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BUSINESS & ECONOMICS

The impact of the region of origin on the internationalization of wine

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Dissertation written under the supervision of Nuno Cardeal

Dissertation submitted in partial fulfilment of requirements for the
MSc in Management, at the Universidade Católica Portuguesa, March
2018.

Acknowledgments

I would like to thank my supervisor Professor Nuno Cardeal because it has accompanied and guided me in my thesis, providing me all the help I needed with valuable suggestions and advices.

I am also very thankful to the three companies, Quinta do Montalto, Quinta do Vallado and Casa Santos Lima, that made themselves kindly available to help me. Their collaboration providing information and their time in interviews was fundamental in the development of this thesis.

Lastly, to all of my family and friends which were always present to support me and gave me strength to keep going.

Abstract

Title: The impact of the region of origin on the internationalization of wine

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The purpose of this study is to understand the impact of wine region of origin on its internationalization. It approaches how wine regions with different reputations react when facing foreign markets. The focus is in two particular wine regions of Portugal, Lisboa with less reputation, and Douro with high reputation. After following a multiple case study approach and analyzing three wineries from these two regions, it was possible to reach some findings and conclusions. It was found that the main internationalization determinants, referred in literature review, are approached in two ways by both regions. Lisboa and Douro regions proceed with the same methods regarding the internationalization factors related directly with wine promotion. However, both regions present different positions and characteristics concerning internal characteristics of wineries, appearing not to be affected by these factors. Ultimately, it was concluded that despite Lisboa and Douro differences in internal features and reputation, they both proceed in general in the same way regarding internationalization. By analyzing the internationalization determinants in three case studies, it was possible to conclude that although their differences, regions with high and low reputation approach their presence abroad in the same way.

Keywords: region, wine, internationalization, Douro, Lisboa, foreign markets, origin

Resumo

Título: O impacto da região de origem na internacionalização do vinho

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O objetivo deste estudo consiste em compreender o impacto da região de origem do vinho na sua internacionalização. São estudadas as reações de regiões vitivinícolas com diferentes reputações, face a uma presença em mercados estrangeiros. O presente estudo focou-se em duas regiões portuguesas, Lisboa com menor reputação, e o Douro com maior reputação. Após ter sido seguida uma abordagem de múltiplos casos de estudo e analisados três produtores de vinho destas duas regiões, foi possível chegar a alguns resultados e conclusões. Foi descoberto que os principais determinantes de internacionalização referidos na revisão de literatura são abordados de duas maneiras pelas duas regiões. As regiões Lisboa e Douro procedem com os mesmos métodos relativamente aos fatores de internacionalização relacionados diretamente com promoção do vinho. Em contrapartida, as duas regiões apresentam diferentes posições e características relativamente aos fatores relacionados com características internas das empresas vinícolas. Por fim, foi concluído que apesar das diferenças entre Lisboa e Douro relativamente a características internas e reputação, ambas procedem, no geral, da mesma maneira em relação a internacionalização. Ao analisar vários determinantes de internacionalização nos três casos de estudo, foi possível concluir que apesar das diferenças, regiões com alta e baixa reputação abordam a sua presença no estrangeiro da mesma maneira.

Palavras Chave: região, vinho, internacionalização, Douro, Lisboa, mercados estrangeiros, origem.

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Abbreviations

AOC Controlled Appellation of Origin

CSL Casa Santos Lima

CVR Regional wine growing commission

1 Introduction

Recent studies show that the place of origin is the third attribute chosen by consumers which influence their wine choice, after grape and personal recommendations. (Bruwer & House, 2003; Perrouty *et al.*, 2006). In addition, the reputation of wine region has a grand effect on wine price, the impact of the region can be as high as +31% on price commanded (Oczkowski, 1994; Wade, 1999). Thus, it is possible to point the importance of origin of wineries, especially regarding the international markets. Nevertheless, existing literature does not address the impact of the region of origin on the internationalization of wine. It was not yet studied the comparison between regions with high and low reputation when facing foreign markets.

In order to survive to competition and excess demand firms must internationalize, becoming more competitive (Chitakomkijasil, 2009). Hence, several studies (Bianchi & Wickramasekera, 2013; Dalmoro, 2013; Barrio, Pérez, Ricolfe & Vera, 2012) have already focused in analyze some successful internationalization strategies regarding the wine industry. Moreover, a study done in Rioja region, in many aspects similar to Portuguese wine industry, especially the Douro region, pointed the main determinants for wineries successful internationalization: innovation, advertising, size, organizational experience, and human capital. (Olmos, 2011). In order to assess the main critical success factors of wineries internationalization, this knowledge is very valuable.

This study examines the impact of the region of origin on the internationalization of wine. It studies how wine regions with high and low reputation react when facing foreign markets. Thus, the following research questions are going to be approached: How do wine regions with different reputations react to internationalization? Wine regions with different characteristics and recognitions opt for the same internationalization strategies? In order to get these questions answered, it was conducted a multiple case study approach, analysing three wineries from Lisboa and Douro regions. These are composed by several small family owned wineries. However, Douro reputation is much higher, due to its good quality wine (nationally and international). Not only it is the one with more wine production in Portugal, but also the most prestigious and reputable one. The analysis shows that both regions behave in the same way regarding internationalization factors directly linked with wineries promotion. When looking to the internationalization factors related with the wineries internal characteristics, Lisboa and Douro regions diverge, showing that these are not crucial determinants for their

internationalization. It was concluded that although their differences, regions with high and low reputation approach their presence abroad in the same way.

Research questions:

Research Question 1: How do wine regions with different reputations react to internationalization?

This question aims to assess the impact of internationalization on wine production regions of high and low reputation. Trying to understand the reaction of wineries from these regions to internationalization is, thus, one of the steps to conclude about the effect of the region of origin on the internationalization of wine. By applying the theoretical theories and industry contextualization presented in the literature review, to concrete case studies, it is possible to gain some conclusions. To deploy the internationalization determinants of the Rioja study, and other internationalization theories, generates information regarding the characteristics of wine producers from high and low reputable regions, and its strategies when entering in foreign markets.

Research Question 2: Wine regions with different characteristics and recognitions opt for the same internationalization strategies?

Because Portugal wine producing regions have very different characteristics, the need to assess them, is fundamental. The determinants of success of each studied region regarding their internationalization retain important information concerning the study. It will lead to a better measurement of the regional effect on wine firms' internationalization. Therefore, comparing the internationalization strategies between some regions and with existing theory is a way to capture the different impact of each region in wineries internationalization.

2 Literature Review

2.1 Wine industry

2.1.1 Worldwide wine industry

The wine business can be traced back to much earlier times than the conventional societies cited as the first ones to have a wine culture (Egypt, Greece and Rome), to the early Neolithic times (Estreicher, 2006). Nevertheless, the introduction of wine brand and regions of origin date back to Egyptian, Greek and Roman societies (Lockshin *et al.*, 2000). Much later, during Middle Ages and especially in the 19th century, in Europe, mainly in France, was born and developed a quality system of wine grounded on local competitive advantages, local resources and capabilities such as climate, soils, and practices (Martin, 2004). Nowadays, wine is still defined by its place of production, once that its deduced quality and style are a result of the origin of the grapes (Orth *et al.*, 2005), having many studies already concluded the use of location as a source of competitive advantage (Nachum & Zaheer, 2005; Porter, 2000). There is an enormous quantity of grape varieties, each with unique and different flavors according to their place of growth, contributing to each wine uniqueness. (Beverland & Lockshin, 2003).

Because of this unique bond of wine to its place of origin, small producers are able to be present in different markets regarding global brands. Many of the small wine producers still sell their products in their vineyards neighborhood, or to wine connoisseurs around the world. It is also usual for small wineries to sell directly from the winery to local shops or restaurants; to distributors that place the product in the market; or on the internet. Nevertheless, a large proportion of world's wine is currently being sold through retailers like supermarkets, even wines from countries with long history of wine producing brands. The growth of wine sale through chain stores have produced a growth in wine companies and consequently often undertaking marketing and sales functions internally. However, it is possible to observe another phenomenon regarding the increase of wine sales through retailers. While large firms are able to possess high negotiation power, small firms find it very hard to gain shelf space. Thus, wine producers are joining giant global alcoholic beverages companies or luxury corporations like "Constellation Brands" and "LVMH". Having into account the believe that large players persist competitive in emerging markets due to cost advantage, some firms have adopted the foreign direct investment approach and acquired other companies. Another solution adopted specially in Europe (France, Italy and Germany) is the cooperative

organizations, competing on the world markets with family businesses and corporate giants (Orth, Lockshin, d’Hauteville, 2007).

This, once a selective alcoholic drink consumed only by a small number of experts and aficionados, started being drunk by all kind of consumers. The change in the focus of the wine producers and sellers from viticulture and enology to business management and marketing was also one of the main causes of wine loss of exclusivity (Spawton, 1991). Nowadays, there is a large quantity of quality wines from all around the world, offered by several brands, from several origins, with a wide range of prices. Accordingly, the effort to produce high quality grapes and pleasing wines was shifted. Now there is a focus on management and marketing of wine selling and its business strategy positioning (Orth, Lockshin, d’Hauteville, 2007). Regardless this change in the wine businesses adopted by many firms, and the re-focusing of some large firms on consumers, the wine industry has been accused of being more product-driven than market-oriented (Beverland & Lockshin, 2003). Due to this growing globalization of the wine market, the patterns of wine consumers and producers changed, challenging older producers (Corrado & Odorici, 2009). Also, the introduction of low-priced wines opened doors to new wine producers and consumers’ countries, arising a new generation of wine. The global supply and demand witnessed changes like the emergence of wine production in China and wine consumption in USA and Russia (Orth, Lockshin & d’Hauteville, 2007).

Until most of the 20th century, wine industry was overtaken by Western Europe, the so-called “Old World”. Most of production and consumption of wine was concentrated in countries such as France, Spain, Italy, Portugal, which established a wine quality system grounded on local competitive advantages (climate, land and techniques) (Orth, Lockshin & d’Hauteville, 2007). The focus on their resources and capabilities, such as technical expertise in making, storing and supplying wine, contributed to the creation of world-class wines and notable international position of this wines in the industry. (Orth *et al.*, 2007; Rojas-Méndez & Rod, 2013; Thomas & Pickering, 2003). On the other side, there are the “New World” wine producing countries, Australia, Argentina, Chile, California, New Zealand, and South Africa. They have been gaining market share across the world in the past years, while the “Old World” countries have been decreasing. This success in the entrance of wine industry was due to the increasing quality of production simultaneously with an expansion of branding expertise by “New World” producers (Hussain, Cholette, & Castaldi, 2007). Instead of being production oriented, the “New World” producers focused on marketing strategy and achieving market opportunities through their resources and capabilities. Their strategy is about adapting

to new changes in the industry by adopting modern production methods and international branding (Torres & Kunc, 2016). Because wine is a new product for the consumers of these new producing countries and they are still adopting new ways of drinking it, there are relevant cultural variances present in the marketing approaches of the product (Orth, Lockshin & d'Hauteville, 2007).

Observing the producers and consumers wine trends, Western Europe remains to be the main wine-producer. Nonetheless, its market share has been decreasing while the one from the “New World” producing countries has increased (appendix 2). As well as production, Europe is undoubtedly the continent with highest wine consumption. Despite the fact that the amount of wine drunk has been decreasing in individual levels, the top countries regarding wine consumption rate are the ones also among the leading producers. Non-wine producing countries, in general, show a growing individual consumption trend; and new-wine producing countries, although their production increased a great deal in the last decade, present a slow increasing consumption trend (Outreville & Hanni, 2013).

2.1.2 Portuguese wine industry

Portuguese winemaking reputation goes back to 1817 when David Ricardo used Portuguese wine and England clothes as examples of the comparative advantage concept introduced in its model of international trade (Ricardo, 1817). As in the XIX century, nowadays, wine remains one of the most relevant exported products in the Portuguese agricultural industry (Panzone & Simões, 2009). The economic, environmental, technological and social impact of wine production, grants it a leading position in the Portuguese agricultural economy, in addition to the historic expertise and favorable land and climate conditions (Simões, 2006).

Portuguese wine possesses some global recognition, and generates some impact on the country economy, due to its quality and local competitive advantage. However, wine business in Portugal is still facing some obstacles. Because in Portugal there are several small wine producers, it is difficult for the country to have market power in foreign markets. It is missing a structured “wine cluster” strategy. As we can see in the data from “Instituto da Vinha e do Vinho” (appendixes 2,3 and 4), still only a small percentage of production is directed to exportation. Adding to the low exportation value, Portugal reveals high fragmentation in exportation markets, in contrast to the “New World”. This inhibits the Portuguese wine entities to decide where to invest in Portuguese wine promotion (Diniz, Katsioloudes & Fortunas, 2006). Looking again to the data from “Instituto da Vinha e do Vinho” is visible this

fragmentation, for instance, in 2016 55% of exports were sold to six very distinctive countries, France, UK, USA, Netherlands, Belgium, and Germany (appendix 3). Therefore, Portugal lack of production capacity and diversification, resultant from its limited dimension, and lack of regional or national cooperation to sell in foreign markets, are the main causes of the absence of specific sections of Portuguese wines in overseas markets (Diniz, Katsioloude & Fortunas, 2006).

Despite the Portuguese wine industry still perform a significant part in the international wine market, statistics show that its share has been reducing in the last years. Just like Portugal, most of the “Old World” firms have been losing market share to the “New World” wineries. As seen previously, the main challenges provoking this “Old World” extinction are structural, such as, land fragmentation, existence of several small producers, and lack of investment capability in technologies and marketing. Portuguese wine industry is composed, mostly, by small vintners who produce quality wine and have the ambition to export. Nevertheless, the limited investment capital and production are big restraints for the Portuguese industry (Diniz, Katsioloude & Fortunas, 2006). Therefore, according to Diniz, Katsioloude, and Fortunas, in their 2006 paper, the answer is in collective collaborations. This would solve the volume need while simultaneously creating a new unique wine label and reducing costs.

2.1.3 Regional wine industry

Over time, vineyards have been expanding to all regions of Portugal with special focus to certain areas. To improve this contributor of the local economy and added value of the Portuguese agriculture, it was made an effort for creating policies that enabled building collective reputations in wine producing zones. This focus on creating areas of collective reputation was stimulated particularly with the entrance of Portugal in 1986 in the former European Economic Community and later European Union. According with the regulation implemented by every region, the denomination of wines changed in conformity with the geographical origin, with the purpose of improving the quality of wines through production standards. Wines with Controlled Appellation of Origin (‘Appellation d’Origine Contrôlée’, AOC) labels had been increasing over the years, since the entrance in the EU, embracing almost every area of wine production with significant wine concentration (Simões, 2006).

With the implementation of the regulation based on the AOC labels, producers succeed expanding their sales from local to national and even to international markets. Those policies have also helped vintners to introduce a traceability mark, protecting consumers from fraud

and delivering certainty of quality in their products, generating, segmentation in the market regarding production quality. Over this process, concerning Portuguese consumers' preferences, it was preserved a strong choice for national wines, remaining the imports values very low and usually accompanying specific categories like sparkling wines (Simões, 2001).

Because wine is valued for its region of origin and its reputation, regulation focus to increase the number of AOC regions through the local development of wine districts, in order to enhance the recognition of wines coming from specific regions. Consumers are willing to pay more for wine produced in greatly reputable geographical areas, such as, Alentejo, Douro, and Minho (Panzone & Simões, 2009).

2.2 The importance of the origin - Wine regionality

The concept of regionality can be defined as the recognition and appreciation of a certain wine style which gives renown to the respective wine producing region. Therefore, the idea of regionality is commonly related to the “Old World” wine regions, once that, recognition for their particular wine styles has already been laid down. On the other hand, “New World” wine industry presents almost inexistent wine region identity (Easingwood, Lockshin & Spawton, 2011).

As seen before, the majority of wine is nowadays sold in supermarkets, making it a fast-moving consumer good. Thus, for wineries without regionality will be more and more required to compete on price. However, the price competition is very difficult, due to the excess of wine offer in the market in comparison with demand (Jukes, 2007). That is why the “New World” countries are intensively searching to establish wine region brand equity, in order to protect its wine regions (Harpers, 2008). Nevertheless, some countries from the “Old World”, such as France and Spain, are facing some doubts regarding their intensive engagement with regionality and terroir concepts. Looking over France example, because internal and external sales of French wine are endangered, the reduction of AOC policies is being considered in order to allow more flexibility to French wine producers (Joy, 2004; Gibb, 2007a). To briefly summarize, “Old World” have too much regionality, in comparison with the “New World” (Croser, 2004).

Recent studies showed that the region of origin is the third attribute chosen by consumers which influence their wine choice when buying it, after grape and personal recommendations.

Therefore, most of regionality importance is due to its influence on consumers choice of wine (Bruwer & House, 2003; Perrouty *et al.*, 2006). In addition to the influence of consumer choice, the reputation of wine region has a great effect on wine price, the impact of the region can be as high as +31% on price commanded (Oczkowski, 1994; Wade, 1999). Concluding, large firms are able to succeed without a regional identity, while small firms are more susceptible to link their brand identity with the region (Bruwer & House, 2003).

What grants regionality to a certain region? Wine region identity can be achieved when a region preforms well in a subset of the 7 main drivers of regionality.

The first factor of regionality is specialization. In order for vintners to establish a strong region brand equity, production should be focused in specializing in only one, or a small number, of wine styles. For instance, Chablis produces its unique style of chardonnay and nothing else. Thereafter, volume production is the second driver of regionality once that it helps to have a significant size and critical mass to obtain recognition. Because wine firms need to be talked about, to be referred in articles, to be newsworthy to create awareness, opinion formation is the third driver of regionality. This type of recognition has to be well leveraged by the local population and/or by the government, as well as discussed by opinion formers like wine writers. Wine region identity is also achieved by the quality of wine produced, the average quality level of the wine across the region must be constantly high. Alternatively, when the average quality of the region is not so high, to achieve regionality it helps to produce some superior wines capable of building the reputation of the complete region. Heritage is the forth driver once that regionality is not effortlessly built instantaneously. To earn it, a region must have been working on its reputation for several decades, specializing on a particular wine style and making it hard to weaken and to copy, for a very long time. Distinctiveness is the sixth drive, not only regional identity is enhanced by a well-defined taste profile which is eagerly appreciated, but also, by a distinctive profile. To create a stronger position of wine region recognition it helps to have exclusive brand propriety, being the only notable regional producer doing a specific style of wine. Nevertheless, this is one of the hardest criteria to fulfill. Last of all, the terroir as a regionality factor, conceives a particular style to wine making it hard for other regions to replicate. However, it must be taken in account that to find a unique geology and climate that makes a particular style of wine is extremely difficult (Easingwood, Lockshin & Spawton, 2011).

2.3 Determinants of wine internationalization

In order to succeed, due to the globalization, small and medium-sized firms have been obliged to internationalize (Pla-Barber & Alegre, 2007). Joining the foreign market seems the most sustainable solution to fight the excess supply for the existing demand of some wine producing countries (Martinez & Medina, 2010).

In order to be part of this solution, understanding the determinants of internationalization is essential. A study done to the Rioja wine industry (Olmos, 2011), in many aspects similar to Portuguese wine industry, especially the Douro region, presents the essential resources to achieve successful internationalization: innovation, advertising, size, organizational experience, and human capital.

Regarding innovation, it can generate gains in process efficiencies, and differentiation in product characteristics, achieving competitive advantage by acquiring consumer value (Rodriguez & Rodriguez, 2005). When a firm starts entering a foreign market, facing international competition, it becomes vital to innovate their products (Cavusgil & Zou, 1994). Innovation explains firms' performance regarding their international sales and diversity of international markets presence (Hirsch & Bijaoui, 1985; Belderbos *et al.*, 2008). Thus, wineries should adopt innovation, being it one positive determinant to achieve sustainable competitive advantage. Nevertheless, there are evidences that in the wine industry process innovation is not a determinant of exports in DOC Rioja wineries, in contrast to product innovation (Olmos, 2011).

Wineries in a region with a high-quality position, like Rioja, can benefit from the collective AOC denomination when compared with wineries in other producing regions. Thus, advertisement it is a benefic resource for wineries in their internationalization process. Often, firms take advantage from developing their individual brand under one big collective brand, like a region or AOC (Olmos, 2011). According to some studies, firms that invest in advertising generate more sales in international markets and higher export intensity (Kotabe *et al.*, 2002; Hoang, 1998). In addition, firms possessing intangible assets such as brand recognition and high reputation are more global and highly advertising-intensive (Rondi *et al.*, 2004).

According to the usual argument of the resource-based view, large firms absorb more easily the risks accompanying exporting once that benefits from better financial and managerial

resources (Wagner, 1995). Not only has the firm size a positive effect on export intensity, but also on geographical expansion of exports (Preece *et al.*, 1998). Therefore, regions with small size wineries, such as DOC Rioja wineries and the majority of Portuguese wineries, have to face some efforts to overcome their size limitations. One of the answers frequently appointed is the creation of supporting business clusters affiliations with the government help (Olmos, 2011).

The organizational experience of a firm, specifically firm age, is often considered a critical success factor of firms' international activity. The entrance in new and foreign markets requires culture and operational adaptations, such as, facing different political regimes, languages, distribution systems, which requires some aging experience (Majocchi *et al.*, 2005). Usually, new born firms, due to a lack of resources, managing experience, and market and business knowledge, can face adversities in beating export barriers (Leonidou, 2000; Majocchi *et al.*, 2005). Regarding the wine industry, because firms' strategies focus mainly on the product, the experience accumulated in the domestic market should benefit the development of firms' procedures and methods for international expansion. Nevertheless, the results derived from the Rioja wine industry study reveal the opposite, that there is a negative effect between firm age and the degree of internationalization (Olmos, 2011; Das, 1994). Not being the firm age the only variable contributing for firms' experience, can be one explanation. Experience can be achieved from more than the number of years in activity. Other hypothesis is that older firms get attached to routines and are not open to new innovations like entering in foreign markets (Bausch & Krist, 2007).

Finally, human capital shows to have a benefic impact on developing internationalization regarding intensity and geographic expansion. Firms should look for qualified personnel with the required competencies to expand into foreign markets, otherwise, can face major barriers in the development of their exports (Pinho & Martins, 2010). Thus, employees with high formal education are crucial for internationalization success (Contractor & Mudambi, 2008). Not only higher level of education provides greater technical aptitudes, but also provides networking opportunities, creation of new contacts and exploration of new contexts (Wieserma & Bantel, 1992; Tihanvi *et al.*, 2000).

In conclusion, the small size of Spanish wineries is a clear weakness regarding their international expansion capacities. Moreover, not only the Spanish wine industry is dominated by small firms, but also by family-run businesses lacking commercial structures or

distinguish brands. As the Spanish wine industry, the Portuguese wine industry exhibits the same structure of small family-run wineries, therefore, probably facing the same difficulties. Thus, in order to be competitive internationally, wineries should invest more in marketing, once that the brand name is the most valued attribute for foreign wine consumers. Additionally, focusing on innovation of products, adapting to the demand requirements, also contributes to an intensification of foreign sales (Olmos, 2011; Bardaji & Mili, 2009).

2.4 Some Wine International Strategies

Until now we have seen that firms should internationalize in order to survive the competition and the excess demand. By achieving economies of scale, they become more competitive in the international market (Chitakomkijasil, 2009). Furthermore, competitiveness in the marketplace is enhanced by exploiting competitive advantage in export markets (Piercy, Katsikeas & Cravens, 1998). There are two types of influences in the foundation of export competitive advantage, external (external environment of firms), and internal (firm characteristics and managerial capabilities) (Beaujanot & Lockshin, 2002).

The determinants of wine firms' internationalization referred before have helped to assess some of the main resources for wineries to exploit in order to be successful in foreign markets. Thus, to achieve and sustain competitive advantage in the international marketplace, firms must know how to employ these resources and how to procedure. Several studies (Dalmoro, 2013; Barrio, Pérez, Ricolfe & Vera, 2012) have already focused in analyze some successful internationalization strategies regarding the wine industry.

2.4.1 Network Theory

With the emergence and growth of the "New World", competition in the wine industry faced some changes, in particular an internationalization expansion of the industry (Orth, Lockshin, & D'Hauteville, 2007). Thus, wine firms have been approaching several strategies in order to boost foreign trade performance, focusing on organization relationships in which individual efficiency becomes collective (Fleury & Fleury, 2003; Ring & Van de Ven, 1994). These collaborations can be named as networks, i.e. organizational structures of firm groups to enhance the activities of each associate without any financial dependency (Dalmoro, 2013). Networks try to promote exports or to improve the existing export performance while uniting firms from the same industry. Although the similarities of the companies, the different

functions of the network, in the internationalization of affiliate firms, derive from different local influences (Welch & Welch, 1996; Welch, Welch, Young, & Wilkinson, 1998). Local context is essential to the internationalization process once that, country characteristics affect the construction and operation of networks (Johanson & Mattson, 1988). Moreover, networks resources also have a positive effect on its members due to the exchange of inter-firm information (Gulati, 1995).

A formal network can be created in different forms, an industry association, a special interest organization, or an export group, each with a specific goal (Chetty & Agndal, 2008; Jarillo, 1988). Focusing on the export form of association, these networks often have non-business members and the support of the government. They are formed by small and medium size firms physically close and performing in the same industry (Welch & Welch, 1996; Welch *et al.*, 1998). In order to compete in foreign markets, firms must cooperate with the purpose of accessing information about internationalization, although each manages its resources, they cannot operate alone (Wilkinson *et al.*, 2000). To embark in foreign markets there must be a progressive growth of market knowledge and a learning process with other network members (Johanson & Mattson, 1988). Furthermore, the collaboration between firms and government policies is also critical for the success of the internationalization process (Chen & Chen, 1998). Networks promote, especially for small companies, the acquisition of resources and capabilities required for internationalization (Chetty & Wilson, 2003). Moreover, the synergy produced in networks impacts firms' operations through the share of international activities costs, of scale economies, of resources and experience, and of clients and suppliers. Not only these collaborations benefit firms regarding their operations, but also in strategic terms, it provides competitive advantage in national and foreign markets (Roolah, 2006; Seppo, 2007).

When looking to the wine industry it is possible to recognize that by stimulating cluster agglomeration, wineries intervention in developing network strategies have been very notable (Giuliani & Arza, 2009; Giuliani & Bell, 2005; Larreina & Aguado, 2008). This interest of wine industry on encouraging networks has the objective to promote those countries wine brands in foreign markets and develop a mutual organizational structure common to all network affiliates. Nevertheless, always having in account the specificities of local influences, like market size and characteristics. Therefore, the development of a winemakers' network benefits the internationalization of the wine industry once that, promotes the image of each country or region as a wine producer. It is difficult to acquire individually the resources

necessary to operate in foreign markets, when considering small and medium size wineries, being it only possible when embracing a network. These resources deployed by networks are mainly financial support for overseas promotion, training, and information about foreign markets. Because winemakers' network depends on the combination of a set of members, the synergic impact of networks affects not just firms' internationalization, but also the industry's growth (Dalmoro, 2013). Thus, the internationalization of the wine industry influences the stage of wine networks internationalization (Johanson & Mattson, 1988). The main impacts of these networks can be identified in appendix 1 (Dalmoro, 2013).

According to what has been said above, many international wineries opt for network as an international strategy, in order to overcome some complications existing in the industry. These problems such as, restricted resources to enter in foreign markets, absence of information regarding overseas markets, and the creation of a wine-producing country image abroad, are often successfully overcome due to wineries' networks.

2.4.2 Enotourism

When analyzing tourism data, particularly wine tourists of some countries, it is possible to conclude that there is potential market for wine tourism in the Mediterranean and "New World" countries (Barrio, Pérez, Ricolfe & Vera, 2012). Focusing on Spain example, in 2009, 16 of the 21 Spanish wine routes have received 1.423.253 visits, 19% more than in the previous year, although Spanish tourism only had received 2,7% wine tourists (Ministry of Industry, Tourism and Trade, 2010). With the increasing competition caused by the emergence of the "New World" wine producers, many wine businesses have been devoting attention to different experiences with special focus on the service instead of the product. Wine sale to tourists, wine tastings, vineyard and wineries visits, wine festivals, are some of the examples of the new experiences explored by the wine sector businesses. Such measures aim to increase sales in near-term, and to create brand recognition and loyalty to the products in the long time (Hall & Mitchell, 2000). The share of the wineries' income coming from wine tourism, contributes not only for the individual wine businesses but also for the regional economy stimulation and rural development (Ponce, 2009).

Wine tourism can be seen as "*simultaneously a form of consumer behaviour, a strategy through which the destinations develop attractions and images related to wine, and a commercial opportunity for the wineries to be able to educate and to sell their products directly to the consumer*" (Getz & Brown, 2006a, p. 147). Thus, wine tourism involves a

diversity of experiences and activities sought by its visitants. The main one is the purchase of wine directly from wineries by tourists. Looking to a wine route in South Africa, 95% of its tourists did wine tourism to acquire wine (Bruwer, 2003). When visits purchase and taste wine in wine tourism they often look to enter in another way of life, to experience a new culture authenticity (Ravenscroft & Van Westering, 2001). Tasting wine at the wineries is the subsequent activity mostly sought by participants of wine tourism, being one of the steps of the purchase decision process (Alant & Bruwer, 2004). An additional activity also decisive for tourists to opt for wine tourism is the information acquired about wine and its production. Acquiring knowledge about wines contributes for tourists to buy wines with less risks and more confidence (Ravenscroft & VanWestering, 2001). Allowing and organizing visits to the vineyards also contributes for the development of wine tourism, having in account that tourists enjoy to contemplate the cultivation of the grapevine landscape. In addition to these activities, to the success of the development of wine tourism, it is also possible to consider fairs and festivals, restaurants incorporated in wineries, visits to wine museums (Yuan *et al.*, 2005; Elías, 2006; Brunori & Rossi, 2000).

Since the first half of the twentieth century that wine routes exist, however, this cooperation between wine producing industry and the tourism industry is recent (Hall & Mitchell, 2000). Nowadays, the major wine producing countries opt to develop strategies regarding wine tourism, having considerable experience in this kind of tourism (Jaffe & Pasternak, 2004). For example, in Australia, more than 70% of wine producers develop wine tourism activities (Winemakers' Federation of Australia, 2010).

The main restraints of wine tourism regarding lack of demand are mainly associated with the absence of interest in the wine industry. Therefore, wineries should not only focus their wine tourism on wine production and commercialization, but also on complementary activities related with local culture, cuisine and leisure activities. Additionally, collaborations with agricultural enterprises, producers of typical products, and restaurants, are also valuable (Alonso, 2009). It is important for wineries when implementing wine tourism to include also information about places of natural and cultural interest, social activities, and others, not just visits to vineyards (Correia *et al.*, 2004).

To conclude, wine tourism is a relevant opportunity for wineries and their rural areas to achieve future economic growth.

From all the research presented, there are some main aspects of the industry which should be emphasized. Therefore, to sum up, with the emergence of the “New World” wineries focusing on business strategy and starting to sell wine to retailers, the “Old World” had to adapt. Not only there is new competition in the market but also with lower prices, forcing wineries to start selling in foreign markets in order to face the competition. Thus, research about the main critical success factors of wineries internationalization was born. A particular study of the Rioja wine producing region gives emphasis to five internationalization determinants, which intersect with other international strategies from different studies. Considering the studies presented, henceforward will be analyzed in more detail the impact of the region of origin on wine’s internationalization. Moreover, the answers to the research questions will be approached through three case studies of wineries from Lisboa and Douro, in order to understand this effect.

3 Methodology and Data collection

3.1 Research Methodology

Henceforward it is necessary to answer the research questions stated in the beginning of the study, reaching some evidences through a framework. Thus, the following chapter specifies the research method applied as well as how the data was collected, in order to solve the research questions.

Regarding the research strategy, it was chosen a multiple case study approach since it seeks to understand the context of the research and the process adopted (Morris & Wood, 1991). As defined by Robson (2002, p. 178) a case study “*is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence*”. Then, the use of case studies as research methodology is a particular form of constructing theory. Besides of being a method to originate new theories, the theories born from case studies are highly verifiable, in opposition to theories not generated from direct evidence. In addition, theories created from case studies are also empirically robust, accurately reflecting reality due to the solid associations with real data. (Eisenhardt, 1989). In contrast to laboratory experiments, which separate the phenomenon from their context, case studies give much importance to the real context in which the phenomenon arise (Eisenhardt, 2007). Thus, the reason to use case studies as a research methodology, is to build a testable theory which becomes empirically robust (Sato, 2015). Regarding scientific facts, they are seldom generalized from only a single experiment, they are frequently based on a multiple range of experiments, reproducing the same phenomenon under different circumstances. The same method can be employed in multiple-case studies. Nevertheless, the goal is to generalize theories, not to enumerate frequencies or a particularization, therefore, the case study does not characterize a sample (Yin, 2009).

Case studies describe particular occurrences of a phenomenon in a rich and empirical way, usually based on several data sources (Yin, 2009). Academics have relied on case studies to develop theory about several themes, such as strategy (Mintzberg & Waters, 1982). Moreover, the most highly cited papers in Academy Management Journal are the ones in which theory was constructed from cases and are frequently recognized as the most interesting type of research (Bartunek, Rynes, & Ireland, 2006; Eisenhardt, 1989a; Gersick, 1988). One of the main reasons for the reputation and significance of the creation of theory from case studies is its link between qualitative evidence and mainstream deductive research.

Inductive theory generates new theory from data of cases, while deductive theory uses the data to test theory, completing the cycle. Because this research strategy is severely entrenched in rich empirical data, the generated theory is accurate and testable. Therefore, this theory-building method is a natural complement to mainstream deductive research (Eisenhardt, 2007).

Therefore, the framework chosen for this research was the multiple-case study. By selecting specific case studies, it is provided an opportunity to observe and analyze a phenomenon not measured before. To look to specific cases of success in each region, alongside with the information provided by the literature review, we can answer the research questions. It is also possible to conclude about the implication of a winery being from a region with high or low reputation on their internationalization.

3.2 Data Collection

Whether data collection begins with a theoretical framework, or with already defined propositions, when propositions emerge from data they will be tested when compared against the case study (Erlandson *et al.*, 1993; Glaser & Strauss, 1967). Thus, after the research method had been chosen, it was necessary to define how to collect the data in which the propositions emerge, to test them and answer the research questions.

Firstly, it was conducted a literature review in order to define what have already been studied about the theme. Several studies demonstrate the relevance of the theme regarding internationalization of the wine industry and the region of origin of wines. However, to the best of my knowledge, there is no study about the impact of region of origin on the internationalization of wine. These studies also contribute as frameworks to deploy the data of the case studies and conclude about the research questions. The notions and propositions that emerge from the cases are compared with previous research. Frequently, the studied literature conflicts with the emergent theory, which gives more credibility to the study results, and also contributes to new knowledge. Nevertheless, it is also equally important to have results from the cases that match with previous research, in order to elaborate a more robust and general theory (Sato, 2015).

In addition to the literature review it was collected some qualitative data through interviews. Although case studies can embrace several data sources, interviews are often the primary one

once that, they are an extremely successful method to collect substantial and empirical data (Eisenhardt, 2007). Thus, interviews to Casa Santos Lima, Quinta do Montalto, and Quinta do Vallado were conducted. This approach encompasses an interview to a big winery (Casa Santos Lima) which possess a vast production all over Portugal, namely in Lisboa and Douro, and to two individual wineries with a wine production constrained to only one region each (Quinta do Montalto and Quinta do Vallado). The interviews performed for each region enabled the analysis of the data by deploying it with the literature review frameworks. Being one of the interviews to Lisboa and Douro regions from the same winery and the other two from distinctive ones, will also contribute to a more precise analysis and comparison between regions. Subsequently, the information is intertwined with the theory to prove the relation between empirical evidence and emergent theory (Eisenhardt, 2007).

The data from the case studies was collected between November 2017 and March 2018 and consist on the information and narrative of the marketing and sales teams and wineries' managers in addition to other supporting evidences. It was collected from semi-structured interviews (face-to-face interviews and internet/electronic interviews), records and data provided by the companies, and the companies' web-sites (Table 1). The interviews were conducted differently for each company, regarding Quinta do Montalto, it was performed with the owner and manager of the company (André Gomes Pereira), in their facilities. To visit their office was an opportunity to observe directly the small size of the company, and the informal work environment and relations between the employees and employers. CSL interview was conducted through e-mail, therefore, it was an electronic interview in which it was not possible to get information through direct observations. Lastly, Quinta do Vallado interview was face-to-face with Tomás Carvalho, sales manager, in Católica Lisbon University. The three companies provided financial and production information and values from internal records (Table 1). In order to better understand these companies, it was also collected information through the firms' web-sites (Table 1).

Table 1 Data Sources

Source		Case/Number			Examples
		CSL	Quinta do Montalto	Quinta do Vallado	
Interviews	Face-to-face	0	1*	1*	Manager, marketing and sales teams
	Electronic	4	1	1	
Companies' Records		1	1	1	Financial and production information
Companies' Web-Site		1	1	1	Information regarding the history of the companies, their products and world presence

* Interviews lasting approximately 60 minutes

In order to achieve construct validation, it was outlined an adequate operational set of measures to collect data. It was used multiple sources of evidence, and it was established a chain of evidence by respecting the sequence: case-study questions, case study protocol, case study data-base, and case study report. Data reliability was improved by the use of case study protocol and by cataloguing the data collected in its own data base. It was created and followed for each case study a protocol and the data were inserted in a data base discriminating the type of data, when, how and where was collected (Yin, 2009). After the emergence of the propositions, these empirical evidences must be tested, thus compared against to theoretical patterns, proceeding to a pattern matching (Trochim, 1989; Yin, 2009). By using replication logic due to the choice of case studies capable to achieve literal replication, external validation was accomplished in the research design phase of the research process (Yin, 2009).

To summarize, table 2 outlines the approaches used to enhance the quality of the research process.

Table 2 Quality of the research process (Yin, 2009)

Tests	Case study tactics	Research phase	Tactics used
Construct Validity	To use multiple sources of evidence	Data collection	Semi-structured interviews (face-to-face interviews, and internet/electronic interviews), records and data provided by the companies, press articles, and the companies' web-site
	Establish chain of evidence	Data collection	Respected the sequence: case-study questions, case study protocol, case study data-base, case study report
Internal validity	Do pattern-matching	Data analysis	Empirical/observed patterns were compared with the theoretical patterns
External validity	Use replication logic in multiple-case studies	Research design	The choice of the case studies took into account their capacity to achieve literal and theoretical replication
Reliability	Use case study protocol	Data collection	It was created and followed for each case study a protocol
	Develop case study data base	Data collection	The data collected from each case study was catalogued in its own data base

3.3 Research setting and cases

Lisboa region, in the past known as Estremadura, is situated in the northwest of Lisboa with an area of approximately 30.000 ha of vineyards. Data from the IVV (appendix 5) shows that Lisboa was the third region with highest production in the last year, and that in the past years has been in the top positions regarding the level of production. This region possesses great conditions to produce quality wines. However, until twenty years ago, it was known for high wine production quantities and low quality. Thus, in order to improve the wine, the region suffered a restructure of the vineyards and wineries, being planted new grape varieties chosen regarding their production quality. The central zone of Lisboa region (Óbidos, Arruda dos Vinhos, Torres Vedras and Alenquer) was granted a greater investment, being Alenquer one of the regions with the most prestigious AOC wines in Lisboa. (Infovini, 2009).

The Douro region, with 40.000 ha of wine-growing area, is located at Northeast of Portugal. For many years Douro is the region with the highest wine production (appendix 5), and recognition. Douro wines are known all over the world for their quality, mainly due to their ambassador, the Port. The Douro river and its effluents run in deep valleys, being most of wine plantations fitted between the river basins. In general, the climate in this region is very dry and windy, however, the ranges of hills protect the vineyards from the winds. Regarding the soil, it is very difficult to work due to the strong slopes of the terrain and also to the type

of soils. Nevertheless, the soils are benefic for the vines' durability and grape musts' quality (more color and concentration) (Infovini, 2009).

The three case studies addressed are located in Lisboa and/or Douro region. All of them are successful companies with high levels of exports, draining the majority of its production to international markets. Table 3 summarizes relevant information of these companies.

Table 3 Case descriptions

	Case 1: CSL	Case 2: Quinta do Montalto	Case 3: Quinta do Vallado
Start of business	1990	1990	1993
CEO	Jose Luis Oliveira da Silva	André Gomes Pereira	Francisco Ferreira
Quantity produced 2016	12 000 000 L	34 458 L	719 790 L
Turnover 2016	25 550 000 €	162 922 €	6 133 275 €
Exports (% of production)	90%	80%	50%
Export start	1995	2005	1997
Employees	150	3	13
Hectares of vineyard	540 ha	15,5 ha	100 ha

Case 1 Casa Santos Lima

One of the cases being analysed for the Lisboa and Douro regions is Casa Santos Lima, the family business existing since the late XIX century, dedicated nowadays to the production, bottling and sale of Portuguese wine. In 1990 the company faced a relaunch with a replanting of the vineyards and a modernization and improvement of the whole productive structure. However, only in 1996 began to sell their first bottled wines, with a great success national and internationally. It is now present in five Portuguese regions, Lisboa, Algarve, Alentejo, Douro, and Vinhos Verdes, with a very diversify production of red wine, white wine, rosé wine, sparkling wine, among others. The Douro wine production of Casa Santos Lima is located in a property originally owned by the legendary Dona Antónia Ferreira (Ferreirinha), the famous Portuguese wine entrepreneur from the XIXth century. The company is the biggest producer of Lisboa Regional Wine and AOC Alenquer, being responsible for 40% of the production of all certificated wines of Lisboa region (Casa Santos Lima, n.d.).

It has won more than 1000 awards in the last 5 years in the most prestigious national and international wine competitions. In 2017 CSL was elected the second wine producer with more medals in the world in the 2017 ranking of “World Ranking of Wines & Spirits”. Also, in 2017, the 2015 red wine *Clossal Reserva* featured the TOP-100 list of the best wines of the year by the prestigious North-American journal “Wine Spectator” (Casa Santos Lima, n.d.).

They are currently present in the 5 continents and 90% of their production goes to exports. Their first sale to a foreign market was in 1995 to the United Kingdom. However, nowadays, CSL have a global presence in 50 countries, being their strongest markets, with higher values of exports, Belgium, Brazil, Canada, China, Finland, Germany, Japan, Norway, Sweden, United Kingdom, and United States of America. The importing markets of CSL wine are usually distributors which later distribute the wine for their respective country.

In order to get to such a vast international presence, CSL had to adopt some international strategies. The procedure they consider essential to enter in a foreign market is the presence in international fairs. They state that the constant presence and several trips to various countries are determinants to acquire knowledge about each market, and to forge relations with the current and potential clients. This is the process adopted by CSL in order to obtain an international exposure and presence, which is similar for every foreign market. Nevertheless, they add that there are certain markets which require more attention, contact and proximity than others.

Case 2 Quinta do Montalto

Quinta do Montalto is located in Ourém, near Fátima, with the property dating back to 1880 and belonging to the same family, Gomes Pereira, for five generations. From the total of 50 ha, 15.5 ha are vineyards with the sub denomination Encostas D’Aire, Medieval de Ourém. By the spring of 2019 more 10 ha are going to be acquired and planted with vineyards (Quinta do Montalto, n.d.).

The grandparents of the current Manager, André Gomes Pereira, sold bulk wine, however, in the beginning of the 90’s the company started to sell quality bottled wines. From 1997 Quinta do Montalto began to focus only on producing bio wine, without any chemicals and product of animal origin. The core value of the company is to produce unique wine with quality in the traditional way. According to the manager, nowadays the wine industry is facing a globalization and modernization which had driven to a standardization of the product and a

forgetfulness of the classic techniques and traditions. However, still in regions such as Ourém, there are antique practices remained undamaged and well preserved.

This kind of wine produced in Quinta do Montalto, the “Vinho Medieval de Ourém” is composed by 80% of wine grapes and 20% of red grapes which start to ferment separately, being combined only in the end. This technique of wine making dates back to the XII century, when D. Afonso Henriques, with the formation of Portugal, distributed several lands to religious orders and other people. The purpose of this was to establish population in these regions and to raise money to fund the territorial wars. Because of the knowledge of the religious orders regarding wine making, they were the main stimulators of local wine production, teaching their methods which are still used today in Ourém. Nevertheless, with the entry of Portugal in the European Union, this unique winemaking method was forbidden by legislation. After several meetings with CVR (wine-growing commission of Lisboa region) and ministers, which attempted to persuade, in vain, the company to massify, it was published in 2005 the decree which granted the sub denomination of “Encostas D’Aire” to the region. Quinta do Montalto continued to produce their unique bio wine, targeting the wine lovers, especially the bio ones, and providing a different experience.

The first foreign market for which Quinta do Montalto started exporting was the Netherlands in 2005, year of the new manager arrival, André Gomes Pereira. Nowadays, the company exports 80% of its production (76% in value of wine sold) for 14 countries all over the globe, Belgium, China, Denmark, Finland, Germany, Ireland, Japan, Netherlands, Norway, Russia, Switzerland, Thailand, United Kingdom, and United States (appendix 6). Its most recent presence in a foreign market is in Thailand, to which the company only began to export in 2017. Quinta do Montalto have a wide international presence, however, very fragmented, once that, in many countries the numbers of exports are very reduce, some are only of half pallet (appendix 6). The most significant and important market for the company is Germany, which holds most of the export value. The import markets of the company are usually translated into distributors and direct sales to stores. These stores are usually retailers or individuals from biological agriculture. The main target of the bio wines of Quinta do Montalto are people concerned with the way they are produced. In the case of the Russian market, their main importer is a company of natural wines. However, this is not always possible. In the United States market, the company sell their wines to typical big wine stores, not to a bio market.

This international presence is achieved mainly through international fairs and competitions. In 2005, André Gomes Pereira realized that the national market was not able to absorb all their production, so, he began to focus on direct their production to foreign markets, through international fairs and competitions. The company is present essentially in two fairs every year. Sometimes incur occasionally in others fairs only with the purpose of networking and to do market research, not to sell. Millésime Bio in Montpellier is one of the fairs that Quinta do Montalto is present every year. It is the major fair in the world of only bio wines, with around 1000 producers. ProWein in Germany, one of the main international fairs in the world, is the other fair which the company is present every year.

Case 3 Quinta do Vallado

Built in 1716, Quinta do Vallado belonged to the legendary Dona Antónia Adelaide Ferreira, still belonging to her descendants nowadays. For 200 years it only produced Port, however in 1993 the company expanded its activity and started to bottle and marketing their own branded wines. In order to expand the area of own vineyards, in 2009, the company acquired Quinta do Orgal in Douro Superior (Quinta do Vallado, n.d.).

In 2017 were recognized for its quality in several of the most reputable wine magazines and critics. For example, 10 of their wines were awarded with 90 points and above by Robert Parker's Wine Advocate. Moreover, the also highly regarded magazines Wine Enthusiast and Wine Spectator awarded 92 points and above in several Quinta do Vallado wines (Quinta do Vallado, n.d.).

Quinta do Vallado wines are present in all continents of the globe, in 30 countries, being the most relevant ones, Belgium, Brazil, Canada, Germany, Luxembourg, Netherlands, Sweden, Swiss, United Kingdom, United States. Most of the exports are done through a single distributor in each market, with exception of some markets such as, France and Germany. Quinta do Vallado underlines the difficulty in getting the ideal partner, having established four core pillars to define their internationalization process, they are: dimension and potential of demand, representation of Portuguese wine on the market, competing wines, and potential distributors. The company generally invites potential partners and reporters to spend some days in their hotel and get to know Quinta do Vallado, strategy which they call "Missões de Charme" (Charming Missions). Other approach used by the company to enter in foreign markets is through contacts of well established people in the industry, with whom the company has already worked. Moreover, the awards received by reputable wine magazines such as the

Wine Spectator or Wine Enthusiast, generates good reputation of Quinta do Vallado wines in international markets. The participation in international fairs such as Vinexpo and ProWein, produce also a great impact on the internationalization of the company, especially regarding networking and at a contact level. For Quinta do Vallado there is no differentiation in the internationalization strategies concerning the different markets, only regarding the products, in particular the very expensive ones and the cheapest.

4 Result Analysis

It is now confronted the data from the interviews of the case studies to the determinants of internationalization from previous research (innovation, advertising, size, organizational experience, and human capital). A study done to the Rioja wine industry (Olmos, 2011), presents these determinants as the essential resources to achieve successful internationalization. Moreover, further research also highlighted the importance of additional factors such as network theory and enotourism, that are also confronted in the case studies (Damoro, 2013; Hall & Mitchell, 2000).

4.1 Size of the firm, and human capital

CSL possesses 540 ha of vineyards (500 ha in Lisboa and 40 ha in Douro), and has around 150 workers, all with very distinctive functions: since viticulture and harvest related positions until commercial and management positions. The academic degrees within the CSL team vary widely, from basic education to PhDs.

Because it is a typical small family business, Quinta do Montalto counts only with 15.5 ha of vineyards, and three collaborators, being the manager one of them, with a bachelor degree. Regarding the other two collaborators, one has completed high school and the other the 9th grade.

Quinta do Vallado owns 100 ha of vineyards and has 13 collaborators, all with bachelor degrees, 4 with post graduations and MBAs, and 2 with master degree.

The three firms present very distinctive dimensions, being the larger wineries the ones with more collaborators, and also with higher academic qualifications.

4.2 Organizational experience

The three wineries started their process of producing, bottling and selling wine all around the same time (table 3). Regarding their entrance in foreign markets, Lisboa winery, Quinta do Montalto, differs from the other two with a late entrance that happened only in 2005. CSL and Quinta do Vallado started to export in 1995 and 1997, respectively.

4.3 Advertising

CSL promotion strategy is mainly focused in the participation in many of the most prestigious national and international competitions. Currently, it is the second most awarded winery in the world thanks to the several medals won that have a positive impact on CSL partnerships. Thus, travel expenses and participations in fairs all around the world are one of the base focus of the company. Actually, CSL's investment and focus in press advertising has practically no expression.

Regarding Quinta do Montalto, it doesn't have any expense with advertising. The only promotion incurred by the company is done through the fairs and competitions in which it participates and by word of mouth. André Gomes Pereira states in his interview that no publicity is needed once that all their production is being sold.

As the previous two wineries, Quinta do Vallado also opts for no advertising of their wines. They believe that the excellent quality of their products, their several awards and their wine hotel are all the flags they need to promote their brand. One of their most important promotion channel is their hotel in which they receive sommeliers, bloggers, wine journalists and other specialists in order to spread their brand all over the globe. The winery takes advantage from its hotel to invite and accommodate their partners and potential partners so they can be in touch with their project and their wines. Despite being a slow and long-term channel, the company believes that there is no need for another kind of promotion, such as advertising. For them, having a hotel is the best strategy once that they want to build a relationship with its partners.

None of the three wineries opt for advertising their wines. They prefer to follow different promotion strategies such as competitions, awards, fairs and enotourism. The three firms state that there is no necessity to pay for publicity once that they believe that all the promotion strategies implemented are more efficient, particularly in the long run.

4.4 Innovation

Being at the forefront is one of the main concerns of the CSL regarding the viticulture and winemaking techniques, and also the daily work in the cellars.

The core value of Quinta do Montalto is to create a bio product with history, without compromising its principals and surrendering to the new market trends. Therefore, the company doesn't believe in process and product innovation. It likes to produce a "correct wine" and create products that follows the biological traditions of the region. However, this year the company started to invest in a new "innovation": the "Vinho de Talha". This is an antique method of producing wine in which the wine is produced in clay amphoras. Because amphoras are made of clay, most people who produce this kind of wine nowadays waterproof the inner part of the amphoras with ink while only a few of them waterproof amphoras with resin like in the old days. Quinta do Montalto opted for a different bio strategy using an extract of glycerin removed from the resin clearing, in this way, resin's bitter taste.

Regarding Quinta do Vallado, every year they perform new experiences. In fact, there is no harvest in which they don't conduct an experiment. In the last 3 years the winery launched 7 new references with different bottle shapes (bottles of 1.5 L).

Both CSL and Quinta do Vallado bet on process and product innovation as a way to create competitive advantage. Despite Quinta do Montalto statement indicating that they don't believe in innovation, they are also adopting it by developing the manufacturing process of "vinho de Talha" in an original way.

4.5 Network theory

Regarding CSL networking, the company belongs to the entity "ViniPortugal" which promotes Portuguese wines around the world. "ViniPortugal" organizes several fairs and events worldwide in which producers can enroll to the tables where they present their products. In the regional level, CSL also collaborates with the Wine Commission (Comissão Vitivinícola) which seeks to promote the respective region through several actions which producers can embrace.

Quinta do Montalto belongs to some associations such as AgroBrio, a cooperative of biological farmers in which the manager of the company is the president of the assembly. This organization has the purpose of unite all bio wine producers and create a lobby but producing no impact on the company's exports. Similar to this, the company belongs to "Associação dos Vinhos Históricos de Portugal" (Association of Historic Wines of Portugal) and to the Vegan Society, also having no effect on their international sales. Lastly, the company belongs to

ViniPortugal and CVR (wine-growing commission of Lisboa region), which allows Quinta do Montalto to participate with lower costs in several fairs such as the ProWein.

Being the “Douro Boys” “The” reference of Douro region, for Quinta do Vallado to belong to this association, gives it a great exposure. It is estimated that the “Douro Boys” recognition has impacted the winery exports in 50%, being the other half of international sales a consequence of wine magazines, press exposure, and also of ViniPortugal. In fact, ViniPortugal has a relevant role in Quinta do Vallado accommodating foreign visitors in Quinta do Vallado Hotel during their organized group visits of foreigners.

Associations like ViniPortugal help to promote Portuguese wineries’ participation in international contests and fairs, and to create networks and contacts while developing links between potential partners and wineries. For these reason, the three companies take advantage from this network provided by ViniPortugal. Moreover, Quinta do Vallado also takes advantage form belonging to a cluster with several Douro wine producers (Douro Boys), contributing heavily for their foreign sales.

4.6 Enotourism

In 2017, CSL started to explore the Enotourism in Lisboa region but once it is only operating for a year, the impact cannot be measured yet. Only by the end of 2018 CSL will be able to have a general overview about Enotourism growth and impact regarding sales and internationalization. The majority of their visits are foreign clients that already know their wines and recognize their quality, and that while visiting Portugal, intend to know more about the origin of the wine and to visit the cellar and the whole process. They dispose a set of activities such as guides tours, wine tastings, buggy tours, walks around the vineyards, light lunches or even corporate events, among others. Moreover, CSL knows that at the end of these visits the purchase of wine occurs almost 100% of the times. Regarding the Douro production, CSL has not yet developed enotourism, once that the Lisboa enotourism impact is still being measured.

Quinta do Montalto doesn’t have any Enotourism due to the lack of structure and capacity.

Since 2005, Quinta do Vallado operates a wine hotel. A new building was constructed in 2012 next to the existing one, and later, in 2015, another building was created in Douro Superior

(Casa do Rio). In 2017, the company counted 12 thousand visitors. They offer a variety of activities including wine tasting and courses for beginners, while they observe considerable direct sales from enotourism. These hotels are one of their main channels of brand promotion once that they use them to receive clients and partners. In fact, they accommodate sommeliers, wine critics, bloggers, clients, among others. Due to a pleasing experience offered by Quinta do Vallado, united with their reputation, most clients accommodated in the hotel wish to return. Moreover, most of the times, when leaving back to their home countries, often search for Quinta do Vallado wines. These invitations to potential partners and reporters to spend some time in their hotels are called, by the firm, “Missões de Charme” (charming missions). For these reasons, their enotourism is one of the fundamental responsible for the firm’s international position.

Only Quinta do Vallado already develops wine tourism for a long time producing a relevant impact on their exports and international presence and building a stronger brand by delivering their experience to experts all over the world. Although CSL is only operating in enotourism for a year, it seems to be proving to be beneficial for their internationalization. However, at this time it is not possible to take any concrete conclusions.

5 Discussion

The goal of this research is to comprehend the impact of the region of origin of wineries on its internationalization. In order to accomplish it, two key research questions were made: How do wine regions with different reputations react to internationalization? Wine regions with different characteristics and recognitions opt for the same internationalization strategies?

The main internationalization factors were outlined and identified for each of the three case studies, established in two different regions. Therefore, the data compiled attempts to understand the reaction of a less and a more reputed wine region, Lisboa and Douro, respectively, to its internationalization.

5.1 Advertising and network theory

According to Olmos M. (Olmos, 2011) advertising is a benefic resource for wineries in their internationalization process. Nevertheless, all the three international success cases opt for no advertisement, focusing all their promotion in competitions and in fairs, while in the case of Quinta do Vallado, also in enotourism. Wineries don't believe in the internationalization benefits gained from publicity, they are all more concerned with their promotion through other channels, such as awards gained and exposure at international fairs. In the case of the factor advertisement, only when regarded as promotion, is very important and determinant for the internationalization of wineries in Lisboa and Douro regions.

The three companies belong to organizations that boost their presence in foreign markets. Both in Lisboa and Douro regions the wineries belong to ViniPortugal, which contributes greatly to their international sales through their networking and assistance to go to foreign fairs. Organizational structures boost the activities of its members in order to compete in foreign markets and create an international presence, as well as the respective region. It is difficult for small size wineries to acquire, individually, the resources necessary to operate in foreign markets, being it only possible when embracing a network. (Damoro, 2013).

5.2 Enotourism and Innovation

Enotourism aims to create brand recognition and loyalty to the products in the long run (Hall & Mitchell, 2000). Douro winery, Quinta do Vallado, invested in this long-term internationalization strategy as being one of their main channels to capture international distributors, counting already with three wine hotels. CSL has also started to implement wine tourism in their Lisboa facilities through some activities, recognizing its potential path to establish international partnerships. However, without any impact on sales measured until now. Thus, both Douro and Lisboa appear to benefit from enotourism as internationalization enabler.

Both process and product innovation generate gains in process efficiencies and differentiation in product characteristics, creating consumer value (Rodriguez & Rodriguez, 2005). On the other hand, Rioja's study states that in wine industry, process innovation is not a factor influencing the region exports, in contrast to product innovation (Olmos, 2011). Both CSL and Quinta do Vallado invest in innovation in their winemaking techniques and in their products as a way to enhance their position in the market. Despite this, Lisboa winery, Quinta do Montalto, states that doesn't believe in innovation although evidences show that their bio wines can be considered as innovative, specially their "vinho de talha". It was observed that process and product innovation can be an enhancer of exports levels of Douro and Lisboa region.

5.3 Size of the firm, human capital and organizational experience

Employees with high formal education are crucial for internationalization success (Contractor & Mudambi, 2008), however, not the only condition. Firms should look for qualified personnel with the required competencies, not necessarily academic degrees, to expand into foreign markets (Pinho & Martins, 2010). Moreover, large firms absorb more easily the risks accompanying exporting once that benefit from better financial and managerial resources (Wagner, 1995). Thus, the firm size has a positive effect on export intensity, and also on geographical expansion of exports (Preece *et al.*, 1998). Both CSL and Quinta do Vallado present a bigger size with more employees, as well as higher academic qualifications within their collaborators. While, on the other hand, the Lisboa winery, with a smaller size, possesses employees with lower academic qualifications. Thus, both size of the firm and human capital

appears not to be determinants for both regions internationalization, considering the exports levels of the companies.

The organizational experience of a firm, specifically firm age, is often considered a critical success factor of firm's international activity (Majocchi *et al.*, 2005). Nevertheless, the results derived from the Rioja wine industry study denote the opposite: that there is a negative effect between firm age and the degree of internationalization (Olmos, 2011). In the studied cases all the three regions started their activities all around the same time (table 3). However, when focusing on their entrance in foreign markets, Lisboa winery, Quinta do Montalto, differ from the other two with a late entrance, only in 2005. Although that according to (Olmos, 2011) firm age would appear to be disadvantageous, having into consideration the companies' presence abroad, it appears not to be affecting both regions internationalization.

5.4 Propositions

Previous research had shown that resources such as innovation, advertising, size, organizational experience, and human capital are essential to achieve a successful internationalization in Rioja wine industry (Olmos, 2011). Moreover, factors like networking and enotourism also enhances wineries internationalization (Dalmoro, 2013; Johanson & Mattson, 1988; Hall & Mitchell, 2000). Nevertheless, the regional impact of these factors was not studied. It was not clear the reaction of regions with less or more recognition, such as Lisboa and Douro, respectively, to the considered internationalization determinants.

After analyzing the behaviour of the several essential factors to a successful wine internationalization in the three cases, some findings were outlined. Regarding the factors related directly with winery promotion, such as advertising (as exposure), networking, enotourism and innovation, both regions act, predominantly, with the same methods. It is assigned to those factors great relevance regarding its influence on the regions' internationalization. On the other hand, considering factors related with internal characteristics of wineries such as size of the firm, human capital, and organizational experience, Lisboa and Douro regions present different positions and characteristics. The two regions appear not to be affected by these determinants, not influencing its presence in foreign markets.

Thus, in the light of these findings, the following propositions were outlined:

- Regions with different reputations proceed with the same approaches regarding the internationalization factors related directly with wine promotion (advertising – as exposure, networking, enotourism, and innovation). It is assigned on those factors great relevance to its contribution to wineries presence abroad.
- Regions with different reputations present distinct positions and individualities concerning factors related with internal characteristics of wineries (size of the firm, human capital, and organizational experience). Regions with high and low reputation appear not to be affected by these determinants, not influencing its presence in foreign markets.

6 Conclusion

In this thesis it was approached the impact of the region of origin on wine internationalization, attempting to understand the behaviour of the less reputable wine regions and the more reputable ones. Additionally, it was included in this study, some research done on this topic such as the importance of the region of origin and the internationalization determinants in the wine industry. However, it was the analysis done to three cases belonging to regions with distinctive reputations which enabled to understand the effect of the region of origin on the internationalization of wine. Three wineries located in Lisboa and Douro were studied, particularly their strategies to face foreign markets and their internal characteristics. The study of these cases contributed to wine internationalization literature providing empirical evidences.

It was concluded that both regions act with the same methods regarding the internationalization factors related directly with wine promotion (advertising - as exposure, networking, enotourism, and innovation). It is assigned on those factors great relevance to its contribution to wineries presence abroad. Conversely, Lisboa and Douro regions present different positions and characteristics concerning factors related with internal characteristics of wineries (size of the firm, human capital, and organizational experience). Nevertheless, these two regions' internal determinants appear not to influence their presence in foreign markets. Lisboa and Douro regions' main concern in order to get their production in foreign markets, is to establish a good reputation through several opinion makers, being the most important ones, Wine Spectator and Robert Parker. Therefore, they both focus on promotional channels which contribute to wider their distributors network, such as fairs and competitions. Douro region has the advantage of being most recognize in the international wine market, mostly because it is associated with the famous port. Nevertheless, this particularity seems to not be affecting Lisboa placement in foreign markets, opting for the same core strategies. Despite the differences in dimensions of the wineries in Lisboa and in Douro, having Lisboa a smaller winery, their internal features appear not to influence its internationalization. They can be related to internationalization success but are not determinant.

Regions with different reputations, despite their differences in internal features, proceed, in general, in the same way. By analyzing several internationalization determinants in three case studies, it was possible to conclude that although their differences, regions approach their presence abroad in the same matter. Advertising as promotion, networking, enotourism, and

innovation are adopted by regions with distinct reputations and also seen as determinants for their internationalization.

7 Limitations and Future Research

Because the topic of this study is original, to the best of my knowledge without any similar study presented previously, it presents some limitations and opportunities for improvement. Therefore, it must be accounted with this in consideration.

Firstly, it should be taken into consideration that the number of samples is very reduced. The study could be enriched, and possibly more accurate, if more interviews were presented. On the one hand, single cases approaches are chosen to richly describe and explore a significant phenomenon in sporadic or extreme conditions (Eisenhardt, 2007). On the other hand, a multiple-case research usually offers a solid foundation for theory building, being the theory more substantiated, precise, and generalizable (Yin, 2009; Eisenhardt, 2007). In fact, to add additional cases, even if just a few, affects significantly the quality of the emergent theory (Eisenhardt, 2007).

Moreover, to study only Lisboa and Douro regions is very restrictive. In order to understand the real impact of the region of origin of wineries in their internationalization, data from more regions should be analysed. Once that each region has its own specificities, it is a limitation to build a theory from the sample of just two regions. More studies should be performed in order to generalize and conclude if the propositions are applicable to other regions.

An additional limitation to the study refers to the employment of the Rioja region internationalization factors to the cases from Lisboa and Douro region. This is a major limitation particularly in Lisboa region, which presents many differences when compared to the Rioja region.

Having this into account, a future research should analyse more cases and other regions. Furthermore, a quantitative analysis to complement the qualitative one should also be considered. Mixing both methods will allow to overcome limitations of both qualitative and quantitative approaches as single research methods. Actually, quantitative and qualitative methods united are able to achieve different but, complementary purposes (Kelle, 2006). Lastly, future research could also focus on a different perspective: consumers' point of view. It could focus foreign consumers and their perception of wine from different Portuguese regions.

8 References

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9 Appendixes

Appendix 1: Main Network Effects

Companies Level Effects	Industry Level Effects
<ul style="list-style-type: none"> • Contact with international markets • Knowledge, learning, and sharing information • Competitive advantage in the domestic market • Participation in international fairs • Financial support for international activities • Market expansion • Government and industry support • Bargaining power 	<ul style="list-style-type: none"> • Develop country wine image • Export culture dissemination • Wine's quality development • Governmental resources access • Sectorial synergy (unified discourse) • Permanent sectorial forum • Representation in governmental decisions

Source: Dalmoro, 2013 (Journal of Wine Research. "The formation of country wineries networks for internationalization: an analysis of two new world wine regions")

Appendix 2: Evolution of global wine production (1 000 hl)

Country / Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*	D 2016-2015
Italy	52 036	45 981	46 970	47 314	48 525	42 772	45 616	54 029	44 229	50 000	48 800	-2%
France	52 127	45 672	42 654	46 269	44 381	50 757	41 548	42 134	46 500	47 373	41 900	-12%
Spain	38 273	36 408	35 913	36 093	35 353	33 397	31 123	45 308	39 500	37 300	37 800	1%
United States	19 440	19 870	19 340	21 965	20 887	19 140	21 650	23 590	23 700	22 140	22 500	2%
Argentina	15 396	15 046	14 676	12 135	16 250	15 473	11 778	14 984	15 197	13 358	8 800	-34%
Chile	8 448	8 227	8 683	10 093	8 844	10 464	12 554	12 820	10 500	12 870	10 100	-22%
Australia	14 263	9 620	12 448	11 784	11 420	11 180	12 259	12 310	11 900	11 900	12 500	5%
South Africa	9 398	9 783	10 165	9 986	9 327	9 725	10 569	10 982	11 500	11 200	10 500	-6%
China	11 900	12 500	12 600	12 800	13 000	13 200	13 511	11 780	11 100	11 500	11 500	0%
Germany	8 916	10 261	9 991	9 228	6 906	9 132	9 012	8 409	9 202	8 788	8 400	-4%
Portugal	7 542	6 074	5 689	5 868	7 148	5 623	6 327	6 231	6 195	7 047	6 009	-15%
Romania	5 014	5 289	5 159	6 703	3 287	4 058	3 311	5 113	3 700	3 500	4 900	40%
Brazil	2 372	3 502	3 683	2 720	2 459	3 460	2 967	2 710	2 732	2 800	1 400	-50%
Greece	3 938	3 511	3 869	3 366	2 950	2 750	3 115	3 343	2 800	2 500	2 600	4%
Others	33 937	36 256	37 160	35 676	33 451	36 672	32 871	35 257	32 245	31 724	31 291	-1%
Total	283 000	268 000	269 000	272 000	264 188	267 803	258 211	289 000	271 000	274 000	259 000	-5%

Source: Instituto da Vinha e do Vinho. (2017). Estatísticas. Retrieved from: <http://www.ivv.gov.pt/np4/home.html>

* Prediction

Appendix 3: Total exports of Portuguese wine in 2016

	HL	1.000€	% (€)
France	382 109	110 773	15%
United Kingdom	202 839	74 985	10%
USA	187 586	74 798	10%
Netherlands	147 879	51 123	7%
Belgium	140 217	45 986	6%
Germany	214 030	44 088	6%
Canada	105 578	40 657	6%
Angola	169 088	32 804	5%
Brazil	116 679	28 899	4%
Switzerland	96 172	28 845	4%
Spain	228 705	19 510	3%
Poland	94 796	19 127	3%
Denmark	38 186	18 420	3%
China	72 897	17 567	2%
Sweden	67 309	16 487	2%
Luxembourg	49 536	10 301	1%
Norway	34 519	9 027	1%
Japan	17 102	6 337	1%
Macao	18 817	6 102	1%
Italy	18 210	6 050	1%
Mozambique	32 649	5 001	1%
Finland	14 252	4 421	1%
Guinea Bissau	72 945	4 367	1%
Russian Federation	45 320	3 759	1%
Other destinations	204 457	47 787	7%
Total	2 771 878	727 222	100%

Source: Instituto da Vinha e do Vinho. (2017). Estatísticas. Retrieved from: <http://www.ivv.gov.pt/np4/home.html>

Appendix 4: Evolution of the Portuguese wine industry trade balance (1 000 €)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Exports (1)	595 987	575 966	544 011	614 380	656 918	703 505	720 794	726 285	734 823
Δ		-3,4%	-5,5%	12,9%	6,9%	7,1%	2,5%	0,8%	1,2%
Imports (2)	63 257	80 363	79 099	89 493	81 915	86 371	122 399	125 154	116 497
Δ		27,0%	-1,6%	13,1%	-8,5%	5,4%	41,7%	2,3%	-6,9%
Balance [(1)-(2)]	532 730	495 603	464 913	524 887	572 484	584 886	598 395	608 371	618 325
Δ		-7,0%	-6,2%	12,9%	9,1%	2,2%	2,3%	1,7%	1,6%

Source: Instituto da Vinha e do Vinho. (2017). Estatísticas. Retrieved from: <http://www.ivv.gov.pt/np4/home.html>

Appendix 5: Evolution of total production by wine region (hl)

Wine Region	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 (*)
Minho	937 605	710 625	784 028	866 985	912 176	823 341	655 253	793 417	693 026	874 491	730 063
T. Montes	232 042	98 302	105 075	110 614	119 367	102 005	108 615	96 615	107 886	112 407	76 539
Douro	1 717 728	1 443 429	1 379 051	1 351 949	1 660 408	1 329 423	1 346 152	1 516 925	1 407 006	1 612 670	1 336 612
Beiras	1 337 993	660 095	736 728	784 144	939 161	816 852	922 700	840 671	735 196	908 250	758 331
Tejo	639 747	669 472	518 989	544 935	630 548	382 276	641 789	500 807	577 889	611 183	555 647
Lisboa	1 195 983	1 056 407	932 736	962 323	1 204 098	826 666	1 097 712	885 742	894 780	1 202 711	991 093
P. Setúbal	428 488	418 989	337 139	379 371	431 696	308 857	517 797	407 853	502 824	504 129	462 473
Alentejo	961 721	930 452	811 690	810 338	1 189 719	969 832	970 124	1 127 910	1 222 733	1 152 184	1 048 945
Algarve	31 672	27 587	23 698	23 650	19 190	13 150	12 338	11 676	10 665	13 630	10 419
Madeira	49 245	45 591	49 925	45 449	36 782	38 769	49 637	43 136	40 825	45 747	33 849
Açores	10 482	12 091	9 500	13 754	4 783	11 192	4 991	6 595	12 926	10 404	5 845
Total	7 542 706	6 073 042	5 688 560	5 893 513	7 147 927	5 622 363	6 327 107	6 231 347	6 205 756	7 047 805	6 009 817

Source: Instituto da Vinha e do Vinho. (2017). Estatísticas. Retrieved from: <http://www.ivv.gov.pt/np4/home.html>

* Data from January 2017

Appendix 6: Distribution of Quinta do Montalto exports by country in 2017

	% of exports (units sold)
Belgium	8,92
China	6,77
Denmark	3,62
Finland	0,14
Germany	32,23
Ireland	1,69
Japan	3,59
Netherlands	2,88
Norway	3,62
Russia	10,16
Switzerland	4,06
Thailand	0,64
United Kingdom	7,23
United States	14,4

Source: Information provided by the manager of Quinta do Montalto