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BUSINESS & ECONOMICS

How can Portuguese wineries gain a  
competitive advantage on international  
markets?

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Dissertation written under the supervision of Prof. Laure Leglise

Dissertation submitted in partial fulfilment of requirements for the MSc  
in Business, at the Universidade Católica Portuguesa, June 2019.

## Abstract

**Title:** How can Portuguese wineries gain a competitive advantage on international markets?

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This dissertation aims to understand how Portuguese wine companies can attain and maintain competitive advantage in international markets. We draw on RBV and its development to analyze our data.

To answer our research question, we adopt a qualitative approach and compare three cases of Portuguese wineries: DFJ Vinhos, Casa Santos Lima and Eugénio de Almeida Foundation.

The results show that the use of an adaptation strategy of product through the creation of a vast and unique portfolio of wines that have gained an international recognition due to their quality is a key factor to attain competitive advantage. Also, the ability of managing knowledge as a resource and being able to meet the local tastes leads to a path of success and great conquests, setting an example of success to any company. On the contrary locality was demonstrated to represent a factor of differentiation but not a factor of competitive advantage because when valuing locality the quantities a Portuguese company is able to produce become too limited to be international competitive. Lastly it also exposed some suggested paths of further development, namely how tourism impacts the wine sector and how that can be potentialized through enotourism.

**Keywords:** Portuguese wine; competitive advantage; international markets; external resources; valuation devices; RBV (resource-based view); KBV (knowledge-based view); internal resources; know-how; adaptation strategy; locality.

## Resumo

**Título:** Como podem as companhias vinícolas portuguesas obter vantagem competitiva nos mercados internacionais?

**Autor:** Carolina Gaspar Lopes

Esta dissertação tem como objetivo compreender como empresas vinícolas portuguesas podem adquirir e manter a sua vantagem competitiva nos mercados internacionais. Tiramos partido do modelo VBR e o seu desenvolvimento para analisar a nossa data.

Para responder à nossa questão de investigação, adotamos uma abordagem qualitativa e comparamos três casos de casas vinícolas portuguesas: DFJ Vinhos, Casa Santos Lima e Fundação Eugénio de Almeida.

Os resultados mostram que o uso de uma estratégia de adaptação do produto através da criação de um portfolio vasto e único de vinhos que ganharam reconhecimento internacional devido à sua qualidade é um fator chave para obter vantagem competitiva. Além disso, a capacidade de gerir conhecimento (*know-how*) como um recurso e ser capaz de produzir vinhos que satisfazem os gostos locais leva a um percurso bem-sucedido e grandes conquistas, tornando-as um exemplo para qualquer empresa. Por outro lado, demonstrado que a regionalidade é um fator de diferenciação, mas não uma vantagem competitiva porque ao valorizar a regionalidade, as quantidades produzidas por uma empresa de vinho Portuguesa são demasiado reduzidas para serem internacionalmente competitivos. Por último, são também expostas sugestões para desenvolvimento futuro, nomeadamente como o setor vinícola é afetado pelo turismo e como isso pode ser potencializado através do enoturismo.

**Palavras-chave:** Vinho português; vantagem competitiva; mercados internacionais; recursos externos; dispositivos de avaliação; VBR (Visão Baseada em Recursos); VBC (Visão Baseada no Conhecimento); recursos internos; *know-how*; estratégia de adaptação; localidade.

## Acknowledgements

First of all, I want to thank to Eng. José Neiva (owner and executive manager of DFJ Vinhos), Dr. José Luís Oliveira da Silva (owner and executive manager of Casa Santos Lima), Dr. João Teixeira (commercial director of FEA), Eng. José Ginó (chairman of the executive board of FEA), Sr. Joaquim Seca (grape producer and seller to DFJ Vinhos de Casa Santos Lima) for their time, availability and knowledge shared providing me essential tools to develop this research and reach my goals. Without them this work would not be possible.

I would also like to thank my thesis supervisor Laure Leglise for her support during the dissertation process. She impacted on the establishment of this thesis by providing me with valuable knowledge and feedback.

My biggest thank goes to my parents, my dear siblings and my host parents who were always there for me. They played a crucial role during this process by sharing all their knowledge and giving constant support. They were a fundamental key during the entire process, constantly available to help me and guide me.

Thank you!

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# 1. Introduction

Portugal is currently the 5th biggest wine producer of Europe and the 11<sup>th</sup> biggest worldwide with 6.6 million hectolitres produced in 2017 (Sampaio, 2018). The Portuguese wine market is highly competitive and is composed of many organizations, including small, medium, and large companies and cooperatives yet the high-quality wines are mainly produced by private enterprises (Barros and Santos, 2007). This year for the first time there are 3 Portuguese wines in the Forbes list of the best wines in the world<sup>1</sup>. To attain competitive advantage in international markets these Portuguese wineries must develop or acquire a set of attributes that allow it to outperform its competitors (Wang, 2014).

The present thesis aims to understand how Portuguese wineries can gain competitive advantage on international markets. This question is relevant to academic research because the globalization of the wine industry calls for more investigation (Mariani et al., 2012; Crescimanno & Galati, 2014). This work also brings relevance for business managers as it presents successful cases of internationalization strategies. Finally, this question interests also public decision-makers as the sector is very important to the national economy : 9% of all agricultural Portuguese land is used for wine production (Barros and Santos, 2007) and in 2017 the national wine market brought a revenue of 746 million euros while the exportation market brought 778.7 million euros (Monteiro, 2018).

To answer our research question, we used a qualitative approach and more specifically a case study. We conducted three comparative case studies of DFJ Vinhos, Casa Santos Lima and Eugénio de Almeida Foundation.

After this introduction, the thesis presents a literature review that covers pertinent theory related to the topic under discussion. It starts with an overview of the wine industry in order to better understand current trends of production and consumption in the international markets and the Portuguese wine industry and its position on the international markets. The second part of the literature review focuses on internationalization strategies in the wine industry. Succeeding, comes the methodology section where we reinforce the purpose of using a qualitative case study method and we explained how we developed our investigation through collection and coding of the data. The next chapter describes the case studies used (presentation of the companies, their

<sup>1</sup>Sic Notícias - "Há três vinhos portugueses entre os melhores do mundo", 2019.

history and results of the internationalization). Lastly, there is a findings section with a discussion of the main findings where there is a match between the cases' data and the theoretical concepts. These main findings include an analysis of the effectiveness of an adaptation strategy of product over a territorial embeddedness strategy, the importance of wine rankings as valuation devices and how knowledge is a core resource for the process of wine internationalization.

## 2. Literature review

In this chapter, we tackle global wine industry which is characterized by a separation between the old-world and new-world countries. The industry trends show that Spain is the biggest exporter while the United States are the biggest consumers. We then show that the firm's resources are an important factor when entering foreign markets, internal resources such as knowledge but also external resources such as valuation devices.

We divided the literature into two main sections. The first section is dedicated to the wine industry and it is divided into three subsections: the first subsection covers a global perspective of the wine industry; on the second subsection we developed an analysis of the trends of production and consumption in the international markets; in the third subsection we analyze the Portuguese wine industry and how it is positioned at an international level. The second section is about internationalization strategies in the wine industry. We divided this chapter into three subsections: resources and their importance on attaining competitive advantage (where we revisit the RBV model, tackle locality as a core resource and adaptation strategy of the product); knowledge (where we cover the knowledge-based view model and internationalization) and the last subsection relates to valuation devices.

### 2.1. The wine industry

#### 2.1.1. Towards a globalization of the wine markets

Quality wines are currently being produced on all six arable continents, and both wealthy and emerging nations are active in the international wine trade. (Monteiro, 2018). To better understand the wine industry and its major players it is important to first begin by describing the two categories which the wine producer countries are divided into: the old-world countries and the new-world countries. The old-world countries are those within Europe which have a long, continuous history of wine production as well as consumption traditions which started with the Mediterranean culture. New-world countries are the wine producer countries outside Europe that started producing wine later

than the old countries and do not have the culture of drinking wine embedded in their traditions as they old-world countries do (Banks & Overton, 2010). The four largest old-world countries wine producers - France, Italy, Spain, and Germany - accounted for almost 55% of the global wine production and 40% of the wine consumption in 2004. Five of the largest and most reputable new-world producers are the United States, Argentina, Australia, South Africa, and Chile. These five countries represented 23% of the world production and 21% of wine consumption in 2004 (Castaldi et al., 2006).

Together, the major wine producers of both old-world countries and new-world countries represent 78% of the total of world's wine production and these 9 countries are not only the biggest producers as they are also on the top 10 of the biggest exporters of wine accounting together for 86% of total wine exportations in 2004 (Castaldi et al., 2006).

Until the early 90s the production and consumption of wine was much more localized comparing to today's world. Wine producers had little cross-border interaction, so they tended to follow the local traditions of producing wine (Hussain et al., 2008). However, the patterns of consuming wine in old and new world countries have been changing at a fast pace over the last years (Hussain et al., 2008). This can be shown through the fact that from all global production, the share of wine production has increased 10% over the last years and it now represents 25% of all world's exportations (Anderson et al., 2001). The reduction in costs such as logistical cost and the decreasing of some trade barriers has made it easier for wine producers to sell their products in foreign markets.

In the wine industry, wine producers and sellers from around the world are facing the impact of globalization in their businesses. This globalization results mainly in a strong increase of the competition which is then aggravated by driving forces such as a worldwide over-supply of grapes and the respective pricing pressures, distributors and retailing sectors which by having an wider offer of producers also demand lower prices, and thirdly shifting consumer behavior patterns and the need to adapt the product (Hussain et al., 2008). Regarding consumers it is to note that the ones from the new-world countries are increasingly consuming wine which has led to a respective adaptation on branding and marketing strategies (Cusmano et al., 2010).

## 2.1.2. The trends of production and consumption in the international markets

In 2017 a total of 250 million hectoliters of wine were produced, which compared to the previous year represented a decrease of 8.4%. The International Organization of the Vine and Wine (OIV) attributes this decrease to the unfavourable meteorological conditions which affected mainly Europe.

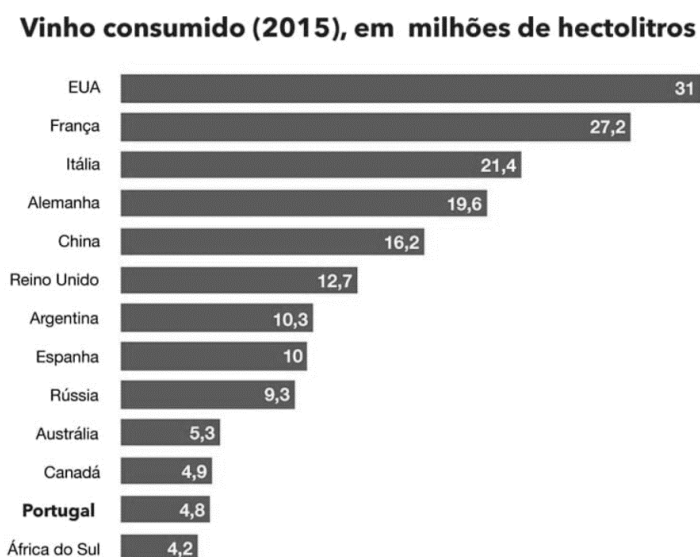


Figure 1: Global Wine Consumption 2015

Source: International Organization of the Vine and Wine (OIV)

From all these hectolitres consumed the majority was consumed in the United States, followed by France, Italy, Germany and China ("Portugal no topo do mundo no consumo de vinho per capita - VINHO Grandes Escolhas", 2017).

On the other hand, the biggest exporters were Spain which exported 22.1 million hectolitres in 2017, followed by Italy (21.4 million), France (15.4 million), Chile (9.8 million) and Australia (8 million). In terms of production in 2017, Italy was the biggest wine producer (42.5 million hectolitres) followed by France, Spain and USA (Sampaio, 2018).

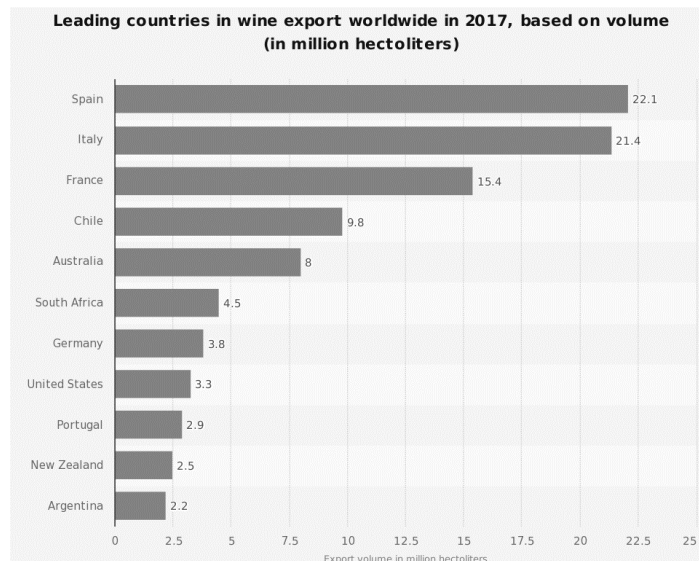


Figure 2: Wine exportation world wine in 2017  
 Source: International Organization of the Vine and Wine (OIV)

In the old-world countries (France, Italy, Spain, Germany, etc.) the consumption tendencies per capita have decreased over the past years but they started at quite high values. The new-world countries such as USA, Canada, Australia, Scandinavian countries and others, show a medium/long term tendency to maintain or increase just slightly their wine consumption. China, Brazil, Mexico, Japan and South Korea present a medium/long term tendency to increase their consumption, yet they started at quite low values ("Portugal no topo do mundo no consumo de vinho per capita - VINHO Grandes Escolhas", 2017).

### 2.1.3. The Portuguese wine industry and its position on the international markets

The national Portuguese wine market is highly competitive and is composed of many organizations. These organizations include public and private companies and cooperatives of small, medium, and large size. Cooperatives account for at least 30% of national production and sales. They are represented in the lower and middle-quality range and exist all over the country. The high-quality range is controlled by private enterprises. The wine produced by cooperatives is the product of the small landowner-farmers, who deliver their grapes to the cooperative for processing, distribution, and sale. The private enterprises usually have the means to produce their wine themselves. However, some

private enterprises buy the grapes of small independent farmers on the market and process them into wine, then bottle and sell the production (Barros and Santos, 2007).

In the global perspective, Portugal belongs to the group of the old-world countries, yet it started actively producing and exporting wine later than many other old-world countries. After Portugal's accession to the European Economic Community (EEC) once it joined the EU in 1986, it was possible to expand the Portuguese economy and the wine sector followed. During this period were granted community subsidies which were very important for the industry that has benefited from strong investment in up-to-date production techniques and technology, renowned oenologists which made it possible and easier for the wine producers to sell their wines in foreign markets as it allowed the production of good wines that can compete worldwide which brought substantial improvement to the quality of its wines (Andrade, 2017). The 'value added' economic aspect of wine production is remarkable, and the main reason that many governments support strong research programs and subsidies in the development and improvement of their wine industries (Bisson et al, 2002).

The importance of the sector to the national economy is reflected in the fact that 9% of all agricultural Portuguese land is used for wine production (Barros and Santos, 2007). The gross domestic product (GDP) of Portugal in 2018 was 174.413,7 million euros being only 3.942,8 million euros from the agriculture sector which represents only 2,26% of the Portuguese GDP. Within the agricultural sector wine comes 3<sup>rd</sup> representing 11% of total agricultural production in Portugal ("Setor Primário Português - Breve Caracterização", 2013).

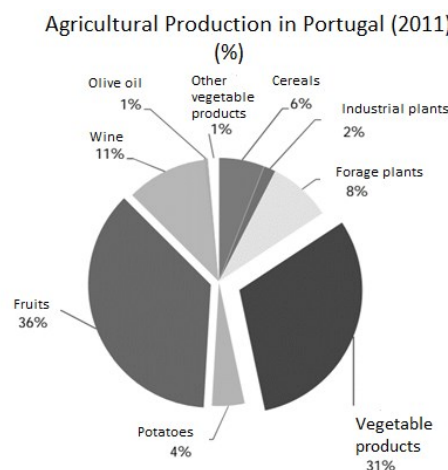


Figure 3: Agricultural Production in Portugal (in percentage)  
Source: INE – Instituto Nacional de Estatística, ES Research – Research Sectorial

The Portuguese wines have been growing in quality and sales numbers in the exporting markets over the last years (table below). It presents a positive evolution of a traditional sector which has always been very important for the Portuguese economy. Portugal is today the 11<sup>th</sup> biggest world producer of wine and the 8<sup>th</sup> biggest wine exporter in the world (Sampaio, 2018). In 2017 the wine sales for external markets represented a revenue of over 778.8 million euros for Portugal. These external markets represented a total number of 145 countries being France our main importer, followed by the English and the Americans. Porto wine was the most exported representing 40.1% of total exportations of Portuguese wine in 2017 ("Vinhos portugueses voltam a encher o copo nas exportações", 2019).

Portuguese wine trade balance (million Euros)										
	2013	2014	2015	2016	2017	Var % 17/13	Var % 17/16	2017 January	2018 January	Var % 18/17
Exportations	720.794	726.285	735.534	723.671	778.766	2,0	7,6	48.592	54.444	12,0
Importations	122.399	125.154	116.755	109.964	134.831	3,1	22,6	9.339	8.813	-5,6
Balance	598.395	601.131	618.779	613.707	643.934	--	--	39.254	45.631	--
Coef. Cob.	588,9	580,3	630,0	658,1	577,6	--	--	520,3	617,8	--

Figure 4: Portuguese wine trade balance (in million euros)  
Source: based on INE – Instituto Nacional de Estatística

## 2.2. Internationalization strategies in the wine industry:

### 2.2.1. The specificity of resources as a determinant of the internationalization strategy to gain a competitive advantage

#### *The resource-based view*

RBV (resource-based view) was developed in the 1960s and it looks at a firm's internal and unique resources and how they can be used as a source of competitive advantage (Wang, 2014). Barney (1991) claimed that sustained competitive advantage derives from the resources and capabilities a firm has and which are valuable, rare, hardly imitable, and not substitutable. These resources and capabilities can be categorized into different groups: the tangible assets and the intangible assets. The tangible assets are mainly properties, inventory, plants and equipment while the intangible assets include things such as the firm's management skills, its organizational procedures, and the information and knowledge it possesses (Ray et al. 2004).

From the strategic management field perspective, it has been assumed for a long time the idea that firms are quite heterogeneous regarding their resources and their internal capabilities (Thompson and Strickland, 1990). These resources and capabilities that can be distinguish or that are considered superior when compared with the competitors, may develop to be the basis for a firm's competitive advantage if they are matched properly with the environmental opportunities (Andrews, 1971; Thompson and Strickland, 1990).

The model of RBV offers companies an angle for strategy formulation which is based on the firms' resources. Meaning by studying, knowing and selecting the most valuable resources, a firm can find the optimal product-market activities (Wernerfelt, 1984).

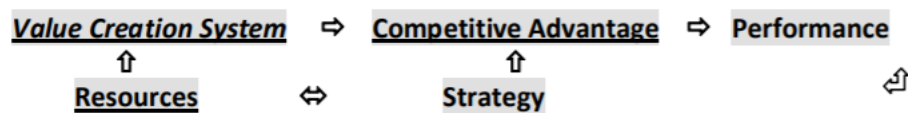


Figure 5: Resources and Competitive Advantage: The mediating role of the Value Creation System

Source: Wine cluster strategic resources, firm value creation and competitive advantage, Jaime E. Fensterseifer and Jean-Louis Rastoin, page 4.

The RBV view model faces some of the limitations: some authors argued that it was not dynamic or detailed enough and therefore developed complementary views such as the knowledge-based view and the capability-based view. Grant (1991) claimed that capabilities are the source of competitive advantage while resources are the source of capabilities. Also, Haas and Hansen (2005), as well as Long and Vickers-Koch (1995), reinforced the importance of capabilities proposing that a firm can gain competitive advantage from its capacity to use its capabilities to execute important tasks inside the firm.

#### *Strategy of territorial embeddedness: locality as a core resource*

Territorial embeddedness is often assumed as a 'spatial' concept linked to the local and regional levels of analysis. 'Local' embeddedness leads to an institutional thickness that is considered to be one crucial success factor for regions in a continuously globalizing economy (Hess, 2004). This type of strategy tries to show the importance of a variety of elements included in the concept of locality which are not only the variety of grapes but also the know-how, identity, climate and others. As these elements are reference in the

wine sector, the wines can be divided into categories regarding its region of production. At highest level of the European wine hierarchy, there are the DOPs (Protected Designation of Origin) wines. Each of these regions has its own strictly defined geographical boundaries. DOC regulations also prescribe maximum grape yields, recommended and permitted grape varieties and various other things, and all the wines have to be officially tasted, tested and approved. Next on the hierarchy is the IG (Geographical indication) or IGP (Protected Geographical indication), commonly referred in Portugal as VR (regional wine) and for this type the rules are much less strict than those used for DOC wines. At the bottom there are Vinhos (Wines) and these are the Portuguese simplest wines, subject to none of the rules stipulated for quality or regional wines ("Official Wine Categories - Wines of Portugal", 2019).

Fensterseifer and Rastoin (2013) support the underlying assumption that local (or regional) resources can influence the value of the firm's internal resources having this way an important role in creating and sustaining competitive advantages for the firm. In this direction, we connect the concept of locality with the resource-based view model (RBV) for attaining competitive advantage. A few studies connecting the RBV model with locality have been developed yet it is still an emerging theme for business researchers to study and therefore a gap to be further explored.

The concept of "local" can be described following two different meanings. "Local" can be understood either in terms of a limited region within which products are produced and sold (Morris and Buller, 2003) or in terms of "locality" as a characteristic of a certain product and in this case is considered as value-added to the product and an advantage and factor of differentiation when exporting it to other countries or regions (Sims, 2009). This second approach could be interpreted as a weaker version of localism - localism describes a range of political philosophies which prioritize the local. Generally, localism supports local production and consumption of local goods and promotion of local culture. Following this principle, local products are strongly linked to its region and they help promoting it (Watts et al., 2005).

Although this concept of locality as a value add to a certain product presents some limitations since it has been argued that "local" can become a very vague concept because is to about anything and, at the margin, perhaps very little at all (Allen & Hinrichs, 2007). When we use the term "local" it can be an ambiguous concept because after all everything is from a certain local. Therefore, anything could be local. It is important to understand that in order to be considered local a product must attain certain characteristics regarding

product miles (local products can be defined by the distance between where it was grown/produced and where it is sold or consumed), direct sales to consumer and ecology dimension (Camerlynck, 2016).

### *Strategy of adaptation to international markets*

Another option is instead to adapt the product. Adaptation strategy means the company will change and/or adapt the product according to the customers and market it is being sold at. Product adaptation is about the firms' capacity to adapt both characteristics and attributes of products in order to better meet the preferences of international customers (Calantone et al., 2004). The firm's capacity to modify its products is crucial to operate in foreign markets; modification and adaptation are often a requirement to satisfy international demand (Laursen et al., 2012).

The basis of adaptation is that when entering international markets, the company must consider all environmental factors and constraints in order to be successful and attain competitive advantage. These factors include language, climate, race, occupations, education, taste, different laws, cultures, and societies (Czinkota and Ronkainen, 1998). Supporters of the adaptation strategy emphasize the importance of customization. The firm's skill to adapt products creates value for the firm since by customizing their products to a certain market, the firms will better position their products in that international market (Filipescu et al., 2013).

Product adaptation requires from a firm both knowledge and competences from various tasks such as product design, branding, or labelling (Lages et al., 2008) thereby forming a complex combination of skills and knowledge (Hollender et al., 2017). The capability to adapt products enhances innovation and idea creation specifically tailored to changes in foreign customers' needs (Leonidou, 2004). Thus, firms possessing this capability can achieve a competitive advantage abroad without overly compromising their resource base (O'Cass & Julian, 2003; Rundh, 2007).

According to Vrontis and Thrassou (2007) it is important to alter the marketing strategy to suit local tastes and meet the different market and consumer needs (Alwazir, 2013). However, this is at the same time a limitation of this model because some of these factors which can be important during strategy development are difficult to measure such as cultural differences or manners and customs. Also, things like differences in taste, needs and wants, economics and legal systems can be hard to define.

An adaptation strategy brings the advantages of respecting the local specifications and expectations of each market which means the product will meet the consumer taste and needs. On the downside, to follow an adaptation strategy also requires higher costs and it is time consuming. In some markets it can be also difficult to understand and offer a product which the consumer really wants (Alwazir, 2013).

### 2.2.2. The role of knowledge to gain a competitive advantage on international markets

Some researchers (Del Canto & Gonzalez 1999; Lockett & Thompson 2001; Ray et al. 2004) conclude that intangible resources are often the most important resources from a strategic point of view. They claim that intangible resources are more likely to be a source of sustained competitive advantage rather than tangible ones (Wang, 2014).

#### *The knowledge-based view*

Knowledge is one of the intangible resources considered crucial in the process of internationalization. Within the resource-based view some researchers believe knowledge to be the most important resource a firm can have (Murray, 2000; Teece et al., 1997; Tiwana, 2002). Hamel and Prahalad (1994) claim knowledge to be the main source of competitive advantage in an era where information is power. Evans (2003) and Tiwana (2002) also defend this view arguing that knowledge is the most crucial resource a firm can possess since a firm's physical resources decrease with time as they become more used, but in the other hand knowledge is likely to increase with time and the more it is used. Tiwana (2002) claimed that most resources such as technology or product sources can be copied more easily by other firms, yet knowledge is the only resource a firm possesses which is hard for other companies to replicate.

With the aim of segregating knowledge, Zack (1999) defended a division of the firm's knowledge in three different groups: core knowledge, advanced knowledge, and innovative knowledge. He defined core knowledge as basic knowledge which allows a firm to survive and therefore stay in the market in the short-term. Advanced knowledge offers the firm identical knowledge as the one its rivals have and with it the firm can actively compete in the short term. The last one, innovative knowledge is the one that offers the firm its competitive advantage position over its competitors. It is also the firm

with innovative knowledge the one who is capable of introducing innovative products or services, which will potentially help the firm becoming a market leader (Zack 1999). Another type of important knowledge is experiential knowledge that comes from learning reflects the need for tacit (market) knowledge, because such knowledge is difficult to acquire through other means of learning (Forsgren, 2002).

Yet the knowledge-based presents limitations. It arguable whether knowledge can really be a firm's most strategic resource without considering if that knowledge is in fact used or if it is just retained within individuals (Grant, 1996). Plus, there is still no solid and unifying theoretical paradigm accepted by academia that gathers all the researching in organizational knowledge. Therefore, the strategic theory of the KBV of the firm is confronted with the limitations and criticisms organizational knowledge still arouses (Curado & Bontis, 2006).

### *Knowledge and internationalization*

The knowledge gathered through international market experience along with product adaptation enables companies to gain competitive advantage in foreign markets (Brouthers & Nakos, 2004; Lu & Beamish, 2001). Different types of knowledge – such as knowledge about the markets and about how to internationalize - relate directly to a firm's process of internationalization.

Sune Carlson (1966), stated that firms which aim to go to international markets suffer from lack of knowledge about how to conduct a business in a foreign market. Carlson's reasoning led to what years later came to be known as the Uppsala Internationalization Process Model (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1977). The Uppsala model explains the characteristics of the inter nationalization process of the firm focusing on knowledge acquisition - how organizations learn and how their learning affects their investment decisions (Johanson & Vahlne, 2009; Johanson and Vahlne 1977).

According to the Uppsala model, the basic mechanism of internationalization involves two state aspects which are resources committed to foreign markets (market commitment) and knowledge about foreign markets possessed by the firm at a given point of time (market knowledge) (Johanson & Vahlne, 1977).

Also, in the wine business the know-how of the industry influence wineries' export orientation because lacking know-how can create a barrier towards being internationally competitive. Experiential knowledge becomes a crucial resource as it

gives the company know how creation and flowing of knowledge. (Santini and Rabino, 2012).

### 2.2.3. Valuation devices as the target of internationalization strategy

One limitation of the RBV is that it considers resources only as internal to the firm while several organizational phenomena show that crucial resources for the firm could be external (Kornberger, 2017). Much of current strategy theorizing is based on the idea that firm's critical resources may extend beyond a firm's boundaries and that the configuration and development of these resources – internal and external - enables a firm to adapt to changing environments and therefore reach competitive advantage (Kornberger, 2016). Value is either supposed to be created inside the firm and measurable as profit or defined as an expression of utility derived from external resources. Kornberger (2017) supports the idea that valuation devices unravel the concept of the value derived from external resources through the understanding of concrete practices and processes through which something is constituted as valuable in the first place. Such theorization of value as correlate of valuation practices provides an analytically effective way to understand how external resources impact management strategy and competition (Kornberger, 2017).

Recently firms have been focusing on valuation processes as a way of placing a firm's strategy since these external resources are becoming a source of competitive advantage (Dyer & Singh 1998). Valuation practices structure the encounter of demand and supply and therefore they organize markets (Kornberger, 2017). These valuation processes are not neutral devices but instruments that constitute the value of a good in the first place.

Valuation is a dynamic process which involves a series of different actors including networks of people, intermediaries and machines who warrant special attention. Intermediaries, including experts, critics, consultants, matchmakers and others, play an important role in valuation practices (Karpik, 2010). It is about making incomparable things comparable by turning qualities into quantities and commensurate them making them comparable with each other in the form of rankings or other valuation device (Miller, 2001).

Also, in the wine industry the internationalization of the firms rests on both the external and internal resources (Galati et al, 2017). In past generations, the definition of

quality was of the knowledge of the wine producer exclusively and only intrinsic characteristics mattered, meaning the value of the wine rested solely on the internal resource knowledge. Yet globalization came to change this and in the modern world even though not everyone has knowledge to assess the value of the wine, many will rely on external resources such as rankings or wine magazines when choosing a wine meaning a great value is given to valuation devices as they define value. The common assumption is that the value of certain products or services such as fine wine and others are very hard to judge – unless the consumer possesses some form of valuation devices (Karpik, 2010). Plus, today's consumer's definition of quality include also extrinsic characteristics such as the bottle style, the label design, the type of stopper, etc. and they have become equally important persuaders of consumer preferences when selecting a wine (Bisson et al., 2002). As valuation devices offer cognitive support in consumers' decision and sense-making they play a crucial role in organizing supply and demand by linking them. Only because valuation practices make up rankings, ratings and so on we can make up our minds when choosing a product (Kornberger, 2017).

For strategy scholarship, the implications of a turn towards valuation are potentially productive. If value comes from valuation devices, it follows that competition takes place at the level of valuation devices. In other words, if valuation devices become the 'arbiters of value' (Priem, 2007), then strategy concerned with value creation will have to focus on influencing, co-authoring and manipulating these valuation devices and a firm will adjust their strategies to do well in the rankings. Consequently, strategic action to attain competitive advantage might be understood as an actor's capacity to influence valuation regimes (Karpik, 2010).

One of the ways wines are valued and which is a key decision for a company which want to internationalize is by the following categories: value or basic wines (3,5€-10€), popular premium wines (10€-15€), premium wines (15€-20€), super premium wines (20€-30€), ultra-premium wines (30€-40€), luxury wines (50€-200€) and at the very top there is the icon wines (above 200€) (Slater, 2018). The table below describes in greater detail the characteristics of each category.

<b>Basic</b>	<b>Premium</b>	<b>Super Premium</b>	<b>Ultra Premium</b>	<b>Icon</b>
Comprise about 50% of the international wine market; are anonymous, with little or no linkage to vineyards or even countries.	Comprise about 30% of the wine market: usually of better quality; often retail through the supermarkets in the “value for money” market; usually linked to distinct brand (rather than vineyard or cellar) identities	Comprise about 10% of the wine market and sell on the basis of quality, style and perceptions about their unique identity in the market	Highly distinctive and individual quality; not marketed on a mass basis	Wines whose value is mainly linked to the act of purchasing them.

figure 6: Wine categories description

source: *Assessment of the Social Impact of Adoption of Codes of Practice in the Wine Industry*, Adrienne M. Martin, page 5.

One of the biggest limitations of this theory is the lack of empirical studies. Despite its centrality, the concept of value has attracted limited attention in strategy research. Most frequently, concepts of value as profit or utility, inherited from economic theory, are assumed rather than investigated (Kornberger, 2017). Although it has been increasingly studied and developed over the past years and we aim to contribute more to it with this work.

To close the literature review we conclude with the most relevant points to help answer the research question the fact that experiential and market knowledge aligned with an adaptation of the product is key to help attain competitive advantage in international markets. As the wine is a non-durable product highly influenced by culture and national tastes, product adaptation has been concluded to be more effective.

Along with the internal resource knowledge we aim to contribute to the field the relevance of adding external resources such as valuation devices to international strategy formulation. Specially in sectors such as the wine industry where competition takes place at the level of valuation devices and that a firm’s strategy may be understood in relation to a firm’s capacity to cope with and influence these valuation processes. Focusing on valuation processes means studying a variety of devices such as rankings, awards, and classifications which if well incorporated in the firm’s strategy can play a key role on attaining competitive advantage. (Kornberger, 2017).

## 3. Methodology

### 3.1. Research Design

For the purpose of this research we conducted a qualitative analysis and we used a comparative case study of three different companies. The choice of a qualitative approach is focused on the fact that this type of research attributes an important value to the depth understanding of the meanings and processes which cannot be gathered in a quantitative research (Rynes & Jr., 2004). Qualitative research has a value-based perspective, meaning is based on value and how companies can create it through the maximization of the relationship of usefulness/satisfaction with price allowing to better measure how companies produce their value which is the bases of this study (Birkinshaw, Brannen, & Tung, 2011). Through qualitative research is possible to gather insights and detailed descriptions on how managerial processes are developed and their respective meanings (Gephart Jr. & Rynes, 2004).

We tried to apply as much as possible a triangulation method to improve the validity of our findings – where it exists a search for convergence among multiple and different sources of information to form categories (codes) in a study. Collaboration was another validity procedure as credible data came from close collaboration with internal agents of the firms under study (the interviewees) throughout the process of research and interviews where the interviewees' view into the study was collected and crucial to assist with overall data collection and analysis (Creswell & Miller, 2000). Interviews offer researchers the opportunity to uncover information that is “probably not accessible using techniques such as questionnaires and observations” (Blaxter et al, 2006). Adding to this, Dörnyei (2007) also argues that with the presence of the interviewer, mutual understanding can be ensured, as the interviewer may rephrase or simplify questions that were not understood by his interviewees. As a result, more appropriate answers and, subsequently, more accurate data will be reached.

We chose a multiple case study approach to gather real environment-based evidence and attain more generalizable yet deeper and better supported knowledge about the research question proposed (Birkinshaw, Brannen, & Tung, 2011). A case study method seemed appropriate as it allowed a rigorous analysis and coding of concepts gathered through various interviews allowing me to better answer our question (Yin,

1984). It involved the analysis and synthesis of the similarities, differences and patterns across the cases that share a common focus – attaining competitive advantage in international markets. We selected Casa Santos Lima, DFJ Vinhos and Eugénio de Almeida Foundation (FEA) for several reasons. Firstly there are all active exporters and all three have competitive advantage in international markets (yet at different levels), secondly it has not been done much academic work about any of the term within the wine sector and thirdly Casa Santos Lima and DFJ Vinhos are two of the biggest Portuguese exporters and they present a different strategy from FEA making them an interesting case to study and compare.

### 3.2. Data collection

Given the focus on generating a good understanding of the cases and case context, interviews and document analysis were the data collection methods employed (Campbell et al, 2010). Two-stage methodological approach was used in this study as we relied on both primary and secondary sources of data, including: exploratory semi-structured interviews with agents from the three companies under studies and also a grape producer and seller to two of the companies. Along with it, our sources for archival data included an extensive research on the companies' websites, media articles and wine magazines (Correia et al, 2004). These archival data also helped to triangulate the self-reports of key informants, and, thereby, mitigate possible “retrospective bias” in the interviews with the companies' individuals. On top of that, all the existing research regarding competitive advantage in international markets and the international and Portuguese wine industry also played an important role to reach interesting findings about the topic under investigation and to develop conclusions with solid backup and value added.

The people interviewed were Eng. José Neiva (head manager and owner of DFJ Vinhos), Dr. José Luis Oliveira da Silva (head manager and owner of Casa Santos Lima), Eng. José Ginó (head manager of FEA), Dr. João Teixeira (commercial director of FEA) and lastly Sr. Joaquim Seca (grape producer and seller to DFJ Vinhos and Casa Santos Lima) which gave me a different perspective of the business and the companies and therefore it enriched this work. The interviews were semi-structured with a general guide approach in order to ensure that the same crucial topics were covered and collected from all interviewees. This allows a degree of freedom and adaptability in getting the

information from the interviewee (Valenzuela and Shrivastava, 2008). Berg (2007) notes that this data can be recorded and reviewed several times by the researcher (when necessary) to help produce an accurate interview (Alshenqeti, 2014). In this case, all interviews were recorded and transcribed.

Data collected								
Sources	Interview 1	Interview 2	Interview 3	Interview 4	Interview 5	Wine magazine	Companies documents	Webpages
Details	<b>Company:</b> FEA* <b>Interviewee:</b> Eng. José Ginó - President	<b>Company:</b> FEA* <b>Interviewee:</b> Dr. João Teixeira – Commercial director	<b>Company:</b> DFJ <b>Interviewee:</b> Eng. José Neiva – Owner, enologist and head manager	<b>Company:</b> Casa Santos Lima <b>Interviewee:</b> Dr. José da Silva – Owner and head manager	<b>Company:</b> Casa Santos Lima and DFJ <b>Interviewee:</b> Joaquim Seca – producer and supplier of both companies	Wine magazine: Portugal Global 2018	<b>From FEA:</b> history, mission and awards	News about wine; Statistics about wine production globally;
Codes	Portuguese wineries	Portuguese wineries	Portuguese wineries	Portuguese wineries	Portuguese wineries	Growing industry	Value of history	Spain main rival of Portugal
	Competitive advantage: a) Sources b) Rivals	Tourism and Portuguese cuisine	Portuguese market damaged (by government and big retailers)	Portuguese market growing	Unlimited capacity	France biggest importer	Prizes (as a source of sales increase)	Growth of bulk wine business
	International market	International market	International market	International market	Use of external resources	40% of exportation = Porto wine	Locality (factor of differentiation)	Competitive prices
	Locality (factor of differentiation)	Locality (factor of differentiation)	Portuguese cuisine	Portuguese cuisine	To be profitable locality can't be a priority	Portugal big consumer of wine per capita	Importance of valuation devices	International market
	Long-term strategy	Socio economic factors are important (culture not so much)	Culture (factor to consider)	Culture (factor to consider)	Adaptation of product	Importance of valuation devices		Lack of recognition of Portuguese wine
	Territory embeddedness	Territory embeddedness	Adaptation of product	Adaptation of product	Importance of valuation devices			Increase of new-world countries wine consumption
*Eugénio de Almeida Foundation								

### 3.3. Data Analysis

The data collection began with the deep analysis of articles and websites and later with conducting interviews with some of the key agents of the chosen companies. After, we analyzed the data gathered by using an open-coding approach (Strauss and Corbin, 2008), which involved selecting, categorizing, and labeling into different categories. We began first-order coding by reviewing interview transcripts and archival data and identifying “thought units”—words, lines, or passages that represented a fundamental

idea or concept. Where possible, to preserve informant-level meanings, we used “in vivo” labels (terms actually used by informants) (Spradley, 1979). We used constant comparative methods to compare the data from the different sources allowing me to establish categories which could be supported by different data sources (Glaser, 1978). Through this iterative process, we identified 16 first-order categories from the different sources (chart in appendix 4). Once all the data was divided into categories (codes) we could then compare it with the literature review which is how we got to our findings, suggested further studies and limitations (Patvardhan et al., 2015).

For example, one of the categories found was the importance of tourism towards the wine industry and this emerged from the interview with Dr. João Teixeira (commercial director of Eugénio de Almeida Foundation) who said:

*“In the European market we aim to start entering the local restaurants and reach the local citizens, and something which has helped, and it is a very important factor is the last 4/5 years of tourism in Portugal. The tourist boom in Portugal cannot be disassociated with the success of the Portuguese wines in the last years in the international market.”*

Another important conclusion was the importance of valuation devices towards the definition of value of a product and this emerged not only from the literature review but also from the interviews, more precisely:

*“It is very important to be consistent quality wise and keep on advertising and being evaluated by third parties. The best way to promote our wines is going to fairs and to send our wines to be ranked. Then we advertise the good news, for example: “Washington post chooses a Portuguese wine in the 10 best buyers” which has a positive impact on our sales.”* (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima).

*“Having an evaluation from an independent entity who will evaluate the product is a good strategy because it gives the consumer a feeling of safety when purchasing a wine because often people do not know much about wine. So, if you have some support from someone who is considered an opinion leader and who has already written about it, it is easier. Therefore, a wine company must invest in this area. To send wines to be classified.”* (Eng. José Neiva, owner and executive manager of DFJ Vinhos).

## 4. Empirical setting – case study

The companies that will be used as case study are DFJ Vinhos, Casa Santos Lima and Eugénio de Almeida Foundation (Adega Cartuxa).



Figure 7: DFJ Vinhos logo

### *DFJ Vinhos*

DFJ Vinhos was founded by the renowned Portuguese oenologist José Neiva Correia back in 1998. From the very beginning the goal of the company was to be an exporting company. It first started exporting to England and thanks to the vast know-how and experience of Eng. José Neiva, who comes from a family of wine producers and who has been in the sector for many years, the company quickly grew to become one of the biggest exporting wines companies of Portugal. It exports over 90% of their productions which represents 5.4 million bottles sold at a very competitive price. It works with a wide range of grapes varieties from Lisboa, Tejo, Península de Setúbal, Alentejo, Algarve, Douro, Dão, Alenquer and Beiras. It has 40 different brands and 110 different wines to offer their consumers. They export to all continents being 70% of their sales to the USA, Poland, Norway, United Kingdom and then Germany. They have also already won several prizes, been 11 times on the list of the top 100 best buy wines in the USA as they also had a wine – regional Estremadura Ramada - leader in the English market.



## CASA SANTOS LIMA

*Figure 8: Casa Santos Lima logo*

### *Casa Santos Lima*

Casa Santos Lima is a family company which since four generations now has been dedicated to the production, bottling and commercialization of Portuguese wines. It started in the XIX century by Joaquim Santos Lima, but it was later modernized and relaunched in 1990 through the hands of the current head manager and great grandson of the founder, Dr. José Luís Oliveira da Silva. Through his capacity of innovation and modernization the company has been earning many prizes and growing exponential. It works directly and indirectly in the region of Lisbon, Algarve, Alentejo, Douro and Vinhos Verdes. They have over 100 different wines and are in a constant creation process of new brands and labels. They own over 500 hectares of vineyard and they export about 90% of their production to over 50 countries across all continents. Their main markets of exportation in Europe are Sweden, Belgium, Norway, Germany, Finland, United Kingdom and Netherlands. Outside Europe their main clients are the United States of America, Canada, Brazil, Australia and China. The company has also won several prize including 2<sup>nd</sup> place in the “Top 100 Wine Companies Most Awarded of the World 2017” promoted by the “World Ranking of Wines & Spirits” (Monteiro, 2018).

They are two successful case of exportation because along all of the reasons mentioned above, Casa Santos Lima also ranks 2<sup>nd</sup> as the biggest Portuguese exporter company of wine and DFJ Vinhos ranks 5<sup>th</sup> making them an interesting success case study to analyze the topic under investigation and worth comparing with FEA which also exports yet it practices a very different strategy ranking 165<sup>th</sup> in the list of biggest wine exporters of Portugal (Cipriano, 2017).

COMPANY	REGION	CONTESTS	PRIZES	POINTS
1 Sogrape Vinhos De Portugal S.A.	SR	9	206	4441.25
2 Casa Santos Lima Companhia Das Vinhas S.A.	Lisboa	13	138	2630.15
3 Symington Family Estates	Douro	4	79	1695.38
	Península de			
4 Cooperativa Agricola De Santo Isidro De Pegões Crl	Setúbal	12	93	1642.35
5 Dfj Vinhos Sa	Lisboa	7	102	1312.90
165 Cartuxa Fundação Eugénio De Almeida	Douro	3	4	57.75
166 Michael Brian Mollet	Alentejo	2	3	57.75
167 Quinta De Cottas Lda	Douro	1	5	57.75
168 Christies Douro Wines S.A.	Douro	4	5	57.75

Figure 9: Ranking of the Portuguese wine companies 2016

Source: Clube de Vinhos Portugueses

## TOP 100 WINES COMPANIES MOST AWARDED IN THE WORLD 2017

#	COMPANY	COUNTRY	CONTESTS	PRIZES	POINTS
1	Taylors / Wakefield Wines Pty Ltd	Australia	44	259	6125.88
2	Casa Santos Lima - Companhia Das Vinhas S.A.	Portugal	17	249	5419.70
3	Gonzalez Byass S.A.	Spain	13	156	3923.58
4	Wolf Blass Wines Pty Ltd	Australia	7	198	3659.80
5	Sogrape Vinhos de Portugal S.A.	Portugal	9	151	3173.75

Figure 10: Top 100 of world's most award wine companies 2017

Source: World Ranking of Wines & Spirits



Figure 11: Eugénio de Almeida Foundation logo

### *Eugénio de Almeida Foundation – Adega Cartuxa (FEA)*

Eugénio de Almeida Foundation (FEA) started in 1963 through the hands of Vasco Maria de Eugénio de Almeida. The Foundation works only with grapes from the Alentejo region where FEA has its vineyards that are part of a valuable heritage, it praises

locality and follows a strategy for sustainable development. The winemaking started in the middle of the XIX century as part of the life project of the family Eugénio de Almeida and currently it has almost 600 hectares of area of cultivation. It has a vast portfolio of wines yet much smaller than Casa Santos Lima or DFJ Vinhos, but all produced with grape varieties from Alentejo such as Arinto, Trincadeira and Aragonês. The most famous wine of FEA is Pêra-Manca. Pêra-Manca was the wine that sealed the first encounter of Portuguese navigator Pedro Álvares Cabral with the Brazilian natives in his first voyage to Brazil in 1500. By the end of the 19th century the wine achieved significant awareness in international wine competitions, with gold medals being awarded in Bordeaux in 1897 and 1898. Pêra Manca is made only in years of outstanding quality and recently the Pêra-Manca red 2005 was considered one of the best wines in the world ranking the 9<sup>th</sup> place in the 2019 list of the Wine Style Award from Vivino. FEA exports about 50% of their production and still have a high focus towards the “saudade market” where they sell many of their wines. Their main markets are Brazil, Angola and the United States. Unlike DFJ Vinhos or Casa Santos Lima which have unlimited capacity and produce bulk wine, capacity becomes one of the main issues for FEA because they only work with grape varieties from Alentejo.



Figure 12: Pêra-Manca bottle  
Source: FEA store in Évora

The strategy approach of Eugénio de Almeida Foundation is towards local wines with an aim for recognition of the wine of Alentejo and Portugal selling more expensive wines than the other two companies which in a way limits their international presence.

The image of Portugal as a wine producer country has been growing and its wines have been gaining recognition as it is reflected on the exportation numbers presented above, yet the main challenge currently faced is to gain a better perception of their value in order to be able to raise the average price of the Portuguese wine abroad (Monteiro, 2018). It is therefore of interest to study these three companies as it will be possible to compare and understand two different business models and how that is reflected in the internationalization of the company and respective limitations of the process.

## 5. Findings

The two most successful companies regarding wine exportation – DFJ Vinhos and Casa Santos Lima - follow a similar strategy which contrasts in many aspects with the strategy chosen by FEA. As all three companies are highly international focused, they all look for attaining competitive advantage globally. From our investigation it was possible to conclude that they can be separated into two strategies– adaptation of product with competitive prices versus territorial embeddedness with no product adaptation and higher price products as differentiation positioning.

### 5.1. Adaptation versus territorial embeddedness

This section aims to cover and further analyse these two strategies through the analysis of the three case studies. The companies were divided into two different categories since DFJ Vinhos and Casa Santos Lima follow the same strategy - adaptation of product - while FEA follows a territorial embeddedness strategy.

#### Eugénio de Almeida Foundation (FEA)

In order to attain competitive advantage in the foreign markets, FEA focus on a price differentiation justified by the quality and locality of their wines. They proudly promote their wines as being 100% from the region of Alentejo and despite being aware that by selling wines from one region only they will not be able to be as competitive due to capacity of production limitations, FEA believes this is a long-term sustainable strategy because in the long term it will bring recognition and authenticity to the Portuguese wines which will allow asking for higher prices once the Portuguese wine becomes known and people attribute it more value. So, in the equation price times quantity sold, they are firm believers on working towards increasing the number on the price side. Locality is highly valued by the Eugenio de Almeida Foundation, they promote their wines as high-quality regional wines of Alentejo, Portugal. Locality is seen as a unique characteristic of the wine representing a factor of differentiation and also one of their competitive advantages.

*“We, as Eugénio de Almeida Foundation, aim to preserve what is the identity of Alentejo, which makes us very proud.”* (Dr. João Teixeira, commercial director of FEA).

*“We never just say in the bottle the wine is from “Alentejo”, we say “Alentejo – Évora” or whichever specific location it is from because that is what creates uniqueness in the wine.”* (Eng. José Ginó, FEA chairman of the executive board).

FEA has no product adaptation, what they do is within the portfolio of wines they have they choose different wines to sell depending on the market, but they do not create wines targeting a specific market and therefore they do not consider the culture of the country very relevant. When they enter a new market there is a previous selection of wines from their portfolio that they will be selling in this new market. This selection is mainly based on the socio-economic factors and Portuguese wine level of recognition in that country but in terms of flavour, design or bottling they do not adapt following a no adaptation strategy.

*“Yes, it is true, every market has its own specificity, but when selling to different countries the focus is not really the culture but mainly the socio-economic factors. (...) We have different portfolio strategies according to the different markets, but we do not adapt our wines or our brands depending on the target market.”* (Dr. João Teixeira, commercial director of FEA)

Regarding limitations of this strategy, as they do not aim to adapt the product to the consumer’s taste this makes it harder to enter and successfully grow in international markets. Then there is also the fact that Portuguese wine is not known in many places so the prices FEA practice are not easily accepted. At the same time, as mentioned above the value of locality limits the quantity they can export as they can only sell wine produced in the region of Alentejo (which in the global scenario is a very small area). They export about 50% of what they produce and present a lower profit than DFJ Vinhos or Casa Santos Lima. Their tendency is to focus on the “saudade market” (the market made by the Portuguese emigrants) where Portuguese wine is recognized already.

*“We have many countries where our main market is the saudade market. For example, in the United States 90% of our sales is to the saudade market because the*

*Americans barely value the Portuguese wine and they are unlikely to buy it if it costs over 10 dollars” (Dr. João Teixeira, commercial director of FEA).*

#### DFJ Vinhos and Casa Santos Lima

When the main goal of a company is to export and be successful in international markets it became clear that an adaptation strategy with focus on quality yet not on locality has been proven to be more effective. DFJ Vinhos and Casa Santos Lima manage to sell and export daily in much bigger quantities than FEA being two of the most successful exporting companies of wine in Portugal and two successful cases for other companies to follow. Both export over 90% of what they currently produce and many of their wine orders are on a waiting list due to the high volume of daily sales. By producing bulk wine yet with quality and by adapting their product to their target market they are capable of selling high quantities of wine to many different countries. They have managed to be present in over 50 countries, made it to the lists of best recommended wines many times and have both won a wide range of other prizes.

For these two companies producing expensive wines is not seen as a sustainable strategy because it will not allow selling high volumes which is what will bring return at the end of the day, meaning in the equation price times quantity sold, their strategy is focused on increasing the number on the quantity side:

*“Good quality we have it already. I sell wines from 1.5€ to 12€. The ones I sell for 12€ if I wanted to sell at 15€ I would also sell them, the question is: what volumes would I make? There are a few companies in Portugal that have succeeded, which have already inherited a certain iconic status that gave them that possibility, but still they are limited to those volumes. These top wine, Pêra-Manca, Barca Velha, etc., they sell 20.000 bottles, I fill 20.000 litres per day which is almost 100 000 bottles a day - this is the volume that will bring me high returns. I currently produce 45% of the wines of the region of Lisbon and it is not by selling wines for 20€ that I reach these numbers” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima).*

They are present in all continents and are constantly creating new brands and adapting to the customer which means the culture of the country is important. It is from the consumer’s traditions, habits and tastes that they get the inspiration to create new brands constantly.

*“When we produce a wine, we make it adapted to a particular market. Because a wine to sell in Japan should not be the same as one to be sold in Poland, for example. This often has to do with people's taste, with the evolution of these people at the level of their diet or culture. There are always interferences. For example, in Japan you cannot sell a very aromatic wine because it will interfere with their food, which is mostly raw fish and then a wine with a lot of aroma is not good, it has to be a wine less aromatic, more neutral but with some finesse to be able to have a value over others. There is always something to differentiate the price”* (Eng. José Neiva, owner and executive manager of DFJ Vinhos).

*“For example, we entered nicely in Norway, a market where there was no great tradition of Portuguese wines. We started by exporting bottled, but then we were asked if we were able to do bag in box wine (it sells a lot in the Nordic countries) and we said yes, it is a bit our motto, we always say yes. Our philosophy is experimentation and adaptation. We always adapt to the market we are targeting; the customer is the boss. I am not the one who is going to be drinking, the consumer is”* (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima).

*“It matters that our wine has a good image, regarding its presentation, its labelling, its bottling, everything must be adapted to the country we are selling to including the seal that must be adapted to that same market. For example, there are markets that prefer to have a capsule screwed while others prefer cork.”* (Eng. José Neiva, owner and executive manager of DFJ Vinhos).

With an adaptation strategy with low prices practice it is possible to not only reach more market but also to have a much higher volume of sales on each market which goes much further than the “saudade market” and this way attaining competitive advantage in international markets. Adaptation means having a constant process of creating new brands, flavours, designs or new bottlings processes.

*“We are open to new opportunities and to try to offer different things. We have a very rich creative process - we create new labels and new brands constantly. Customers like to change, and the visual aspect part is important in the wines. There are customers*

*who are very loyal to a certain product, but most of them like to change, try new things. So, I prefer when they change from wine A to wine B that they still purchase one of my wines. If I have only one kind, wine B will not be mine. So, these continuous search for variety in order to adapt is important to reach all customers.”* (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima).

Both DFJ Vinhos and Casa Santos Lima minimize the value of locality in the wine industry. By being from Portugal if a company values locality it will not be able to produce enough quantity of each type of wine in order to compete internationally. The way to grow internationally and have unlimited capacity is through bulk wine production and in this case, locality is not valued. In the other hand, the culture of a country matters since this adaptation to consumers’ taste and preferences is influenced by the country’s culture.

*“The Portuguese wines are not recognized abroad so most of the times our buyers do not even care if it is Portuguese or neither they know where Portugal is, but that's not important. If I can sell my wine all over the US and they do not know where Portugal is, it does not matter because most people do not know all of the US states, so it’s normal. It matters the wine has a good branding and quality”* (Eng. José Neiva, owner and executive manager of DFJ Vinhos).

### *Finding’s Discussion*

In order to attain higher international growth and conquer more markets it was possible to understand that an adaptation strategy of product combined with lower prices seemed to be more efficient. This has to do with the fact that the Portuguese wine is not recognized abroad and therefore international customers are very unlikely to try Portuguese wine if it presents a higher price. Following this logic, since it is an unknown product for many consumers, prices must be kept low, yet quality should be high, and the wine should be adapted to please the targeted market taste. When entering international markets, the company must consider all external factors where culture, taste, climate and so on are included (Czinkota and Ronkainen, 1998).

Both DFJ Vinhos and Casa Santos Lima actively practice adaptation resulting in a top position within the list of the most successful Portuguese wine companies which proves that an emphasizes on product customization is important. In some industries such

as the wine industry there is a sensitivity to differences in culture, in national tastes and habits making them more likely to need changes depending on the market they are targeting and in this case an adaptation strategy will be the one more likely to increase a firm's success on attaining international competitive advantage (Douglas and Wind, 1987).

Regarding locality as a concept applied to wine, it made sense until the early 90s when production and consumption of wine was much more localized yet it has changed and in today's world companies have access to updated technology and qualified oenologist that made it easier for wine producers to develop good wines that can compete internationally (Andrade, 2017) and firms who understand that and are best able to adapt and gain sustainable competitive advantage (Hussain et al., 2008).

Nowadays if a company wants to be internationally competitive it cannot thing local because as mentioned before it will not be the local, unique and expensive wines that will bring profit to the business. To compete internationally a company must be able to produce in quantity – bulk wine – and therefore locality cannot be important otherwise they will always have limited capacity. The three case studies chosen are an example of that: Casa Santos Lima and DFJ Vinhos produce bulk wine with an adaptation strategy of the product and are highly competitive internationally while FEA follows an embeddedness strategy prizing locality but then is not so competitive. Also, the example of Spain, the world's biggest exporter applies here, bulk wine has allowed them to a fast growth in the international market. Naturally this also brings limitations such as the fact that bulk wine has placed not just the Spanish wines but also the Portuguese at lower prices than what they are worth (Gea, 2016). This is what FEA is trying to fight against by positioning themselves and their wines at a higher range of prices. In this perspective locality is considered value-added to the product, an advantage and a factor of differentiation (Sims, 2009). This means it can be a source of product differentiation but not a source of international competitive advantage.

The less the wines the companies' portfolio has the more limited the markets it will be able to satisfy. This will result on competitors having higher market share as they adjust their wines to the preferences of a certain country and companies like FEA that are not as flexible with their products will decrease their competitiveness (Alwazir, 2013). The firm's capacity to modify its products is crucial to operate in foreign markets; modification and adaptation are often a requirement to satisfy international demand (Laursen et al., 2012).

## 5.2. The importance of wine rankings as valuation devices

Valuation devices have been shown to play an important role on attaining competitive advantage as they influence the value of a product. The wine industry is an example of that. From all the companies interviewed they all claimed that is crucial and part of their strategy to get their wines valued by different magazines or have them listed in certain rankings. In order to promote their wines abroad all three companies invest on being present in wine fairs across the world where they gain visibility. Fair are considered valuation devices because it is a place where they present their wines promoting its recognition and where wine experts go to try and valuate the wines. Along with going to fairs across the globe, sending their wines to be tasted and ranked in wine magazines is part of their strategy which highly impacts on their international recognition and therefore, sales.

*“The work of getting our wines recognized has been done over time and it has been increasing. In fact, it is proof of that the recognition by Forbes wine magazine of three Portuguese wines in the top 30 of the most desired for 2019. Our wine, pêra-manca is one of them - it ranked 9th on that list and that is very important for our sales”* (Dr. João Teixeira, commercial director of FEA).

*“Things have to be prepared, and nowadays you get to sell your wines by means of classifications given by magazines of the sector, mainly Americans. For example, if you have a good ranking in the Wine Enthusiast you can easily have a quick evaluation of the quality of your wine, that's why we send our wines to them, they give your wines a score and place them on 50 Best Buy in the United States”* (Eng. José Neiva, owner and executive manager of DFJ Vinhos).

These wine magazines are mostly American which has an impact on the type of wine produced. The most notorious are Wine Enthusiast, Wine Spectator, Winemaker and The Washington Post. The relevance of wine magazines as an important valuation device was also supported by Dr. José Luis Oliveira da Silva, owner and executive manager of Casa Santos Lima:

*“It is very important to be consistent quality wise and keep on advertising and being evaluated by third parties. The best way to promote our wines is going to fairs and to send our wines to be ranked. Then we advertise the good news, for example: “Washington post chooses a Portuguese wine in the 10 best buyers which has a positive impact on our sales.”*

### *Finding’s discussion*

Both valuation devices and the consumer become crucial when establishing the value of a product. This means there is a shift of value creation from the companies to the consumer and more recently studied, to the valuation devices - transforming these external resources in a source of competitive advantage (Dyer and Singh, 1998). Therefore, a firm must be aware that its success does not depend solely on its actions but also on these external resources with whom it maintains an interdependency relation and by performing in accordance to this, chances for attaining competitive advantage will increase (Sánchez & Ricart, 2010).

This means competition takes place at the level of valuation devices and that a firm’s strategy must be understood in relation to a firm’s capacity to cope with and valuation devices (Karpik, 2010). DFJ Vinhos and Casa Santos Lima have highlighted the different prizes and awards they have won on their websites (see figure 13 and 14) as part of their strategy of selling.

Kornberger (2017) goes even further supporting that a firm’s strategy must be understood in relation to a firm’s capacity to influence and to a certain extent even dominate these valuation devices. One way of doing this is by internalizing the measures on which the valuation devices are based on and perform according to those criteria (Gioia & Corley, 2002). This takes us back to adaptation which has shown us that by understanding what consumers enjoy, a company can adapt its product and produce a wine that fits the criteria of the rankings. Once the product is ready, companies must send their wines to the right places in order to get the right visibility and finally get high marks. The wine is developed with the goal of matching those ranking criteria which are the same ones the consumer will look for (since consumer rely on the rankings when purchasing a wine). It has become part of these firm’s strategy adding value to their products through the valuation devices. FEA despite understanding the importance of attending fairs and having their wines being recognized, they still not implement this as a big part of their strategy as the others do. For instance, their Pêra-Manca wine that

recently made it to the list of one of the best wines in the world and yet this announcement was not found being promoted on their website.



Figure 13: Some of Casa Santos Lima awards  
Source: Casa Santos Lima Website

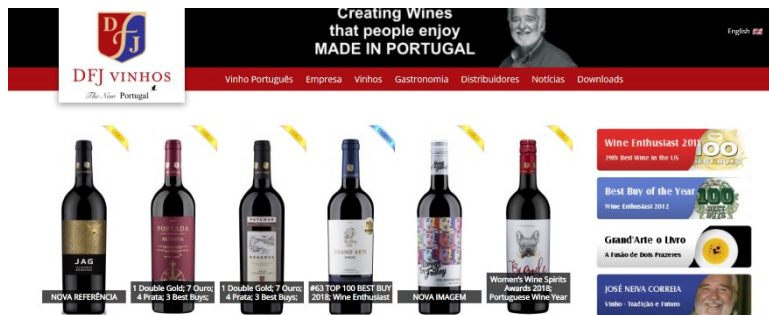


Figure 14: Some of DFJ Vinhos Awards  
Source: DFJ Vinhos Website

### 5.3. Knowledge – a core resource on internationalization

A key factor to undertake a successful adaptation strategy of the product is the internal resource knowledge. Know-how plays a fundamental role because after understanding consumer’s tastes, the know-how of wine is crucial for a company to be able to produce the wines a certain market value.

*“Know-how is crucial in today’s wine business. Grapes are no longer the main actor, if you have the knowledge you can do anything.”* (Sr. Joaquim Seca, producer and seller of grapes to DFJ Vinhos and Casa Santos Lima)

*“We know the market leader brands of a certain market from that we pick the wines that sell the most and we brought them to our labs. We taste them, we analyse them, and we reflect on whether we have the conditions to produce wine to that market’s taste or not. If we do, then we produce wine with those characteristics, and we can even add something according to that consumer taste in order to differentiate our wine.”* (Eng. José Neiva, owner and executive manager of DFJ Vinhos).

And not just knowledge is important but also innovative knowledge as supported by Dr. José Luis Oliveira da Silva (owner and head manager of Casa Santos Lima) who comes from a different sector and yet understood from the very beginning the importance of this internal resource in order to be successful:

*“I tried to be innovative, not because I had great know-how in this area (my area was not agricultural) but I looked for it by listening to a lot of people, I had many friends such as Eng. Neiva from DFJ, for example, who knows immensely about oenology. Along with him, other people gave me ideas and it was from this combination of suggestions that I decided to do things, new and innovative things like for example different vinification processes (that later started being done by many other companies)”*.

From the analysis it was concludable that resources such as the grapes are at the core of any wine company. But from the grapes what takes the company to a position of advantage in international markets has been verified that is not only the quality of the soil and climate where grapes are produced but also the internal know-how of producing wine and the knowledge of the foreign markets which allows to produce wine adapted to the different consumer’s taste across the globe. From the perspective of Sr. Joaquim Seca, a grape producer:

*“The correct way would be valuing locality and our regions, but the profitable way is to produce bulk wine and do not worry with limited capacity. With know-how you can do many things.”*

### *Finding's discussion*

Another relevant finding was that within internal resources not only the tangible resources such as the grapes are important but just as important are the intangible resources such as the knowledge resource. By having know-how, it is possible to produce cheap yet good quality. Along with this know-how also the market knowledge acquired with experience allows the efficient production of wines that meet the taste of different foreign consumers. Another type of important knowledge is experiential knowledge that comes from learning reflects the need for tacit (market) knowledge, because such knowledge is difficult to acquire through other means of learning (Forsgren, 2002). Looking at these three cases it is concludable that as a source of sustainable competitive advantage intangible resources are just as important as the tangible resources and in fact the intangible resources which are valuable and hard to substitute can represent a factor of differentiation (Barney, 1991). As supported by many researchers and also this study the most valuable internal resource a wine company can have is knowledge because product sources can be copied more easily but know-how is harder to copy (Tiwana, 2002). Moreover, within knowledge firms that reach innovative knowledge will get a competitive position over their competitors by introducing innovative products (Zack, 1999). This reflects the case of Casa Santos Lima that had an admirable growth due to their innovative capacity of for example creating many brands in a constant creative process.

## 6. Conclusion

This research aimed to understand how Portuguese wineries can gain a competitive advantage on international markets. Through this work we contributed to show empirically how not only internal resources such as knowledge are important but also how external resources are just as important. These external resources such as valuation devices must be used as a complement to the internal resources of a firm in order to maximize a firm's performance. Companies which understand that can formulate their strategy in order to be more efficient and competitive.

We concluded that the two most successful cases (DFJ Vinhos and Casa Santos Lima) follow a very similar strategy in order to be internationally competitive which is. They both understand the importance of know-how in the wine industry and the advantages of an adaptation strategy of the product which they develop in alignment with valuation devices such as rankings and rates of wine magazines. Value shifting from the firm to the external environment is happening and companies who undervalue it and maintain a strategy of no adaptation to the consumer will hardly be as competitive in an international scenario, which was shown in this study with the case of FEA.

It is important to understand what type of strategy a company is aiming for and what results it will bring. The most effective strategy to attain competitive advantage in the wine business has been proven to be an adaptability of the product according to the market that is being sold at and not valuing locality in order to avoid a problem of limited capacity of production. Quantity, meaning bulk wine production, yet with quality and adaptability by focusing on a country's culture and tastes is the best strategy to grow in international markets and attain competitive advantage.

### *Limitations*

Qualitative case studies are limited by the sensitivity and integrity of the investigator. Meaning, we (the researchers) were the primary instrument of data collection and analysis and given the fact that we are not professional researchers our training in observation and interviewing is not fully professional and neutral. Neither are there guidelines in constructing the final report (Merriam, 1998). Yet we tried to be the most neutral we could when analyzing the information, even if unconsciously, part of our conclusions were based on our own instincts and abilities. Therefore, both the readers of

case studies and the authors themselves need to be aware of biases that can affect the final work produced. "An unethical case writer could so select from among available data that virtually anything he wished could be illustrated" (Guba and Lincoln, 1981, p. 378). Meaning, yet there was a triangulation of data sources there was no triangulation of analysis methods of the researcher used. In order to access this, we tried to include as much information and detailed analysis from different sources as possible (one of the reasons it was chosen three companies).

Another limitation of the research is the fact that its design is limited to the wine industry and thus generalization of our findings to other sectors need to be made thoughtfully. Second, all the three firms studied are from the central-south region of Portugal and the biggest exported wine of Portugal is from the North region (Porto wine) so its conclusions cannot be applied to Portugal as a whole because Porto wine region is characterized by unique characteristics, geographic, know-how and recognition different from the other regions. Therefore, generalizing our results and extending their application to other regions or industries must be done carefully (Galati et al., 2017).

#### *Future research*

Finally, we would like to suggest some aspects that could be developed regarding the topic of Portuguese wine industry and how could be increased its competitive advantage in foreign markets.

Wine and cuisine are strongly connected. Spain is an example of a successful case study where the link between these two is proven to be of positive influence for the wine business. The famous Michelin star Spanish chef Ferran Adrià Acosta opened many restaurants across the globe where he only sold Spanish wine. It would be interesting to develop a study where it is analyzed how cuisine and wine industry may impact each other, in what ways can that be used within strategy formulation of wine companies and how could these relation be developed in order that both sectors would get the best out of it. Along with cuisine the same logic could be applied with the tourism industry since it is a great promoter of the Portuguese products. The development of enotourism by the wine companies may be a good strategy to be developed as a way to empower the recognition and later consumption of Portuguese wine.

Another interesting topic which could be further studied is the growth of the Chinese market and to what extent can it represent a threat to the other wine sector producers since they have great capacity of production but are not big consumers so they

will end up exporting “We will have to compete with the Chinese wines, and we have to be prepared for it.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos).

## 7. Appendix

### Appendix 1: Portfolio of wines - Casa Santos Lima





VINHO REGIONAL LISBOA  
**PORTUGA 12%**



VINHO REGIONAL LISBOA  
**VALE PERDIDO LEVE**



VINHO REGIONAL LISBOA  
**PORTAS DE LISBOA**



VINHO REGIONAL LISBOA  
**BONAVITA**



VINHO REGIONAL LISBOA  
**JOYA LEVE**



VINHO REGIONAL LISBOA  
**CONFIDENCIAL**



VINHO REGIONAL LISBOA  
**CIGARRA**



VINHO REGIONAL LISBOA  
**PASEO OF PORTUGAL**



VINHO REGIONAL LISBOA  
**CSL ARINTO**



VINHO REGIONAL LISBOA  
**CSL ARINTO /  
CHARDONNAY**



VINHO REGIONAL LISBOA  
**CSL CHARDONNAY**



VINHO REGIONAL LISBOA  
**CSL FERNÃO PIRES**



VINHO REGIONAL LISBOA  
**CSL  
GEWURZTRAMINER**



VINHO REGIONAL LISBOA  
**CSL MOSCATEL**



VINHO REGIONAL LISBOA  
**CSL SAUVIGNON  
BLANC**



VINHO REGIONAL LISBOA  
**CSL VIOGNIER**



VINHO REGIONAL LISBOA  
**CSL PINOT GRIS**



VINHO REGIONAL LISBOA  
**CSL VIOSINHO**



VINHO REGIONAL LISBOA  
**CSL VERDELHO**



VINHO REGIONAL LISBOA  
**QUINTA DAS AMORAS**





VINHO REGIONAL LISBOA  
**QUINTA DO ESPÍRITO  
SANTO**



VINHO REGIONAL LISBOA  
**QUINTA DO ESPÍRITO  
SANTO RESERVA**



VINHO REGIONAL LISBOA  
**BONAVITA**



VINHO REGIONAL LISBOA  
**ENTRE NÓS**



VINHO REGIONAL LISBOA  
**BONS-VENTOS**



VINHO REGIONAL LISBOA  
**QUINTA DE BON-  
VENTOS**



VINHO REGIONAL LISBOA  
**QUINTA DA ESPIGA**



VINHO REGIONAL LISBOA  
**ALGAZARRA  
SIGNATURE RESERVA**



VINHO REGIONAL LISBOA  
**GRAN PASSO  
RESERVA CLÁSSICO**



VINHO REGIONAL LISBOA  
**CIGARRA**



VINHO REGIONAL LISBOA  
**CIGARRA RESERVA  
SHIRAZ/TINTA  
BARROCA**



VINHO REGIONAL LISBOA  
**CIGARRA GRAN  
PASSO**



VINHO REGIONAL LISBOA  
**QUINTA DAS AMORAS**



VINHO REGIONAL LISBOA  
**PORTAS DE LISBOA**



VINHO REGIONAL LISBOA  
**RESERVA DO MONTE**



VINHO REGIONAL LISBOA  
**TARAMBOLA**



VINHO REGIONAL LISBOA  
**CABRA CEGA**



VINHO REGIONAL LISBOA  
**OMG**



VINHO REGIONAL LISBOA  
**PASEO OF PORTUGAL**



VINHO REGIONAL LISBOA  
**PORTUGA**



VINHO REGIONAL LISBOA  
**PORTUGA 12%**



VINHO REGIONAL LISBOA  
**AMORAS RESERVA**



VINHO REGIONAL LISBOA  
**FEITICEIRA**



VINHO REGIONAL LISBOA  
**VALE PERDIDO**



VINHO REGIONAL LISBOA  
**VALE PERDIDO  
RESERVA**



VINHO REGIONAL LISBOA  
**4 UVAS**



VINHO REGIONAL LISBOA  
**BARRICAS**



VINHO REGIONAL LISBOA  
**BARRICAS RESERVA**



VINHO REGIONAL LISBOA  
**AZULEJO**



VINHO REGIONAL LISBOA  
**RABO DE GALO**



VINHO REGIONAL LISBOA  
**BLEND PORTUGAL**



VINHO REGIONAL LISBOA  
**CORVOS DE LISBOA**



VINHO REGIONAL LISBOA  
**EXIMIUS**



VINHO REGIONAL LISBOA  
**JOYA**



VINHO REGIONAL LISBOA  
**FORAL DE LISBOA**



VINHO REGIONAL LISBOA  
**PASSION OF  
PORTUGAL RESERVA**



VINHO REGIONAL LISBOA  
**CSL TOURIGA  
NACIONAL**



VINHO REGIONAL LISBOA  
**CSL ALICANTE  
BOUSCHET**



VINHO REGIONAL LISBOA  
**CSL CABERNET  
SAUVIGNON**



VINHO REGIONAL LISBOA  
**CSL MERLOT**



**DOC ALENQUER**



VINHO REGIONAL ALENTEJANO



VINHO REGIONAL ALGARVE



VINHO REGIONAL ALGARVE  
**AL-RIA**



VINHO REGIONAL ALGARVE  
**BARROCAL**



VINHO REGIONAL ALGARVE  
**AL-RIA**



VINHO REGIONAL ALGARVE  
**BARROCAL**



VINHO REGIONAL ALGARVE  
**AL-RIA**



VINHO REGIONAL ALGARVE  
**AL-RIA RESERVA**



VINHO REGIONAL ALGARVE  
**RABO DE GALO  
ALGARVE**



VINHO REGIONAL ALGARVE  
**RABO DE GALO  
RESERVA**



VINHO REGIONAL ALGARVE  
**BARROCAL**



VINHO REGIONAL ALGARVE  
**PORTAS DA LUZ**

DOC DOURO



DOC DOURO  
**QUINTA DE PORRAIS**



DOC DOURO  
**QUINTA DE PORRAIS  
RESERVA**



DOC DOURO  
**PORRAIS**



DOC DOURO  
**QUINTA DE PORRAIS**



Figure 14: Casa Santos Lima wines  
 Source: Casa Santos Lima Website

**Appendix 2: Portfolio of wines - DFJ Vinhos**

Lisboa







Figure 15: DFJ Vinhos wines  
Source: DFJ Vinhos Website

Appendix 3: Portfolio of wines – Eugénio de Almeida Foundation





Figure 16: FEA wines  
Source: FEA Website

Appendix 4: Coding table

<b>CODING TABLE</b>	
<b>Codes</b>	<b>Data supporting respective codes</b>
Relevance of studying the Portuguese wine industry	<p>“In 2017 the national market brought a revenue of 746 million euros while the exportation market brought 778.7 million euros, yet this represents only 1% of the global wine exportation.” (Jorge Monteiro, Portugal Global - vinhos portugueses crescem no mercado internacional, 2018)</p>
Internal resource – knowledge is very important	<p>“We know the market leader brands of a certain market from that we pick the wines that sell the most and we brought them to our labs. We taste them, we analyze them, and we reflect on whether we have the conditions to produce wine to that market’s taste or not. If we do, then we produce wine with those characteristics, and we can even add something according to that consumer taste in order to differentiate our wine.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p> <p>“I tried to be innovative, not because I had great know-how in this area (my area was not agricultural) but I looked for it by listening to a lot of people, I had many friends such as Eng. Neiva from DFJ, for example, who knows immensely about oenology. Along with him, other people gave me ideas and it was from this combination of suggestions that I decided to do things. Different vinification processes for example (that later started being done by many other companies)” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“Know-how is crucial in today’s wine business. Grapes are no longer the main actor, if you have the knowledge you can do anything” (Sr. Joaquim Seca, producer and seller of grapes to DFJ Vinhos and Casa Santos Lima, April 15<sup>th</sup>, 2019)</p>
Portuguese wine exportation growth and successful companies	<p>“The company (Casa Santos Lima) has also won several prize including 2nd place in the “Top 100 Wine Companies Most Awarded of the World 2017” promoted by the “World Ranking of Wines &amp; Spirits” (Monteiro, 2018)</p> <p>“The external markets represented a total number of 145 countries being France our main importer, followed by the English and the Americans. Porto wine was the most exported representing 40.1% of total exportations of Portuguese wine in 2017” (“Vinhos portugueses voltam a encher o copo nas exportações”, 2019)</p> <p>“Within the agricultural sector wine comes 3rd representing 11% of total agricultural production in Portugal” (“Setor Primário Português - Breve Caracterização”, 2013).</p> <p>“Portugal is today the 11th biggest world producer of wine and the 8th biggest wine exporter in the world.” (“Vinhos portugueses voltam a encher o copo nas exportações”, 2019)</p> <p>“Pêra-Manca red 2005 was considered one of the best wines in the world ranking the 9th place in the 2019 list of the Wine Style Award from Vivino.” (Pêra-Manca FEA article, 2019)</p>
Importance of valuation devices in the wine industry	<p>“Things have to be prepared, and nowadays you get to sell your wines by means of classifications given by magazines of the sector, mainly American. For example, if you have a good ranking in Wine Enthusiast you can easily have a quick evaluation of the quality of your wine, that's why we send our wines to them, they give your wines a score and place them on 50 Best Buy in the United States.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p>

	<p>“Having an evaluation from an independent entity who will evaluate the product is a good strategy because it gives the consumer a feeling of safety when purchasing a wine because often people do not know much about wine. So, if you have some support from someone who is considered an opinion leader and who has already written about it, it is easier. Therefore, a wine company has to invest in this area. To send wines to be classified, to send wines for international competitions, to gain gold medals, this is very important. You have to have these things all and present yourself with everything that will help you give credibility to what you are going to sell, which is the wine.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p> <p>“In the beginning, it also helped our business grow to be distinguished as a revelation company of the year by the only wine magazine that existed in Portugal at the time.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“It is very important to be consistent quality wise and keep on advertising and being evaluated by third parties. The best way to promote our wines is going to fairs and to send our wines to be ranked. Then we advertise the good news, for example: "Washington post chooses a Portuguese wine in the 10 best buyers which has a positive impact on our sales." (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“To work of getting our wines recognized has been done over time and it has been increasing. In fact, it is proof of that the recognition by Forbes wine magazine of three Portuguese wines in the top 30 of the most desired for 2019. Our wine, pêra-manca is one of them as he ranked 9<sup>th</sup> on that list and that is very important for our sales.” (Dr. João Teixeira, commercial director of FEA, March 27<sup>th</sup>, 2019)</p> <p>Awards and rankings where they are listed are displayed and highlighted in both DFJ Vinhos da Casa Santos Lima website as a selling strategy (Website of Casa Santos Lima and DFJ Vinhos)</p>
Positive impact of tourism	<p>“In the European market we aim to start entering the local restaurants and reach the local citizens, and something which has helped, and it is a very important factor is the last 4/5 years of tourism in Portugal. The tourist boom in Portugal cannot be disassociated with the success of the Portuguese wines in the last years in the international market.” (Dr. João Teixeira, commercial director of FEA, March 27<sup>th</sup>, 2019)</p> <p>“The Portuguese wine certainly benefits from this tourist growth and people come back to Portugal because they liked the weather, the food, but also because they tried good wines, but this is a process that is not instantaneous.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup> 2019)</p>
Positive impact of enotourism	<p>“We, producers in Portugal, have developed our enotourism. Enotourism is growing in Portugal and is increasingly bringing our global consumers - the tourists - to Portugal. They come and try our wines, in our environment where we give them the opportunity not only to taste but also to be with the producer who explains all the history, everything that is behind that wine and that is very remarkable. They are positively impressed and take this message to their home countries. This has been a great help in the projection of Portuguese wines in the international market.” (Dr. João Teixeira, commercial director of FEA, March 27<sup>th</sup>, 2019)</p>

	<p>“We also do enotourism. We have not yet actively promoted it, but it is a market with enormous potential.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p>
Importance of cuisine in the wine industry	<p>“In the case of Spain what has also helped them a lot was their Catalan chef Ferran Adrià who suddenly conquered many Michelin stars and only had Spanish wines in his restaurants, so he became very famous and he only promoted Spanish wines. He started to open restaurants in New York and all the big cities and selling only Spanish wines. Maybe we needed a strike of luck like the Spanish had, I do not know.” (Dr. João Teixeira, commercial director of FEA, March 27<sup>th</sup>, 2019)</p> <p>“Something that could help the Portuguese wines to gain notoriety is our cuisine but unfortunately, the presence of the Portuguese cuisine around the world is very weak meaning there is not much Portuguese wine in the restaurant menus around the world.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“There is something that is the cuisine. Cuisine and wines are undeniably linked. For example, Italian wine producers have an easier job here because there are Italian restaurants throughout the world, but that is not the case of Portugal. Another case that proves the importance on the national cuisine is Spain. They have a great effort to support their cuisine. There was a state investment in the chef Adrià, for him to make experiences and be known worldwide, to win many Michelin stars because that ultimately led them to sell their wines and their products. We have none of that and we have never made that investment. Only in the last few years the Portuguese chefs began to talk to other.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p>
Territorial embeddedness: Locality	<p>“We never just say in the bottle the wine is from “Alentejo”, we say “Alentejo – Évora” or whatever specific location it is from because that is what creates uniqueness in the wine.” (Eng. José Ginó, chairman of the executive board of FEA, March 20<sup>th</sup>, 2019)</p> <p>“The Portuguese wines are not recognized abroad so most of the times our buyers do not even care if it is Portuguese or neither they know where Portugal is, but that's not important. If I can sell my wine all over the US and they do not know where Portugal is, it does not matter because most people do not know all US states, so it's normal. It matters the wine has a good branding and quality.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p> <p>“We, as Eugénio de Almeida Foundation, aim to preserve what is the identity of Alentejo, which makes us very proud.” (Dr. João Teixeira, commercial director of FEA, March 27<sup>th</sup>, 2019)</p> <p>“The correct way would be valuing locality and our regions, but the profitable way is to produce bulk wine and do not worry with limited capacity.” (Sr. Joaquim Seca, producer and seller of grapes to DFJ Vinhos and Casa Santos Lima, April 15<sup>th</sup>, 2019)</p>
Culture of a country and its impact on the wine sellers /adaptation of product	<p>“Yes it is true, every market has its own specificity, but when selling to different countries the focus is not really the culture but mainly the socio-economic factors, because I would say that everyone would like to have a Pêramanca or a Cartuxa Reserve at home if they could, so it is not about culture.” (Dr. João Teixeira, commercial director of FEA, March 27<sup>th</sup>, 2019)</p>

	<p>“When we produce a wine, we make it adapted to a particular market. Because a wine to sell in Japan should not be the same as one to be sold in Poland, for example. This often has to do with people's taste, with the evolution of these people at the level of their diet or culture. There are always interferences. For example, in Japan you cannot sell a very aromatic wine because it will interfere with their food, which is mostly raw fish and then a wine with a lot of aroma is not good, it has to be a wine less aromatic, more neutral but with some finesse to be able to have a value over others. There is always something to differentiate the price.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p>
<p>Low cost vs high cost strategy</p>	<p>“If we check the companies that grew up the most, we will see it was not through a high price strategy. For example, in the US one company controls more than 50% of the US manufacturing sector, that’s GALO. The prices of GALO are competitive prices, they are not high prices. So, you may even have one wine or another that is expensive, but what will bring you returns are the wines with competitive prices.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p> <p>“Good quality we already have it. I sell wines from 1.5€ to 12€. The ones I sell for 12€ if I wanted to sell at 15€ I would also sell them, the question is: what volumes would I do? There are a few companies in Portugal that have succeeded, which have already inherited a certain iconic status that gave them that possibility, but still they are limited to those volumes. You've seen the FEA, they sell a lot of Pêra-Manca, but the other wines do not sell as much. These top wine, Pêra-Manca, Barca Velha, etc they sell 20.000 bottles, I fill 20.000 litres per day which is almost 100.000 bottles a day, that is the volume that will bring me high returns. I currently produce 45% of the wines of the region of Lisbon. It is not by selling wines for 20€ that I reach these numbers.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“We started about three years ago a very particular strategy, very contradictory when comparing with the strategy of most Portuguese wine producers, in our opinion. What we are doing is to reposition our wines towards a position of value; we are gradually trying to escape the stereotype of being associated with low price wines just because we are producers of Portugal.” (Dr. João Teixeira, commercial director at FEA, March 27<sup>th</sup>, 2019)</p>
<p>Adaptation of product</p>	<p>"We have different portfolio strategies according to the different markets, but we do not adapt our wines or our brands depending on the target market." (Dr. João Teixeira, commercial director at FEA, March 27<sup>th</sup>, 2019)</p> <p>“For example, we entered nicely in Norway, a market where there was no great tradition of Portuguese wines. We started by exporting bottled, but then we were asked if we were able to do bag in box wine (it sells a lot in the Nordic countries) and we said yes, it is a bit our motto, we always say yes. Our philosophy is experimentation and adaptation. We always adapt to the market we are targeting; the customer is the boss. I am not the one who is going to be drinking, the consumer is.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“We do many different lots, so we have many brands. Because I have a big variety of brands, I prefer to stay in small markets, but this have I a multitude of importers that otherwise I would not have.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p>

	<p>“We are open to new opportunities and to try to offer different things. We have a very rich creative process - we create new labels and new brands constantly. Customers like to change, and the visual aspect part is important in the wines. There are customers who are very loyal to a certain product, but most of them like to change, try new things. So, I prefer when they change from wine A to wine B that they still purchase one of my wines. If I have only one kind, wine B will not be mine. So, these continuous search for variety in order to adapt is important to reach all customers.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“We have nowadays in Portugal, not only in Portugal, but around the world, many producers who adapt their wines, adapt their labels, adapt their brands specifically to please the North American market. What is perfectly legit as a commercial strategy, but we FEA, we want to preserve what is the entity of our wines and region and we are very proud of Alentejo, so we do not do that.” (Dr. João Teixeira, commercial director at FEA, March 27<sup>th</sup>, 2019)</p> <p>“Some wine companies what they do is with the same wine from the same grapes, they adapt completely the wine to the target consumer. If in Poland, they say “we want the wine with 5g more sugar” then they do it. If in the US, they say “the wine is ok but I don’t like the logo”. Then they change the logo. This kind of companies, like Casa Santos Lima, they export a lot, and this is their strategy which is completely fine but at the end of the day they have a huge variety of wines because they adapt to every single consumer.” (Eng. José Ginó, chairman of the executive board of FEA, March 20<sup>th</sup>, 2019)</p> <p>“It matters that our wine has a good image, regarding its presentation, its labelling, its bottling, everything must be adapted to the country we are selling to including the seal that must be adapted to that same market. For example, there are markets that prefer to have a capsule screwed while others prefer cork.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p>
<p>Limited capacity myth</p>	<p>“I'd like to experience that terrible feeling ... the feeling of running out of wine. Unfortunately, and I have been in this sector for many years, I have never experienced this terrible feeling of running out of wine.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p> <p>“I know it's complicated, it's hard to tell someone who sells million litres: "Look maybe is better to not sell as many litres. Maybe it is better instead to produce another kind of wines and aim for a more competitive price positioning" – this is very difficult; it is a commercial strategy hard to accept. But what I meant to explain is that capacity can be a myth because we can have unlimited capacity as the Italians, or Argentines have unlimited capacity but not all the wine they sell is from Toscania's region or Malbec from Argentina.” (Dr. João Teixeira, commercial director at FEA, March 27<sup>th</sup>, 2019)</p> <p>“Limited capacity only exists if you want to worry about using local grapes, FEA they worry for locality and therefore I am sure they have a limited capacity. It is a nice way of doing it but you will not be as profitable, DFJ Vinhos and Casa Santos Lima they both buy me grapes and they buy from everywhere, capacity is not a problem for them and you see the results, they are very successful.” (Sr. Joaquim Seca, producer and seller of grapes to DFJ Vinhos and Casa Santos Lima, April 15<sup>th</sup>, 2019)</p>

China dual opinions	<p>“China is a market with great potential for exportation, it is growing very fast.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p> <p>“I think China offers more threats than opportunities. Because within a very short time the Chinese are going to be the world's largest wine producers and since they are not wine consumers, they will end up exporting it meaning we will have to compete with the Chinese wines, and we have to be prepared for it.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p>
Impact of EU and government subsidies	<p>“The wines of the region of the Alentejo exist since 1989, as the region we know today. Much thanks to Portugal joining the EU. When the European Union's structural funds and subsidies began in the late 80s, it was finally possible a development of the wine sector.” (Dr. João Teixeira, commercial director at FEA, March 27<sup>th</sup>, 2019)</p> <p>“And then there were the subsidies which were also a great help, from the government and from the European funds. I have no reason to complain, on the contrary, there was a good combination of efforts, we were benefiting from the restructuring investments, both in our wine cellar and in the vineyards.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p>
Being competitive internationally	<p>“We FEA, our main competitive advantage is clearly the notoriety / quality of our wines, no doubt on that.” (Dr. João Teixeira, commercial director at FEA, March 27<sup>th</sup>, 2019)</p> <p>“To produce a good, beautiful and inexpensive wine first you must have know-how, know-how to produce at the maximum level that we can produce per hectare without affecting quality and if it affects quality we have to know that we have to lower the price and know what markets we intend to sell our wines. Because the world is huge so we can sell it wherever we want, for example, this company sells 1.5% in the national market and everything else in the international markets.” (Eng. José Neiva, owner and executive manager of DFJ Vinhos, March 29<sup>th</sup>, 2019)</p> <p>“I have always had a focus, to try to make good and cheap wines. Make wine accessible to everyone. (...) It's away more important in my opinion to have our wines being sold in large supermarket chains than to have them in a fancy New York restaurant where wines are overpriced (...) We export about 90% of what we produce, and we have been growing massively not because we produce higher cost wines but because we do good and cheap, that is what allows us to sell in large quantities which at the end of the day is what bring high returns.” (Dr. José Luís da Silva, owner and executive manager of Casa Santos Lima, April 2<sup>nd</sup>, 2019)</p>
Portuguese wine and the issue of lack of recognition	<p>“The image of Portugal as a wine producer country has been growing and its wines have been gaining recognition as it is reflected on the exportation numbers presented above, yet the main challenge currently faced is to gain a better perception of their value in order to be able to raise the average price of the Portuguese wine abroad.” (Monteiro, 2018).</p>

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