry's competitiveness and its external attractiveness by analyzing five competitive forces: rivalry among existing competitors, power of customers, power of suppliers, potential entrants in the industry and threat of substitute goods (PORTER, 2008).

h. Resource-Based View (RBV)

The RBV model tries to explain how to achieve competitive advantage by looking in to the internal performance of the firm (**internal analysis**). This model assumes that a firm is a bundle of resources that are heterogeneously distributed across companies and that these differences are stable over time. So, by exploiting the firms resources¹⁹ the firm can achieve sustainable competitive advantage (WERNELFELT, 1984).

According to the model, resources are a key issue for the companies because what an organization wants is to be in a situation where its own resources can be used to implement value-creation strategies while directly or indirectly making it harder for other competitors to entry the market (WERNELFELT, 1984).

Later, to complement the RBV model, the VRIN framework was introduced. VRIN can determine if a resource is a source of sustainable competitive advantage by checking if the resource is valuable, rare, imperfectly imitable or non-substitutable (BARNEY, 1991).

i. Problems of Porter's five forces and RBV

The main problem of Porter's framework and RBV model is that they are based on a conception of a stable world while the world that we live is characterized by its hyper-competitiveness and high-velocity (D'AVENI, DAGNINO & SMITH, 2010).

Consequently, it is harder and rarer to achieve a sustainable competitive advantage (WIGGINS & RUEFLI, 2003) while the average time that a company can protect its

¹⁹ Resource is anything that could be seen as a strength or weakness of a given firm (WERNELFELT, 1984)

competitive advantage is also decreasing (WIGGINS & RUEFLI, 2005). The constant exogenous shocks in the world turned sustainable competitive advantages to temporary competitive advantages. Achieving a sustainable competitive advantage edge is almost impossible nowadays.

j. Dynamic capabilities

The RBV model failed to clarify why and how some firms achieved competitive advantage in situations of rapid and unpredictable change (EISENHARDT & MARTIN, 2000). Consequently, in 1997 TEECE, PISANO and SHUEN introduced the Dynamic Capabilities framework as the key to achieve competitive advantage. They defended that a firm ability to achieve competitive advantage in this non-stable world will depend on its “*ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments*” (TEECE, PISANO, & SHUEN, 1997). Thus, organizations need to be able to adapt faster to the constant changes in this hypercompetitive and high-velocity world (EISENHARDT & MARTIN, 2000). They not only adapt but also shape them through innovation and collaboration with other entities (TEECE, 2007).

Dynamic capabilities allow companies to “*create, deploy, and protect the intangible assets that support superior long-run business performance*” (TEECE, 2007).

After this publication in 1997, a huge number of studies and research talking about Dynamic Capabilities appeared. One of the most relevant ones was given by BARRETO (2010): “*A dynamic capability is the firm’s potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base.*”

So, when evaluating the Dynamic Capabilities of an organization, we need to look at all the four dimensions that compose it (propensity to change the Resource base, propensity to Sense opportunities and threats, propensity to make market-oriented decisions and propensity to make timely decisions). All these dimensions are independent and all of them should be taken into consideration. They can even be poorly correlated (BARRETO, 2010).

3. Methodology

When choosing the methodology to be used, we need to properly analyze the relevant trade-offs as “*no method is optimized for every research objective and every domain and none is able to surmount fully the well-known challenges*”. Therefore, researchers will always face the situation in which they need to look to the methods strengths and weaknesses to decide if they should follow one method rather than other (BENNETT & ELMAN, 2006).

In this type of study, it is important to use qualitative and quantitative methods because the questions that qualitative and quantitative methods reply differ, so covering only quantitative questions would obscure some of the important data (ZAINAL, 2007; LEE, MITCHELL & SABLYNSKI, 1999). While quantitative methods are well suited to questions of prevalence, generalizability and calibration, qualitative methods are suited for description, interpretation and explanation of situations (LEE, MITCHELL & SABLYNSKI, 1999).

The case study method enables the researcher to go past the quantitative statistical results. By using both quantitative and qualitative data, a case study allows the researcher to explain both the process and outcome of a phenomenon through complete observation, reconstruction and analysis of the subjects under study (TELLIS, 1997).

With this said, it was decided to choose the case-study format as it is the most appropriate method for a modern phenomenon by being able to combine various data sources (quantitative and qualitative), enabling the overlap of data collection and data analysis that lead to higher flexibility in the data collection. This method also simplifies cross-case comparisons, allows the development of a more robust and universal theory (SATO, 2016) and emphasizes the real-world context where the phenomenon occur (EISENHARDT & GRAEBNER, 2007).

4. Data collection

For this study, the focus of the analysis rests on the wine industry and the promotion strategy adopted by different countries. At the same time, a special focus on the Portuguese specific case was present across all the data collection process. Thus, by using a case study analysis, it is possible to use a large variety of data sources, leading to the elaboration of a suitable analysis (EISENHARDT & GRAEBNER, 2007).

In this study, two types of data were collected (primary data and secondary data). The main source used was the secondary data, as ViniPortugal enables free access in their website to most of their information.

a. Primary data

The primary data research was carried out through an interview with the previous Chief Marketing Officer (CMO) of ViniPortugal: Nuno Vale. Nuno Vale exercised this function from November 2011 until September 2017 (5 years and 11 months).

This interview was designed to extract the missing information needed for the realization of this study.

b. Secondary data

Literature-based sources were used to provide a relevant framework about the world wine industry and its respective internationalization strategies.

In the elaboration of this study, the secondary data used consists of data available for the general public such as: Strategic Plan 2015-2017, Annual Operating Plan 2017, Management report 2016 and 2016's annual forum from ViniPortugal.

5. Results

a. World Wine Industry Life-Cycle

According to the HILL, JONES & SCHILLING model, the wine industry is positioned between the Mature and Decline stage, as exhibited in the following table:

	Situation	Type of Market
World Wine Production	Increase on average 0.18% per year (2010-2016) – See table 17	Mature market
World Wine Consumption	Decreasing on average 0.21% per year (2012-2016) – See table 18	Decline market
Export Volume	Increase of approximately 0.24% per year (2012-2016) – See table 14	Mature Market
Export value	Increasing on average 3.78% per year (2012-2016) – See table 15	Mature Market
Vineyard surface area worldwide	Between 2000 and 2016 the vineyard surface area suffered little change (from 7847 to 7600 thousands of Hectares) ²⁰	Mature Market
Competition in the wine sector	Increase in competition in all segments (POMARICI, 2016)	Decline Market

Table 1: World Wine Industry Life Cycle (author)

In the wine industry, with the decrease or growth slowdown in sales, demand, profits and the increase in competition, companies were forced to adapt their strategy to this new industry stage. Therefore, some companies opted to follow a strategy focused on increasing wine perceived value rather than exporting high quantities, as Portugal did.

Companies can also try to increase their market share in order to try to compensate lower margins. However, if this is already challenging during the maturity stage, it will be really hard in the decline phase.

Summing up, firms must adjust constantly to the changing environments. However, predicting the future evolution of the wine industry is challenging and risky. All the forecasts offered 5 years ago failed to predict the future, as all overestimated the growth of consumption and international trade (POMARICI, 2016).

²⁰ According to Statista.

b. The Wine Industry – Portugal positioning

World wine production has shown an unstable evolution trend over the last years, suffering decreases and increases in subsequent years. Between 2010 and 2016, wine production (in HL) increased at an annual average rate of 0.18%. In these years there has been an increase of the production by the New-World producers and a decrease by the Old-World producers. Still, in 2016, the top three wine producers (Italy, France and Spain) are all Old-World wine producers and account for more than half of world’s overall wine production (50,07%; 19,06%, 16,29% and 14,72% respectively). After them, the next three biggest wine producers are New-world producers (US, Australia, China). These three countries account for a total of 18.09% in 2016 (8,95%, 4,87%, and 4,27% respectively)²¹.

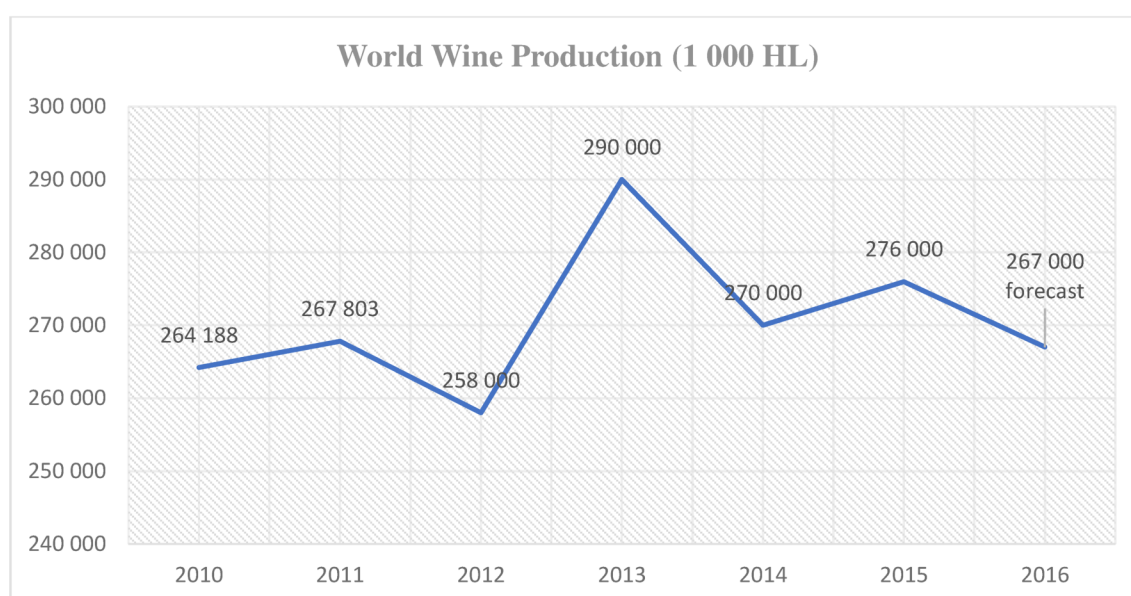


Figure 2: World Wine Production (source: OIV)

Portugal appears as the 11th largest wine producer in 2016 with a market share of 2,25%²². Between 2015 and 2016 the Portuguese wine production suffered a decline of 14,29% driven by the observed climate changes which negatively impacted wine production in the beginning of the vegetative cycle²³. From the total Portuguese wine production (6.000.000 HL in 2016) 45% is exported²⁴.

²¹ See Table 17: Top Wine Producing Countries in Wine Volume (in 1 000 HL) (source: OIV)

²² Ibid.

²³ According to IVV

²⁴ According to ViniPortugal

In relations to the world wine consumption, most of the biggest wine producing countries are also big consumers. The top consumers are the US, France and Italy, and together they account for 33,60% of the world consumption (or 13,14%, 11,16% and 9,30% respectively).

Portugal occupies the 12th position with a total consumption of 4.600.000 HL in 2016²⁵, representing a share of 1,90% of the total world consumption. However, from all the top 12 countries with highest consumption, Portugal is the country with the highest average consumption per capita (44,55 liters annually in 2016). Portugal is followed by France with a consumption per capita of 40,36 liters and Italy with 37,13 liters. Portugal average consumption per capita is fourteen times higher than the world average of 3,25 liters.

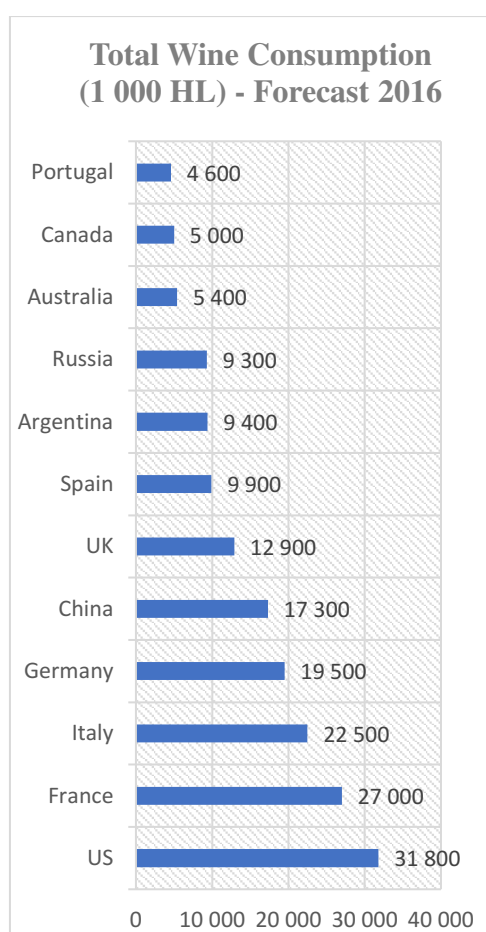


Figure 3: Total Wine Consumption (source: OIV)

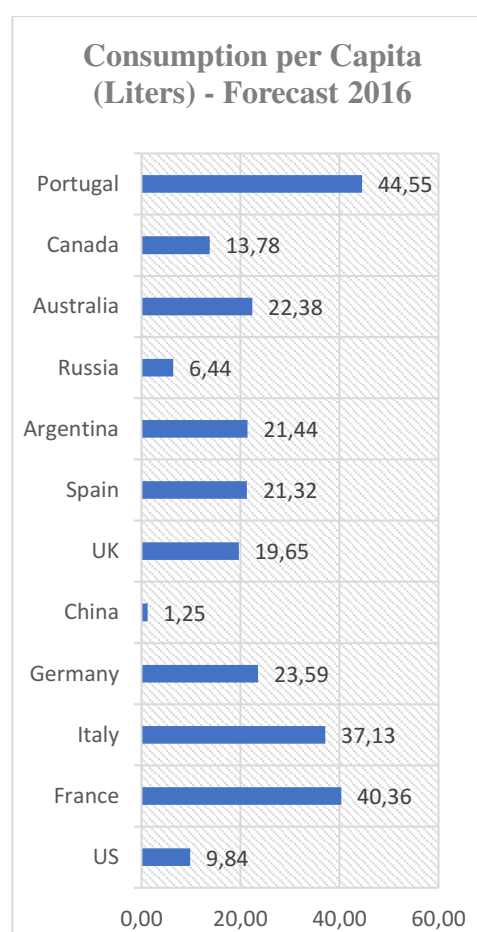


Figure 4: Per Capita Wine Consumption (author)

²⁵ See Table 18: Top Wine Consuming Countries in Wine Volume (in 1 000 HL) (source: OIV).

c. Portuguese internationalization strategy

The changes in consumer preferences from cheap wines to high-quality wines combined with the increase in marketing expenses, the increase in competition and also the stagnation of wine demand lead some countries to adapt their strategies to a more quality-driven strategy, thus focusing their strategy on increasing the wine perceived value.

Until 2012 Portugal followed a strategy more focused on increasing quantities exported rather than increasing its wine perceived quality. From 2010 to 2012, Portuguese wine exports value showed an annual average growth rate of 7,31%, from 614 million euros to 707 million euros. This strong increase in sales was due to the high increase in total volume exported over the same period (Portuguese volume exports increased from 2.666.454 HL to 3.385.714 HL, showing an average annual increase of 12,68%)²⁶.

Since the growth in volume was much bigger than in value, this strategy led to a decrease of 21 cents in the Portuguese wine average price, representing a negative annual growth rate of 4,77% (the prices reduced from 2,30€ per liter to 2,09€ per liter)²⁷.

Despite the good performance in this period, as imports from countries with very low labor costs become more accessible and took over the low-price end of the market (HARFIELD & HAMILTON, 1997) and Portugal wine production capacity reaches its limit, Portugal needed to adapt its strategy to this new era. With the globalization phenomenon, the high-volume and low-cost strategy became more exposed to foreign competition.

With these changes in the wine industry, in 2011 the new ViniPortugal administration decided to implement a new strategy where the main goal was to increase the value of the Portuguese wines exported rather than the quantity exported (quality-driven strategy – implementation of “Wines of Portugal” brand). This type of strategy focused on premium products is less exposed to foreign low-cost producers (QUELCH, 1987).

From 2012 to 2015, the value of wine exported increased from 707 million euros to 735 million euros (annual average growth of 1.27%). In contrast, the total volume exported decreased from 3.385.714 HL to 2.796.274 HL (negative annual growth of 6.18%)²⁸.

²⁶ Table 11: Portuguese Wine Exports and Prices (source: ViniPortugal)

²⁷ Ibid.

²⁸ Ibid.

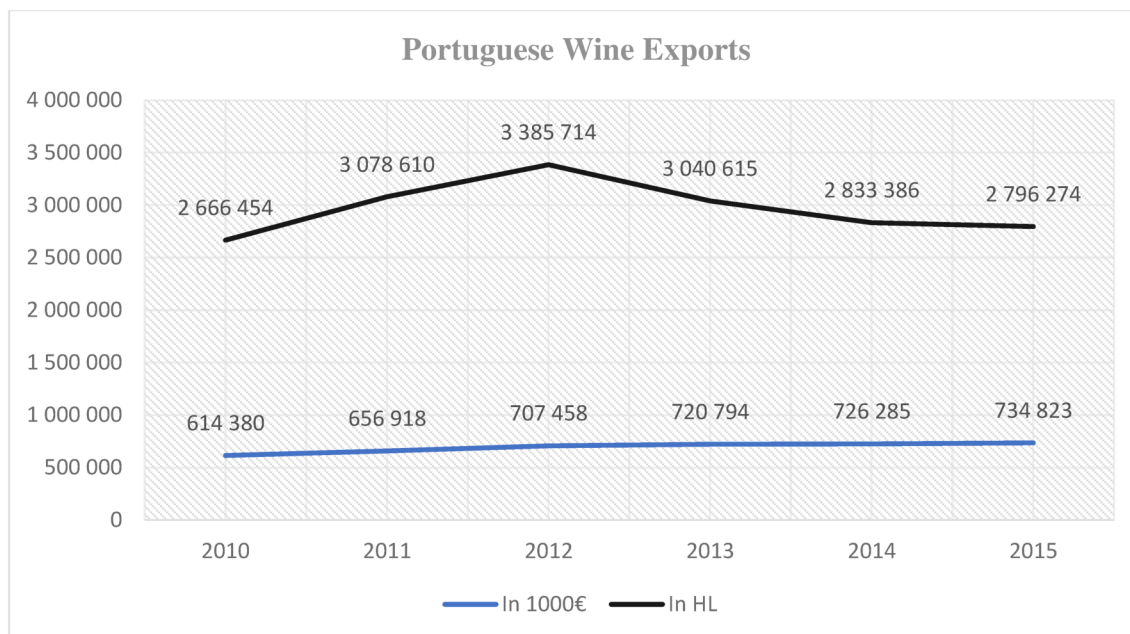


Figure 5: Total Volume and Value of Portuguese Wine Exports (source: ViniPortugal)

These movements in opposite directions were only possible as a result of the average wine price exported by Portugal increased 54 cents per liter, approximately 7.94%²⁹ between 2012 and 2015. From 2012 onwards, the results of the new strategy implemented by ViniPortugal started being noticeable with the increase in exported value and price and decrease in volume.

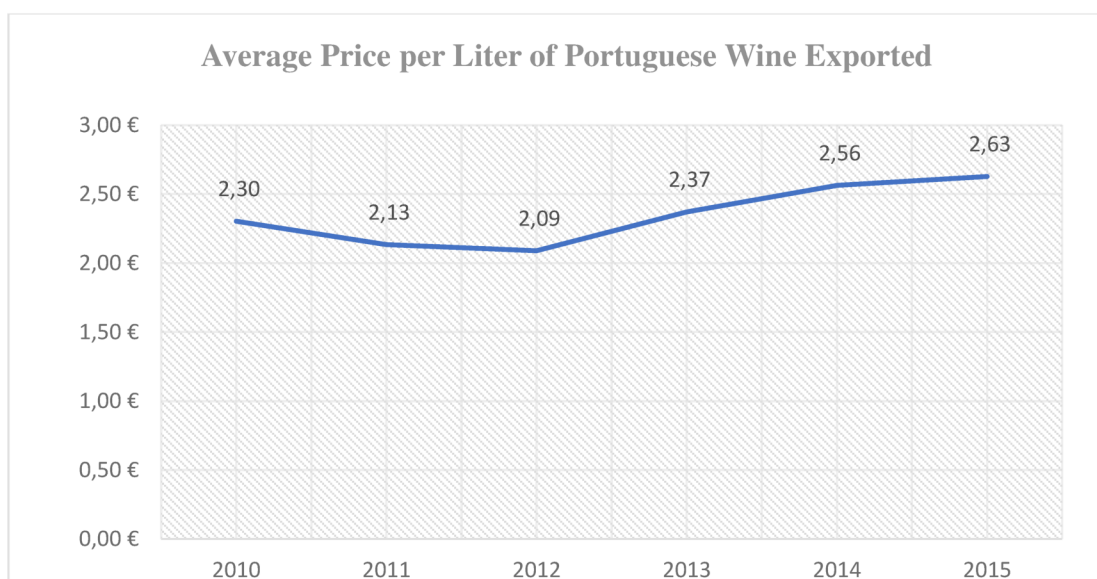


Figure 6: Average Price on Portuguese Wine Exports (source: ViniPortugal)

²⁹ The wine price exported increased from 2,09 (2012) to 2,63 (2015) – See Table 11: Portuguese Wine Exports and Prices (source: ViniPortugal).

In regard to the period 2010 - 2015, and looking at the table 19 of the top 10 destinations of Portuguese wine, Canada was the only country where the average price decreased (decreased from 4,52€ to 3,83€ euros per liter). This happened because Canada imports mainly Port Wine, which has been suffering a decline in the average price.

From all these destinations, in 2015, the UK and the US are the countries with the highest average price (4,01€ and 4,00€ per liter respectively). In this period, both showed a positive annual average growth of 3,22% and 2,03% respectively.

These 10 countries are the main target of Portuguese wine exports and account for 76,41% (2015) of the total value of Portugal wine exports.

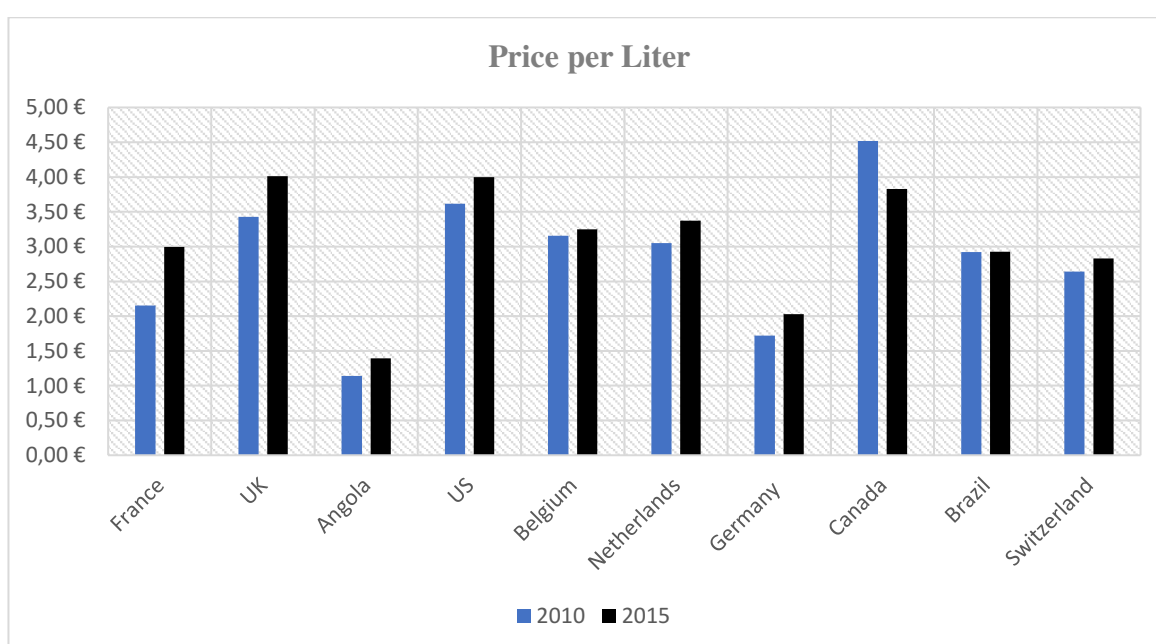


Figure 7: Price of Portuguese Wine Exports by Destination (source: ViniPortugal)

This focus on increasing Portuguese wines price was only possible due to the ViniPortugal role in the promotion of the Portuguese wines. By investing in advertising and promotion activities of Portuguese wines, Portugal can prevent other countries (mainly smaller countries) from entering in its target market segment and increase Portuguese wines value worldwide.

The promotion of Portuguese wines helps “Wines of Portugal” brand to increase its awareness and visibility, thus leading consumers to view Portuguese wines as more prestigious and desired. Usually, consumers attribute high prices to high quality products.

In the end, a premium strategy can make wine companies more profitable if they set the price high enough or if they increase their sales sufficiently to cover the additional marketing cost.

However, launching a premium product or increasing their perceived value, while increasing prices is not always a synonym of increase in margins (QUELCH, 1987). Companies need to invest sufficient time and resources to promote and marketing their products in a sustainable way or the brand recognition is likely to dissipate.

Also, they cannot try to do both as it may lack credibility, confuse customers and undermine its reputation by attempting to deliver two inconsistent things at the same time (PORTER, 1996). For example, if a wine company was known for its premium wines with high quality and prices opts to start selling a cheap wine line can lead to a destruction of value.

d. Portuguese wine sector SWOT

INTERNAL	STRENGTHS	WEAKNESSES
	<ul style="list-style-type: none"> • Wine with high-quality and with an excellent price/cost relationship; • Seen as a traditional wine producer country; • High consumption per capita internally (44, 55 – 2016). 	<ul style="list-style-type: none"> • Lots of wine farms with average small dimensions – weak economies of scale; • Lack of cooperation and of a joint strategy between wineries; • Insufficient knowledge about priority markets by the wine producers; • High disparity in the budget and the management structure between small and big wineries.
EXTERNAL	<ul style="list-style-type: none"> • Growing international image of Portuguese wines; • Achieving Economies of Scale; • Increase of Portugal image and tourism; • High wine products diversification. • New generation of oenologist and businessman in the wine industry with a boldest posture, more willing to take risk and go abroad. <p style="text-align: center;">OPPORTUNITIES</p>	<ul style="list-style-type: none"> • Destruction of wine productions by environmental causes; • International impact of the Portuguese debt and external deficit. <p style="text-align: center;">THREATS</p>

Table 2: SWOT Analysis for the Portuguese Wine Sector (author)

e. The Association: ViniPortugal

ViniPortugal was founded in 1997 as a private non-profit association. ViniPortugal is the Association of the Portuguese Wine Industry, recognized by the ministry of agriculture. It aims to promote Portuguese wines and vinegars across the domestic and international markets. Their promotional activities are financed by capital collected by the IVV from wine and vinegars producers. ViniPortugal is also the association responsible for managing the brand **Wines of Portugal**, which was created in 2010.

ViniPortugal has a long history of wine promoting (20 years), being present in four continents (America, Europe, Asia and Africa) and in 16 strategic markets.

ViniPortugal has a seven million budget since 2011 to promote Portuguese wines, and this budget is secured until 2020.

f. The Brand: Wines of Portugal

Wines of Portugal brand mission is to promote the Portuguese wines across the international markets, thus promoting the image of Portugal as a wine producing country of excellence. It also aims to contribute to a sustained growth of the Portuguese wine volume, diversity and average price. Its brand vision is to reposition Portugal among the top 10 largest exports countries in terms of volume and value in a 10 years' period.

While doing this, they seek to create a strong and global brand awareness and transmit their different market positioning. Without this unique positioning, Portuguese wines will not have their unique style and will fail to communicate their main message: "A World of Difference".

The message "A World of Difference" starts with the unique experience provided by the Portuguese wines. This uniqueness is due to the intense and distinctive way that Portuguese wines are produced, making them exciting, new, different, genuinely Portuguese and consistently good with an excellent value for money. This exceptionality comes from the best regions where the wines are produced (terroirs), the grape varieties³⁰, the techniques utilized and the people who produce the wines.

By creating an appetite for Portuguese wines all around the world, Portuguese wines perceived value³¹ will increase, leading to a market value growth and an average price increase.

³⁰ Portugal is the country with the highest number of grape varieties per hectare of vines planted, according to ViniPortugal.

³¹ Value that a product or service has in the mind of the consumer.

By promoting and marketing Portuguese wines, the “Wines of Portugal” brand name and reputation³² will be easier to transfer to new countries. Achieving a good reputation can be important as this intangible asset will affect the future actions of other players around the world towards Portuguese wines (WEIGELT, CAMERER, 1988).

With this, Portuguese wines will be seen as a premium product with higher quality and an outstanding price/quality relationship. The meaning of premium may vary across markets and time but “*premium brands are typically of excellent quality, high priced, selectively distributed through the highest quality channels, and advertised parsimoniously*” (QUELCH, 1987).

In the end, Wines of Portugal aims to increase the average price of Portuguese wines while other countries see them as top-quality wines with an excellent and better quality/price relationship than its competitors.

g. ViniPortugal Strategic markets

In 2017, ViniPortugal activities targeted 15 core markets: US, Canada, China, Brazil, Japan, UK, Germany, Angola, Norway, Sweden, South Korea, Switzerland, Singapore, Russia and Poland. Additionally, complementing the target geographical segmentation, ViniPortugal gives a relevant stake of attention to international fairs.

For the promotion and marketing activities realized in these markets, ViniPortugal predicts to spend a total of 6.726.442 € in 2017.

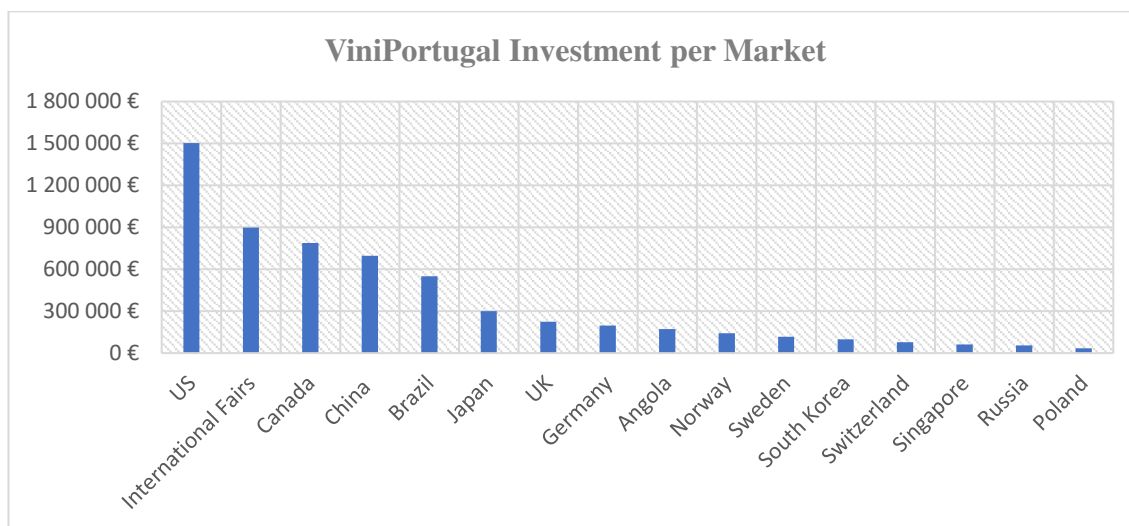


Figure 8: ViniPortugal Total Investments by Destination in 2017 (source: ViniPortugal)

³² A firm has good reputation if consumers sees its products as high-quality products, thus enabling the company to charge a premium price (SHAPIRO, 1983).

ViniPortugal have been constantly adapting its target markets in function of the results obtained in previous years and the alterations on the countries wine industry environment.

China and the US are two examples of countries that from 2015 to 2017 had a giant importance in ViniPortugal wine promotional activities. These two countries are crucial for ViniPortugal due to their high potential for growth. According to IWSR previsions, China will surpass France in terms of total value of wine consumption by 2020, becoming the second largest wine consumer country after the US. China wine consumption is expected to rise to nearly 22 billion dollars (18.7 billion euros) while US wine consumption volume is expected to rise 4.9% by 2020. Also, there is an increasing preference trend by the US wine consumers towards higher quality wines, leading to a forecast growth of 11% in terms of value over the same period. Both markets have a huge population (1.378.665 – China has the highest population in the world and 323.128 – US) and a low consumption per capita (1.25 liters and 9.84 liters respectively), showing a huge space for further growth on Portuguese exports.

Beyond these two economies, in which ViniPortugal spends 31,13%³³ of their total budget (2017), there are also other countries where the investment in promotion and advertising of Portuguese wines is being very successful.

Japan represents the market where ViniPortugal investment shows the biggest growth between 2015 and 2017. The investment grew 81.54%, from 165.000 € to 299.549 €. The Japanese market huge importance comes from many factors. First, Japan is the 7th biggest wine importer (1.3 billion in 2016) and is the country with the highest price per liter paid in 2016 (4.81€ per liter).

For them, the quality-price ratio seems to be the most important aspect when buying a wine. So, we can say that the “Wines of Portugal” goal of enabling the consumer to buy top-quality wines with an excellent quality/price relationship suits perfectly the Japanese market (Wine Intelligence, 2008). With the 2017 investment, ViniPortugal wants to increase its strategic position in the local sommeliers³⁴ community and to penetrate the main Japanese retailers.

Three other markets where ViniPortugal increased its investment by a large amount are Norway (50.78%), Canada (14.23%) and the UK (11.93%)³⁵.

UK is the second country worldwide with highest value and volume of total imported wine in 2016. UK imported a total of 13.5 million of HL, which represented 3.5 billion of euros (roughly 2.59€ per liter – table 23, 24 and 25). The market size is considerably big, with a lot

³³ See Table 22: ViniPortugal’s Account and Budget (source: ViniPortugal 2017 Operational Plan).

³⁴ Restaurants waiters who are in charge of wine.

³⁵ See Table 24: Largest Wine Importers by Value (millions of EUR) (source: OIV).

of opportunities for higher priced wines appearing as retailers become more specialized and quality driven rather than cost driven (ViniPortugal 2020 Strategic Plan). So, with the increase of promotional activities by ViniPortugal, Portuguese wines have a huge opportunity for future growth in terms of value and quantity.

Canada also stands as a considerably big market that imports mainly port wines from Portugal. With the decrease of the port wines value, the ViniPortugal investment in promotional activities can be the starting point to invert this trend or to increase the imports of other types of wines.

On the other hand, we have countries like Angola, Singapore, Brazil and Germany, where the investment was reduced by a large amount.

The investment decrease on Brazil was a consequence of the poor performance of Portuguese wines in 2016. While the volume of wine exports increases 13.1%, the average price decrease 10.9%, resulting in a 10% decrease of total value exported (ViniPortugal Management report, 2016). This decrease in the wine prices goes against the “Wines of Portugal” vision, which can damage their reputation.

In the Angolan market, the economic crisis got worse in 2016, leading to a negative impact in the execution of the ViniPortugal marketing plan. Therefore, ViniPortugal was forced to cancel 5 activities previously schedule for this year. With the worsen of this crisis in 2017, ViniPortugal chose to decrease its investment in this market.

Germany is an important market for ViniPortugal due to its large wine consumption values. However, ViniPortugal investments values in this market are inconsistent due to the Vinexpo show (biannual show in Bordeaux). ViniPortugal investment is lower in European countries in years where Vinexpo show occurs because they have a worse financial availability. In the years that this shows does not happen, ViniPortugal has a better financial availability and will spend more in the European markets.

With the continuations of the bad results in Singapore, facing a low return for the investment, ViniPortugal opted to change the allocation of the budget spent on Singapore to a more attractive market in the next year (2018), so the 2017 investment represents a “phase out” investment.

South Korea, Switzerland, Russia and Poland are new markets for ViniPortugal promotional activities.

In the South Korea and Russia market, ViniPortugal investment represents a “seed investment”. This small investment aims to see how these markets react and, according to the

results, the investment can be rapidly reinforced, as occurred with the Japanese market (the good results lead to a fast increase in the investment).

In the end, ViniPortugal needed to choose a reduced number of markets because of their limited budget. According to Nuno Vale, activating a market requires a minimum investment of 150.000€. Thus, it is better to choose a smaller number of markets, while making sure that the investment in each market is enough to help improving the Portuguese wine international market. However, some markets like Poland and Switzerland still lack further investments to activate properly these relevant markets and achieve better results.

h. ViniPortugal Promotion of Portuguese wines

ViniPortugal segments its promotional efforts across four different areas: events, education & training, communication and point-of-sale advertising.

- *Events:*

ViniPortugal dedicates a relevant stake of its efforts to either internally promoted events or to manage its participation in international events aiming to promote an increasing knowledge on Portuguese wines. These events can either be B2B or B2C.

Some of the most relevant and recent B2B events are “360° Wine crawl” (Canada, 2016) and “TEXSOM” (US, 2016). ViniPortugal presence in both events aimed at increasing Portuguese wines distribution network across two of the most relevant markets for Portuguese wine exports.

On the other hand, ViniPortugal uses B2C events like “Vinhos de Portugal no Rio” (Brazil), “London Wine Week” (UK) and “Food & Wine classic in aspen” (US) as a way of positioning “Wines of Portugal” brand internationally. These B2C events have a huge importance in the markets where Portuguese wines start gaining visibility, as they can increase the consumers’ willingness to buy and its perceived value of Portuguese wines.

The two biggest wine events that ViniPortugal participates in are the ProWein³⁶ and the Vinexpo³⁷. With the results obtained before 2017 in both of these events, ViniPortugal opted to allocate some of the resources from Vinexpo to ProWein, due to the high return for the investment in the ProWein trade fair. With this, from 2017 onwards, the “Wines of Portugal” brand will be more visible in this event and will differentiate the diverse Portuguese wine production regions, giving them more visibility.

³⁶ Is the world’s leading and largest trade fair, where professionals from the wine industry meet.

³⁷ Is the leading exhibition of wine and spirits, with the aim of bringing players from the wine industry together to increase sales and stimulate the market.

These events differ from country to country as the consumer's needs, values and culture differ, encouraging ViniPortugal to adapt its strategy to the different environments.

○ *Education / training:*

In the wine industry, it is crucial to educate and train both sectors professionals and final consumers. To help training and educating both, ViniPortugal uses a total of 15 academies (2016) all around the world.

One of the ViniPortugal academies is the “Academia Vinhos de Portugal”, which offers expert education for national and international professionals that want to learn more about the Portuguese wine sector.

ViniPortugal also resorts to third parties for educating and training purposes. In 2017, ViniPortugal will use some partnerships with: Horeca Promotion, Wine Vision School, Stephen wine School, I-Way School, Taste Spirit/Shanghai and Taiwan Wine Academy for educating and training purposes in the international market.

Since 2015, ViniPortugal marketing strategy started focusing only in the international market. It makes no sense to continue investing in the promotion of Portuguese wines image in Portugal, when they could just communicate the results and the success obtained in the international market as a way of marketing nationally.

In the national market, the only expenses that ViniPortugal has on wine promotion activities concern to the operational expenses related to Tasting Rooms (“Praça do Comércio” and “Palácio da Bolsa”) and education of the wine service for professionals from restauration and hospitality (2017):

- “How to classify your wine service – glass” – Addressed to the “Canal HORECA”, this program will include an education about Portuguese wines. For the year 2017, ViniPortugal planned a total of 20 activities with this goal.
- “Portuguese wines and gastronomy” – In partnership with APHORT, they will give an education about Portuguese wines and gastronomy directed to hotels and restaurants member of APHORT.
- Training for distribution - This program is directed to the people responsible for the wine area in the Jumbo and Makro Portugal supermarkets. With this, they want to improve the service provided to their clients by transmitting more knowledge about the Portuguese wines.

ViniPortugal also brings specialized people from other parts of the world so they can learn more about the Portuguese wines.

○ *Communication:*

To communicate “Wines of Portugal” vision and to provide knowledge about Portuguese wines, ViniPortugal uses a high variety of strategies. They have their own website, where everyone can get free access to all the events where ViniPortugal will be present and also the latest news about the wine industry. ViniPortugal also uses “Wines of Portugal” Facebook page, with more than 22.000 followers, to transmit this information, to promote the events that are coming up and to spread their main message “A World of difference”. They are also present in Instagram with more than 26.000 publications.

ViniPortugal also uses magazines and outdoors to increase the awareness and the perceived value of Portuguese wines.

○ *Point-of-sale advertising*

ViniPortugal divides its promotional activities in point of sale and point of consumption. The point of sale promotions (supermarkets, online stores) aims to increase the shelf space available for Portuguese wines and their prestige, while spreading awareness to the less familiarized consumers.

The point of consumption promotion has the same goals as the other type of promotion but is realized in different places like hotels and restaurants.

ViniPortugal activities that contain the involvement of the producers have a double importance as they are some of the moments of higher visibility for “Wines of Portugal” and the payment for participation from them constitute the ViniPortugal private funding.

In 2016, ViniPortugal executed 144 promotional activities, of which 88 of them involved directly 389 economic agents. On average, each company participated in 5.4 events (4.6 in 2015), and each event on average had the participation of 24 companies (ViniPortugal Management Report 2016). Looking at the graph bellow, from all the 389 economic agents, 265 participated in [1-5] events and only 2 economic agents participated in [40-45].

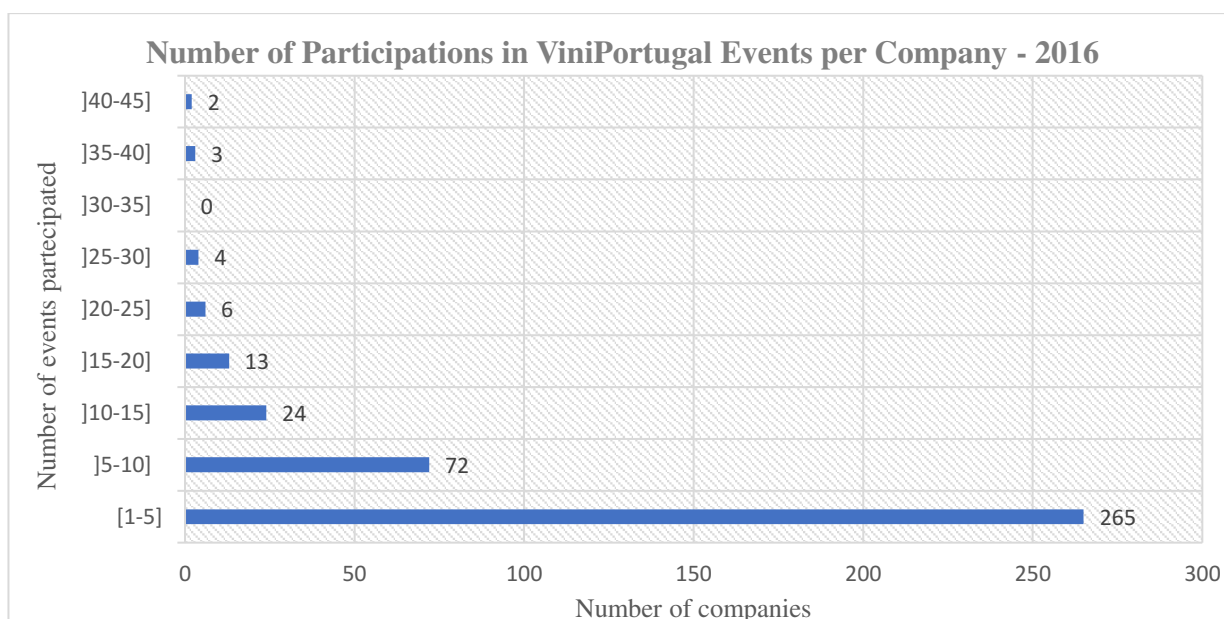


Figure 9: Number of Participations in ViniPortugal Events per Company (author)

For the promotion of Portuguese wines, ViniPortugal also has two Tasting Rooms, one in Lisbon and other in Porto, where the visitors can taste more than 1.000 Portuguese wines from all the Portuguese regions. In 2016 they accounted for 22.286 and 5.908 visitors and had a total revenue of 106.330,86€ and 12.689,46€ respectively. These Tasting Rooms are mainly intended to attract tourists as a way of increasing their knowledge about Portuguese wines.

Tasting Rooms	Lisbon		Porto	
	2015	2016	2015	2016
Visitors	16 436	22 286	9 090	5 908
Tasting Cards Sold	12 171	20 759	4 318	4 523
Total Sales		106 330,87 €		12 689,46 €
Foreigners	91%	97%	87%	92%

Table 3: Tasting Room Statistics (source: ViniPortugal Management Report 2016)

i. ViniPortugal SWOT

INTERNAL	STRENGTHS	WEAKNESSES
	<ul style="list-style-type: none"> • Good brand awareness and reputation with professionals of the sector; • Good articulation of efforts with IVV; • High level of professionalism; • The 7M funding is insured until 2020; • High experience acquired about the sector (16 years of existence); • Young and motivated team that can easily adapt to a new operating model. 	<ul style="list-style-type: none"> • Low brand awareness with the consumers; • Insufficient operative articulation with national actors (CVRs and IVDP); • Low level of I&D; • Financing has bad flexibility.
EXTERNAL	<ul style="list-style-type: none"> • Growth of new markets; • Portuguese wines are too cheap; • Increasing Online sales of wine products; • New ways of promoting wine (social media, blogs). 	<ul style="list-style-type: none"> • Increase international competition; • Some producers are selling wines with good quality for low price and being very successful – this can go against “Wines of Portugal” strategy and reputation worldwide.
	OPPORTUNITIES	THREATS

Table 4: SWOT Analysis for ViniPortugal (author)

In order for ViniPortugal to get access to IVV funds, for each event, they need to cooperate with private companies that are willing to support a share of this cost. Thus, this can become challenging because private companies are not always willing to support some of ViniPortugal events.

Therefore, ViniPortugal Strategic plan is never optimal since they need to take in consideration that private companies are not always willing to participate in their promotional activities.

Generally, private companies prefer to participate in events where professionals of the sector participate than on events aimed to give knowledge about the Portuguese wines to the

consumers. Consequently, the “Wines of Portugal” brand awareness is low with consumers and high with professionals of the sector.

j. ViniPortugal Dynamic Capabilities

Using Barreto (2010) dynamic capabilities definition, by looking at all the four dimensions and taking in consideration that all of them are important, independent and can be poorly correlated, the following graph characterizes each one of them for the company ViniPortugal.

<p>PROPENSITY TO CHANGE THE RESOURCE BASE</p> <p>High – ViniPortugal succeeded adapting its resources to the change in the markets environment. When a market stops giving good returns for the investment, a solution passes through a company disinvest in that market and allocate them to a more attractive one, as ViniPortugal has been doing.</p>	<p>PROPENSITY TO SENSE OPPORTUNITIES AND THREATS:</p> <p>High – ViniPortugal sensed the opportunity of this new segmented (high quality products with a good price/quality relationship) and the need to invest more in the new economies of the future (China and US), so they started investing more resources in this new segment and in these new markets.</p>
<p>PROPENSITY TO MAKE MARKET-ORIENTED DECISIONS</p> <p>High – Focus on the consumers preferences and promotional activities adapted to each country characteristics, values and culture.</p>	<p>PROPENSITY TO MAKE TIMELY DECISIONS</p> <p>High – The focus on the premium segment was done in the perfect time when the competition started to increase, the demand decreasing, and the preferences of the consumers also changed to a more quality basis.</p>

Table 5: Dynamic Capabilities Analysis for ViniPortugal (author)

6. Conclusion

a. Does Portugal have a competitive advantage comparing with the main wine producer's countries?

Companies may gain advantages against their international competitors driven by the existence of strong pressures and challenges in their home market (pressures such as having strong rivals, aggressive suppliers and tough customers in a company home market have historically driven to increasing innovation).

With this, in a world of increasingly global competition, countries have become much more important. The difference in a country values, economic structures and institutions can help or damage the company success internationally (PORTER, 1990).

No nation can be competitive in every industry, and the one that they succeed it is because their home environment is propitious for that specific industry (PORTER, 1990). Thus, it is important to analyze the country environment to check its strengths and weaknesses.

In 2005, Cholette, Castaldi and Fredrick did a country comparison analysis to investigate the position and the competitive advantage of each country in this new globalized world.

For this study, they chose nine of the most important wine producers countries that meet the production standards for wine and that appeal to consumers internationally, while making sure to choose countries from either the Old-World Countries (France, Germany, Italy and Spain) and from the New-World countries (Argentina, South Africa, Australia, Chile and United States). All these countries are producing below capacity and could expand if demand justifies so.

In this analyze, five key factors that are important for a country to compete positively in the global wine industry were used:

- Domestic Market – It is important to have a home market with a large wine consumption and where national wines are preferred;
- Domestic Market Growth Potential – If there are opportunities for an increase in the domestic demand;
- Economies of Scale – If a country is dominated by larger firms, it can achieve economies of scale and scope and has improved power in promoting their wines;
- Industry Adaptability to Change – Producers disposition to test new production methods, to develop new marketing strategies and to adapt to the changes in consumers preferences;
- Potential to Attract Foreign Investment – If a country has a competitive advantage, it will attract foreign investments more easily than others;

	Domestic Market	Domestic Market Growth Potential	Economies of Scale	Industry Adaptability to change	Potential to Attract Foreign Investment	Competitive Advantage
Old-World Countries						
France	Strong	Weak	Weak	Weak	Moderate	Weak
Germany	Strong	Moderate	Weak	Weak	Weak	Weak
Italy	Strong	Weak	Weak	Moderate	Moderate	Moderate
Spain	Moderate	Weak	Weak	Moderate	Moderate	Moderate
New-World Countries						
Argentina	Moderate	Weak	Moderate	Strong	Moderate	Moderate
South Africa	Weak	Weak	Moderate	Strong	Moderate	Moderate
Australia	Weak	Weak	Strong	Strong	Strong	Strong
Chile	Weak	Weak	Strong	Strong	Strong	Strong
United States	Strong	Strong	Strong	Strong	Strong	Strong

Table 6: Country Comparison of Competitive Advantages (source: CHOLETTE, CASTALDI, FREDRICK, 2005)

Building on Cholette, Castaldi and Fredrick analysis, one can look at the recent market trends combined with additional knowledge and complement the model with additional and recent factors while applying it to Portugal. With this, we can compare Portugal wine environment with the principal wine producing countries.

	Domestic Market ³⁸	Domestic Market Growth Potential ³⁹	Economies of Scale	Industry Adaptability to change	Potential to Attract Foreign Investment	Promotional Organization	Competitive Advantage
Old-World Countries							
Portugal	Moderate	Weak	Weak	Strong	Moderate	✓	Moderate
France	Strong	Weak	Weak	Weak	Moderate	✗	Weak
Germany	Strong	Moderate	Weak	Weak	Weak	✓	Weak
Italy	Strong	Moderate	Weak	Moderate	Moderate	✓	Moderate
Spain	Moderate	Weak	Weak	Weak	Weak	✓	Weak
New-World Countries							
Argentina	Moderate	Weak	Moderate	Strong	Moderate	✓	Moderate
South Africa	Weak	Weak	Moderate	Strong	Moderate	✓	Moderate
Australia	Moderate	Weak	Strong	Strong	Strong	✓	Strong
Chile	Weak	Weak	Strong	Strong	Strong	✓	Strong
United States	Strong	Strong	Strong	Strong	Strong	✓	Strong

Table 7: Adapted Country Comparison of Competitive Advantages (author's adaptation)

Australia and Chile have a small home market with low potential for growth due to their small population. Still, they are very well positioned in the international market with large-scale producers that are willing to adapt to the changes in the industry and the high propensity to attract foreign investments (strong competitive advantage).

The United States domestic wine market is already large (country with the biggest wine consumption in the world – 31.800.000 HL in 2016), yet it still has even more potential to expand due to the large population and low consumption per capita. All the other key success factors are also favorable, so the US possesses a strong competitive advantage.

The lack of strong economies of scale in Argentina and South Africa leads to a decrease in the propensity to receive foreign investments. With this and, in the Argentina case, the decrease of wine production (decrease of 42,15% in the period 2010-2016) and consumption (decrease of

³⁸ The domestic market assessments were adapted to the following criteria:

Domestic Market (in 1.000 HL):

- Strong = 20.000 +
- Moderate = 5.000 – 20.000
- Weak = 0 - 5.000.

³⁹ The domestic market growth assessment was adapted to the following criteria:

Domestic Market growth based on:

- Wine consumption growth;
- Wine Production growth;
- Consumption per capita.

6,93% between 2012-2016) makes it impossible for both to achieve a strong competitive advantage.

Two of the countries with a weak competitive advantage are seen as two traditional strongholds of wine production, both are Old-World Producers: France and Germany. For both, their domestic market is huge. However, France has little opportunity for further growth since they have the 2nd biggest wine consumption per capita from all the biggest wine consumers countries.

In Germany case, they show some potential for growth since their demand is bigger than their supply and only 45% of German household purchases consist of domestically produced wines. Germany is the biggest importer of wine based on volume and the 3rd biggest in terms of values, after the US and the UK⁴⁰.

In both countries, the wine industry is mature and highly fragmented. Their wineries have average small size and the average profitability is also low.

Italy also has a strong domestic market. Italy is the biggest wine producer in the world, the 3rd country with the biggest wine consumption and, from all the top consumption countries, Italy has the 3rd highest consumption per capita.

Spain strategy to increase volumes rather than quality is affecting the country's wine reputation, putting them on an excess supply for the existing demand situation. With this, they failed to adapt to the new consumers wine preferences, showing a low level of ability to adapt to change. Also, with the weak economies of scale (dominated by small wineries that do not have brands to distinguish themselves) and weak potentiality to attract foreign investment, Spain can be seen as the country with the weakest competitive advantage from this sample of 10 countries.

Portugal have a moderate domestic market, Portugal has a lower population (10.325.000 - 2016) but huge consumption per capita (44.55 liters – 2016). Portugal domestic wine industry market is also represented by a lot of wine producers with small dimension, making it difficult to achieve economies of scale.

However, with ViniPortugal strategy, Portugal succeeded to adapt to the new globalized world by increasing its wine perceived value, while communicating their outstanding price/quality relationship in relation to the other wine producers countries, viewing them as premium product. With this, followed by the increase in prices, Portugal wine reputation and awareness increased world-wide, leading to an increase of potential to attract foreign investors.

⁴⁰ According to 2017 Global Agricultural Information Network report.

With this new strategy, implemented by ViniPortugal, Portugal has shown good results in recent years. Continuing the increase trend on the value exported and average price of wine, we can consider that Portugal has a moderate competitive advantage.

In the end, it is visible that New-World Producers are much more well positioned to take advantage of the opportunities that appear through the wine industry globalization.

b. Did ViniPortugal new strategy succeeded?

Basing our analysis on the numbers achieved between 2010 and 2015, we can say that ViniPortugal succeeded in its mission of promoting Portuguese wines across the international markets, while increasing the reputation and awareness about the brand Wines of Portugal.

First, looking at the top 10 destinations of Portuguese wine, all the destinations that represent a ViniPortugal strategic market show an increase in the total value of wine exported to these regions (UK, Angola, US, Germany, Canada, Brazil and Switzerland – increase of 27.22% in this 5 years period). On the other hand, when we look at the remaining 3 of the biggest destinations (France, Belgium, Netherlands), the value exported between 2010 and 2015 decreased approximately 2.22%.

Portuguese Exports Main Destinations (1 000 €)	2010	2015	Total Growth
To ViniPortugal strategic markets	280 286	356 578	27,22%
Other markets	209 576	204 921	-2,22%

Table 8: Comparison of Exports between Markets with and without ViniPortugal (author)

With this strategy, ViniPortugal enabled the increase of the average price of wine exported, through a process of continuous promotion across the world which led to an increase of the Portuguese wines reputation and awareness. As consequence, Portugal was able to decrease the total volume of wine exported while increasing the total value exported (since 2012).

As Jorge Monteiro, ViniPortugal President, said in 2015 proceeds resulting from wine exports are much more important than total volume exported. Thus, we can say that ViniPortugal succeeded in their goal of increasing Portuguese wine average price and value.

The increase in the Portuguese wine reputation and awareness, in the exports value and in the perceived value by international consumers benefited all the Portuguese wine producers and the country economy.

First, it enabled wine producers to get higher margins and higher awareness when going abroad. Also, ViniPortugal promotional activities can empower some Portuguese wine producers to go to markets where it would be totally impossible to go before due to the high costs required to make their wines visible to the consumers. Also, some of ViniPortugal events can help Portuguese wine producers finding a good distribution network in new markets, a task that may become considerably challenging without ViniPortugal support.

Secondly, this strategy benefits Portugal by increasing the trade balance, thus contributing to Portuguese economic growth and associating its image to a country characterized by its high-quality wine

Though this process, if the resources were their only source of competitive advantage, ViniPortugal would have failed dramatically. ViniPortugal showed a high level of dynamic capabilities when choosing and adapting to the changes in the wine industry and to the differences between markets. Their knowledge and experience acquired in their 16 years of existence was also crucial to prevail in these distinct markets, where other competitors' countries had more resources available.

ViniPortugal succeeded in its accomplishments by choosing and following the best strategy possible. Another important factor was the optimal strategic markets chosen by ViniPortugal to promote Portuguese wines. With its low resources, it was crucial to choose a smaller number of strategic markets, while making sure that their resources were enough to thrive in them and not to waste them.

Their high capability to adapt to change also helps them managing their resources. By analyzing their results in each market, ViniPortugal is able to adapt to underperformance situations by allocating the resources used in that market to a more attractive one.

The Portuguese wine production was already on its maximum capacity and, in recent years, there have been an increasing destruction of wine productions by environmental causes, leading to an inconsistent level of wine production. Thus, the focus on premium wines, with higher prices and lower volume was the only option for Portugal to increase its wine exports value.

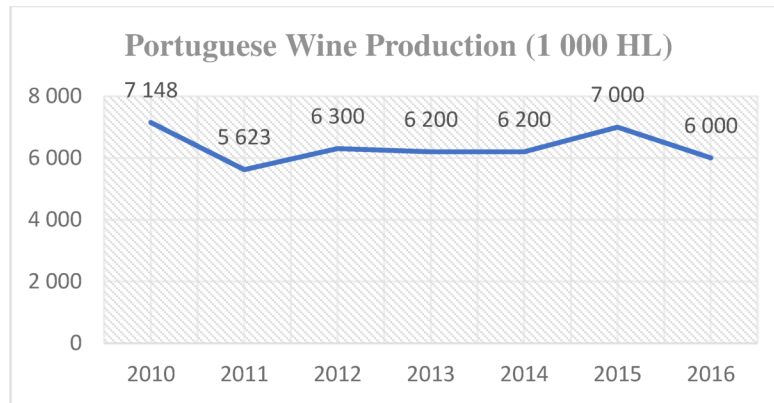


Figure 10: Portuguese Wine Production (source: ViniPortugal)

In the end, every move that ViniPortugal team opts to follow is to “*Turn Portugal the hotspot in the international wine scene*” in the long-run, as Nuno Vale said in our interview.

7. Appendices

	Trade Balance - Million €
1996	-6 666
1998	-10 140
2000	-13 960
2002	-11 630
2004	-12 321
2006	-13 564
2008	-16 769
2010	-12 804
2012	229
2014	1 890
2016	4 065

Table 9: Portuguese Trade Balance (source: PORDATA)

	Portuguese Wine Trade Balance	Trade Balance Intra EU	Trade Balance Non-EU
2010	524 887	297 563	227 325
2011	575 003	310 244	264 161
2012	621 087	320 678	296 455
2013	598 395	286 223	312 172
2014	601 131	282 809	318 322
2015	618 326	305 859	312 467
Annual Avg. Growth 2010-2015	3,33%	0,55%	6,57%
Annual Avg. Growth 2010-2012	8,78%	3,81%	14,20%
Annual Avg. Growth 2012-2015	-0,15%	-1,56%	1,77%

Table 10: Portuguese Wine Trade Balance (source: ViniPortugal)

	Value (1 000€)	Volume in HL	Price per Liter
2010	614 380	2 666 454	€2,30
2011	656 918	3 078 610	€2,13
2012	707 458	3 385 714	€2,09
2013	720 794	3 040 615	€2,37
2014	726 285	2 833 386	€2,56
2015	734 823	2 796 274	€2,63
Annual Avg. Growth 2010-2015	3,65%	0,96%	2,66%
Annual Avg. Growth 2010-2012	7,31%	12,68%	-4,77%
Annual Avg. Growth 2012-2015	1,27%	-6,18%	7,94%

Table 11: Portuguese Wine Exports and Prices (source: ViniPortugal)

	Intra EU Value (1 000 €)	Share of Total Exports	Non-EU Value (1 000 €)	Share of Total Exports
2010	386 157	62,85%	228 224	37,15%
2011	390 988	59,52%	265 331	40,39%
2012	406 027	57,39%	297 478	42,05%
2013	407 592	56,55%	313 202	43,45%
2014	406 953	56,03%	319 332	43,97%
2015	421 173	57,32%	313 650	42,68%
Annual Avg. Growth 2010-2015	1,75%	-	6,57%	-
Annual Avg. Growth 2012-2015	1,23%	-	1,78%	-

Table 12: Portuguese Wine Exports Intra-EU and Non-EU (source: ViniPortugal)

	Value (1 000€)	Intra EU Value (1 000€)	Share of total Imports	Non-EU Value (1 000€)	Share of total Imports
2010	89 493	88 594	99,00%	899	1,00%
2011	81 915	80 744	98,57%	1 170	1,43%
2012	86 371	85 349	98,82%	1 023	1,18%
2013	122 399	121 369	99,16%	1 030	0,84%
2014	125 154	124 144	99,19%	1 010	0,81%
2015	116 497	115 314	98,98%	1 183	1,02%
Annual Avg. Growth 2010-2015	5,42%	5,41%	-	5,64%	-
Annual Avg. Growth 2012-2015	10,49%	10,55%	-	4,96%	-

Table 13: Portuguese Wine Imports Intra-EU and Non-EU (source: ViniPortugal)

	2012	2013	2014	2015	2016	Total Growth	Annual Growth
Spain	20 700	18 400	23 000	24 700	22 900	10,63%	2,56%
Italy	21 200	20 300	20 400	20 100	20 600	-2,83%	-0,72%
France	15 000	14 500	14 300	13 900	14 100	-6,00%	-1,53%
Chile	7 500	8 800	8 000	8 800	9 100	21,33%	4,95%
Australia	7 200	7 100	7 000	7 400	7 500	4,17%	1,03%
South Africa	4 200	5 300	4 200	4 200	4 300	2,38%	0,59%
US	4 000	4 100	4 000	4 200	3 800	-5,00%	-1,27%
Germany	4 000	4 000	3 900	3 700	3 600	-10,00%	-2,60%
Portugal	3 400	3 000	2 800	2 800	2 800	-17,65%	-4,74%
Argentina	3 700	3 100	2 600	2 700	2 600	-29,73%	-8,44%
New Zealand	1 800	1 800	1 900	2 100	2 100	16,67%	3,93%
Top 11 total	92 700	90 400	92 100	94 600	93 400	0,76%	0,19%
Total world	103 000	101 000	103 000	105 000	104 000	0,97%	0,24%

Table 14: Top Wine Exporting Countries in Exported Volume (in 1 000 HL) (source: OIV)

	2012	2013	2014	2015	2016	Total Growth	Annual Growth
France	7 800	7 800	7 700	8 300	8 200	5,13%	1,26%
Italy	4 700	5 000	5 100	5 400	5 600	19,15%	4,48%
Spain	2 400	2 600	2 500	2 600	2 600	8,33%	2,02%
Chile	1 400	1 400	1 400	1 600	1 700	21,43%	4,97%
Australia	1 500	1 300	1 300	1 500	1 500	0,00%	0,00%
US	1 100	1 200	1 100	1 400	1 400	27,27%	6,21%
New Zealand	800	800	800	1 000	1 000	25,00%	5,74%
Germany	1 000	1 000	1 000	1 000	900	-10,00%	-2,60%
Portugal	700	700	600	700	700	0,00%	0,00%
Argentina	700	700	700	700	700	0,00%	0,00%
South Africa	600	600	600	600	600	0,00%	0,00%
Top 11 total	22 700	23 100	22 800	24 800	24 900	9,69%	2,34%
Total world	25 000	26 000	26 000	28 000	29 000	16,00%	3,78%

Table 15: Top Wine Exporting Countries in Exported Value (Millions of EUR) (source: OIV)

2016	Share of total HL Exported	Share of Total Euros Exported
Spain	22,02%	8,97%
Italy	19,81%	19,31%
France	13,56%	28,28%
Chile	8,75%	5,86%
Australia	7,21%	5,17%
South Africa	4,13%	2,07%
US	3,65%	4,83%
Germany	3,46%	3,10%
Portugal	2,69%	2,41%
Argentina	2,50%	2,41%
New Zealand	2,02%	3,45%
Top 11 total	89,81%	85,86%
Total world	100,00%	100,00%

Table 16: Top Wine Exporting Countries in Percentage of Global Wine Volume and Value Traded (source: OIV)

	2010	2011	2012	2013	2014	2015	2016 Forecast	Total Growth	Annual Growth	Share in 2016 of Total Production
Italy	48 525	42 772	45 600	54 000	44 200	50 000	50 900	4,89%	0,80%	19,06%
France	44 381	50 757	41 500	42 100	46 500	47 000	43 500	-1,99%	-0,33%	16,29%
Spain	35 353	33 397	31 100	45 300	39 500	37 700	39 300	11,16%	1,78%	14,72%
US	20 887	19 140	21 700	24 400	23 100	21 700	23 900	14,43%	2,27%	8,95%
Australia	11 420	11 180	12 300	12 300	11 900	11 900	13 000	13,84%	2,18%	4,87%
China	13 000	13 200	13 500	11 800	11 600	11 500	11 400	-12,31%	-2,17%	4,27%
South Africa	9 327	9 725	10 600	11 000	11 500	11 200	10 500	12,58%	1,99%	3,93%
Chile	8 844	10 464	12 600	12 800	10 000	12 900	10 100	14,20%	2,24%	3,78%
Argentina	16 250	15 473	11 800	15 000	15 200	13 400	9 400	-42,15%	-8,72%	3,52%
Germany	6 906	9 132	9 000	8 400	9 200	8 900	9 000	30,32%	4,51%	3,37%
Portugal	7 148	5 623	6 300	6 200	6 200	7 000	6 000	-16,06%	-2,88%	2,25%
Russia	7 640	6 980	6 200	5 300	4 900	5 600	5 600	-26,70%	-5,05%	2,10%
Top 12 total	229 681	227 843	222 200	248 600	233 800	238 800	232 600	1,27%	0,21%	-
Total world	264 188	267 803	258 000	290 000	270 000	276 000	267 000	1,06%	0,18%	-

Table 17: Top Wine Producing Countries in Wine Volume (in 1 000 HL) (source: OIV)

	2012	2013	2014	2015	2016	Total Growth	Annual Growth	Share of Total Wine Consumption
US	30 000	30 200	30 400	31 000	31 800	6,00%	1,47%	13,14%
France	28 000	27 800	27 500	27 200	27 000	-3,57%	-0,91%	11,16%
Italy	21 600	20 800	19 500	21 400	22 500	4,17%	1,03%	9,30%
Germany	20 300	20 400	20 200	19 600	19 500	-3,94%	-1,00%	8,06%
China	17 100	16 500	15 500	16 200	17 300	1,17%	0,29%	7,15%
UK	12 800	12 700	12 600	12 700	12 900	0,78%	0,19%	5,33%
Spain	9 900	9 800	9 900	10 000	9 900	0,00%	0,00%	4,09%
Argentina	10 100	10 400	9 900	10 300	9 400	-6,93%	-1,78%	3,88%
Russia	11 300	10 400	9 600	9 300	9 300	-17,70%	-4,75%	3,84%
Australia	5 400	5 400	5 400	5 300	5 400	0,00%	0,00%	2,23%
Canada	4 900	4 900	4 700	4 900	5 000	2,04%	0,51%	2,07%
Portugal	5 000	4 200	4 300	4 800	4 600	-8,00%	-2,06%	1,90%
Top 12 total	176 400	173 500	169 500	172 700	174 600	-1,02%	-0,26%	72,15%
Total world	244 000	243 000	240 000	241 000	242 000	-0,82%	-0,21%	100,00%

Table 18: Top Wine Consuming Countries in Wine Volume (in 1 000 HL) (source: OIV)

	2010	2015	Total Growth	Annual Average Growth
France	€ 2,15	€ 3,00	39,12%	6,83%
UK	€ 3,43	€ 4,01	17,16%	3,22%
Angola	€ 1,14	€ 1,39	21,78%	4,02%
US	€ 3,62	€ 4,00	10,59%	2,03%
Belgium	€ 3,16	€ 3,25	2,90%	0,57%
Netherlands	€ 3,05	€ 3,37	10,66%	2,05%
Germany	€ 1,72	€ 2,03	17,95%	3,36%
Canada	€ 4,52	€ 3,83	-15,30%	-3,27%
Brazil	€ 2,92	€ 2,93	0,07%	0,01%
Switzerland	€ 2,64	€ 2,83	7,14%	1,39%
Average Top 10 destinations	€ 2,36	€ 2,74	16,24%	3,06%
Average of all destinations	€ 2,30	€ 2,63	14,05%	2,66%

Table 19: Price per liter of Portuguese wine exported (Top 10 main destinations) (source: ViniPortugal)

	2010	2015	Total Growth	Annual Average Growth
France	513 298	367 666	-28,37%	-6,46%
UK	194 213	193 058	-0,59%	-0,12%
Angola	492 920	522 333	5,97%	1,17%
US	124 148	172 361	38,84%	6,78%
Belgium	156 208	147 331	-5,68%	-1,16%
Netherlands	163 061	138 993	-14,76%	-3,14%
Germany	204 529	214 142	4,70%	0,92%
Canada	75 229	99 883	32,77%	5,83%
Brazil	85 384	98 342	15,18%	2,87%
Switzerland	69 935	95 891	37,11%	6,52%
Total Top 10 destinations	2 078 925	2 050 000	-1,39%	-0,28%
Total	2 666 454	2 796 274	4,87%	0,96%

Table 20: Main Destinations of Portuguese Wine Exports in Volume (HL) (source: ViniPortugal)

	2010	2015	Total Growth	Annual Average Growth
France	110 519	110 135	-0,35%	-0,07%
UK	66 525	77 475	16,46%	3,09%
Angola	56 310	72 665	29,04%	5,23%
US	44 880	68 910	53,54%	8,95%
Belgium	49 334	47 882	-2,94%	-0,60%
Netherlands	49 723	46 904	-5,67%	-1,16%
Germany	35 150	43 407	23,49%	4,31%
Canada	34 004	38 241	12,46%	2,38%
Brazil	24 960	28 767	15,25%	2,88%
Switzerland	18 457	27 113	46,90%	7,99%
Total Top 10 destinations	489 862	561 499	14,62%	2,77%
Total	614 380	734 823	19,60%	3,65%

Table 21: Main Destinations of Portuguese Wine Exports in Value (in 1 000 EUR) (source: ViniPortugal)

	2015	2016	2017 (Proposal)	Share of the Investment in 2017	Total Growth
US	1 500 000	1 588 460	1 501 356	19,48%	0,09%
International Fairs	821 598	560 000	898 436	11,65%	9,35%
Canada	690 000	711 000	788 173	10,22%	14,23%
China	679 000	780 000	695 388	9,02%	2,41%
Brazil	865 000	899 583	550 262	7,14%	-36,39%
Japan	165 000	200 000	299 549	3,89%	81,54%
UK	200 000	298 263	223 853	2,90%	11,93%
Germany	287 500	337 500	198 373	2,57%	-31,00%
Angola	400 000	450 000	172 678	2,24%	-56,83%
Norway	95 000	95 000	143 240	1,86%	50,78%
Sweden	120 000	120 000	118 033	1,53%	-1,64%
South Korea		92 980	98 604	1,28%	
Switzerland			78 469	1,02%	
Singapore	100 000	100 000	62 507	0,81%	-37,49%
Russia			54 582	0,71%	
Poland		30 860	34 615	0,45%	
Total			5 918 118	76,77%	
Internal Expenses	200 000	200 000	200 000	2,59%	0,00%
Management Funds	200 000	215 000	285 000	3,70%	42,50%
Travel Expenses	656 000	272 000	150 000	1,95%	-77,13%
Broad Projects	210 000	190 000	173 324	2,25%	-17,46%
Total	3 066 000	2 677 000	808 324	10,49%	-73,64%
Total Marketing Plan			6 726 442	87,26%	0,09%
Other Expenses *			982 421	12,74%	9,35%
Total Budget			7 708 863	100,00%	

* - Personnel expenses, Rents, Tasting Rooms and national activities (“fórum dos vinhos de Portugal”, “Concurso vinhos de Portugal”)

Table 22: ViniPortugal’s Account and Budget (source: ViniPortugal 2017 Operational Plan)

	2012	2016	Total growth	Annual average growth
Germany	€ 1,56	€ 1,72	10,63%	2,04%
UK	€ 3,05	€ 2,59	-14,91%	-3,18%
US	€ 3,33	€ 4,46	33,93%	6,02%
France	€ 1,11	€ 0,89	-20,25%	-4,43%
China	€ 3,08	€ 3,28	6,64%	1,29%
Canada	€ 3,95	€ 3,81	-3,49%	-0,71%
Russia	€ 1,63	€ 1,75	7,19%	1,40%
Netherland	€ 2,25	€ 2,37	5,26%	1,03%
Belgium	€ 1,94	€ 2,26	16,67%	3,13%
Japan	€ 4,62	€ 4,81	4,32%	0,85%
Sweden	€ 2,50	€ 2,73	9,09%	1,76%
Switzerland	€ 4,74	€ 5,56	17,28%	3,24%
Total	€ 2,53	€ 2,69	6,62%	1,29%

Table 23: Price per Liter Paid in Wine Imports (author from OIV data)

	2012	2013	2014	2015	2016	Total Growth	Annual Growth
US	3 900	3 900	4 000	4 900	5 000	28,21%	6,41%
UK	3 900	3 600	3 600	3 900	3 500	-10,26%	-2,67%
Germany	2 400	2 600	2 600	2 500	2 500	4,17%	1,03%
China	1 200	1 200	1 100	1 800	2 100	75,00%	15,02%
Canada	1 500	1 500	1 500	1 600	1 600	6,67%	1,63%
Hong Kong	800	800	800	1 300	1 400	75,00%	15,02%
Japan	1 200	1 200	1 200	1 300	1 300	8,33%	2,02%
Switzerland	900	900	900	1 000	1 000	11,11%	2,67%
Netherland	900	900	1 000	1 000	900	0,00%	0,00%
Belgium	1 000	1 000	1 000	1 000	900	-10,00%	-2,60%
France	600	6 000	600	700	700	16,67%	3,93%
Russia	800	900	900	600	700	-12,50%	-3,28%
Top 12 total	19 100	24 500	19 200	21 600	21 600	13,09%	3,12%
Total world	25 000	25 000	26 000	28 000	28 000	12,00%	2,87%

Table 24: Largest Wine Importers by Value (millions of EUR) (source: OIV)

	2012	2013	2014	2015	2016	Total Growth	Annual Growth
Germany	15 400	15 300	15 400	15 300	14 500	-5,84%	-1,49%
UK	12 800	11 800	13 400	13 600	13 500	5,47%	1,34%
US	11 700	11 000	10 800	11 000	11 200	-4,27%	-1,09%
France	5 400	6 000	6 900	7 600	7 900	46,30%	9,98%
China	3 900	3 800	3 800	5 600	6 400	64,10%	13,18%
Canada	3 800	3 700	3 800	4 100	4 200	10,53%	2,53%
Russia	4 900	4 900	4 700	4 000	4 000	-18,37%	-4,95%
Netherlands	4 000	3 600	3 800	3 800	3 800	-5,00%	-1,27%
Belgium	3 100	3 200	3 100	3 100	3 100	0,00%	0,00%
Japan	2 600	2 600	2 700	2 800	2 700	3,85%	0,95%
Sweden	2 000	2 100	2 300	2 200	2 200	10,00%	2,41%
Switzerland	1 900	1 800	1 900	1 900	1 800	-5,26%	-1,34%
Top 12 total	71 500	69 800	72 600	75 000	75 300	5,31%	1,30%
Total world	99 000	99 000	102 000	104 000	104 000	5,05%	1,24%

Table 25: Largest Wine Importers by Volume (1 000 HL) (source: OIV)

2016	Wine Consumption (1 000 HL)	Population (1 000)	Consumption per Capita (liters)
US	31 800	323 128	9,84
France	27 000	66 896	40,36
Italy	22 500	60 601	37,13
Germany	19 500	82 668	23,59
China	17 300	1 378 665	1,25
UK	12 900	65 637	19,65
Spain	9 900	46 444	21,32
Argentina	9 400	43 847	21,44
Russia	9 300	144 342	6,44
Australia	5 400	24 127	22,38
Canada	5 000	36 286	13,78
Portugal	4 600	10 325	44,55
Top 12 total	174 600	2 282 966	7,65
Total world	242 000	7 442 136	3,25

Table 26: Largest Wine Consuming Countries (author from WDI, World Bank and OIV data)

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