



Masters of Science in Business Administration



Case Study: Prego Gourmet

Critical Decision in the Expansion Strategy

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Abstract

Dissertation Title: Prego Gourmet – Critical Decision in the Expansion Strategy

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Prego Gourmet is a Portuguese fast food chain, known for having transformed a traditional Portuguese product, the *prego*, into a refined and unique version which can be eaten as sandwich or not. Started its operations in 2011 at Amoreiras Plaza in Lisbon and nowadays all the stores are strategically positioned inside shopping malls in the area of Lisbon. The founding partners know that Prego Gourmet is a project in expansion, with nine own stores and the perspective of many more not only in Portugal, but also over borders.

The main purpose of this dissertation is to analyze strategic decisions and real challenges that Prego Gourmet will face in the future. As business developers, the partners believe that their strategic objectives have to be based on a well-planned and sustained growth during the next years. The market acceptance have exceeded the expectations, and this work also aims to study the key success factors and reasons that contributed to the surprising penetration/adherence in this competitive and saturated fast food market.

This dissertation is a prospective analysis of what should be the next step for Prego Gourmet regarding its expansion strategy. João Cota Dias, partner of Prego Gourmet, will face a strategic dilemma which consists on the one hand expand throughout Portugal setting up a franchising model to optimize internal managerial practices, creating conditions for future internationalization, or on the other hand start immediately the internationalization process.

Is Prego Gourmet really prepared to initiate the internationalization process? Should not first grow domestically to ambition international expansion, since Prego Gourmet is not yet organized as franchising model?

Relevant topics are going to be addressed on the Literature Review section, such as critical aspects on managing brands, franchising system and critical factors that lead to a successful internationalization. The Prego Gourmet's case study aims to give a broader view of the Portuguese and Brazilian fast food market as well as addressing the future challenges of the international strategy.

The main conclusion from this study is that Prego Gourmet to achieve a successful internationalization should first grow in its domestic market using franchising model. In order to gain business knowledge and experience to be more prepared to overcome the main challenges in the internationalization process.

Resumo

Título: Prego Gourmet - Critical Decision in the Expansion Strategy

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Prego Gourmet é uma cadeia portuguesa de fast food, conhecida por ter transformado o prego, um produto tipicamente português numa versão mais original e sofisticada que pode ser comida no pão ou no prato. A empresa foi fundada em 2011, abrindo o primeiro restaurante no Amoreiras Plaza, hoje em dia todas as lojas estão estrategicamente localizadas dentro de centros comerciais na zona de Lisboa. Os sócios fundadores sabem que o Prego Gourmet é um projecto em expansão, que conta com nove lojas próprias e tem a perspectiva de abrir muitas mais não só em Portugal, mas também no exterior.

O principal objectivo da presente Dissertação é o de analisar as decisões estratégicas e os desafios reais que o Prego Gourmet irá enfrentar no futuro. Os sócios acreditam que os objectivos estratégicos passam por um crescimento planeado e sustentado durante os próximos anos. A aceitação do produto excedeu as todas as expectativas, e este trabalho visa também estudar os principais factores de sucesso que contribuíram para a surpreendente adesão num mercado tão competitivo e saturado.

A presente Dissertação é uma análise prospectiva de qual deve ser o próximo passo em relação à sua estratégia de expansão. João Cota Dias, sócio do Prego Gourmet, irá enfrentar um dilema estratégico que consiste, por um lado se deve expandir por Portugal através do modelo de franchising de forma a otimizar as práticas internas de gestão, criando condições para uma futura internacionalização, ou então por outro lado iniciar imediatamente o processo de internacionalização.

Estará o Prego Gourmet preparado para iniciar o processo de internacionalização? Não deveria primeiro crescer no mercado interno para poder ambicionar a expansão internacional, uma vez que o Prego Gourmet ainda não opera em modelo de franchising?

Tópicos relevantes serão abordados na secção da *Literature Review*, tais como aspectos críticos na gestão das marcas, sistema de franchising e factores críticos para uma bem-sucedida internacionalização. O Prego Gourmet *case study* tem como objectivo dar uma visão mais ampla do mercado de fast food em Portugal e no Brasil, como também abordar os futuros desafios da estratégia internacional.

A principal conclusão deste estudo é que o Prego Gourmet para alcançar uma internacionalização bem-sucedida, deve primeiro expandir o negócio no mercado nacional usando o modelo de franchising. De modo a obter o conhecimento e experiência necessária de forma a estar mais preparado para superar os desafios no processo de internacionalização.

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List of Acronyms

PG – Prego Gourmet

JCD – João Cota Dias

NPD – New Product Development

1- Introduction

João Cota Dias, David Igrejas and Pedro Almeida were very proud of what they have been able to achieve. Although they knew that the best was yet to come. After a sustainable growth at a slow pace in the area of Lisbon, they feel ready to take the next step and face the upcoming challenges. In what extent would this business model, only with own stores, be sustainable over time? Franchising would not offer more advantages in the short term? Would be this Portuguese product well accepted overseas? Is it the right time to start the internationalization process? Besides, is the product portfolio the right one for the Brazilian market?

Prego Gourmet, founded in the early summer of 2011 in Lisbon, is a Portuguese fast food restaurant, where the main dish is an exclusive and refined version of traditional Portuguese steak that can be eaten as a sandwich or in the plate. In the middle of the economic crisis, this sophisticated product was tested in the previous restaurant of David Igrejas, *Foral da Vila*, in Cascais where he noticed the business opportunity and came up with the idea of creating a fast food chain. With some experience in the field, PG's team opened the first restaurant just in front of one of the most popular shopping malls in Lisbon, Amoreiras Plaza. The corporate strategy is to open each restaurant strategically positioned inside shopping malls and it is a project still with a lot potential to grow.

The concept that is usually known as fast casual dining, have triggered the willingness of people to seek quality at an affordable price and also have attracted consumers who use to eat in traditional restaurants. PG's business was structured to fit in this new tendency, offering an innovative product highly connected to the Portuguese culture.

Cultural diversity, economic challenges and consumption habits compose a complex operational scenario for fast food chains. Due to the emerging globalization and competitive environment, strategic planning assumes a major role in a company to overcome daily threats and fierce competition. According to the three partners' ambition, expand their fast food chain is a primordial goal. The aim of my future study is to identify what should be the right step to PG, in the short-medium term regarding expansion strategy.

Expansion strategy is part of a continuous and normal process regarding successful management practices of a corporate strategic planning at SME (Small / Medium Enterprise). Strategic planning is a process of developing and maintaining a sustainable business that is used to set priorities, strengthen operations, allocate resources, ensure that everyone are

working toward common goals and adjust the company's direction in response to a changing environment. An effective strategic planning produces fundamental decisions not only to where the company should go, but also the actions needed to succeed.

With that being said, it is relevant from an academic and pedagogic perspective, to analyze the direct and indirect success factors of this business, which made PG unique and attractive to fast food consumers. After conducting that analysis, I will study the national challenges with a franchising model as well as the main challenges that PG would face in the internationalization process to Brazil. From a brand management point of view, the study will also bear a special focus on the PG's current positioning, its marketing efforts and the intended brand associations regarding the brand image.

Lastly, I will study both future business strategies to ensure the company's biggest success in a short-medium term, taking into account the current business development of PG, firm characteristics, the consumers' profile and at what extent Brazilian consumer is similar to a Portuguese one.

I strongly believe that my further research will help Prego Gourmet finding some guidelines about its marketing and communication efforts as well as the right strategy to adopt in the short-term to a more sustainable success

1.1- Research Problem

To fully comprehend what should be the right **Expansion Strategy** to **Prego Gourmet** in the short-term as well as the main drivers and future challenges, four key research questions were developed and studied:

KRQ #1: What were the key success factors that contributed to PG's market acceptance in Lisbon?

KRQ #2: What were the marketing efforts applied in Portugal and further implications that contributed to Prego Gourmet's positioning in the fast food Portuguese market?

KRQ #3: Is it franchising the appropriate method to expand the business at a national and international level? Has Prego Gourmet the enough managerial preparation to initiate the internationalization process or is it too soon?

KRQ #4: How would be achieved the internationalization to Brazil and what are the main challenges that Prego Gourmet would face?

2- Methodology

In order to have a deeper understanding in the theory behind the key research questions, I will use both primary and secondary data to answer all research questions.

Primary data, both qualitative and quantitative researches were applied. Qualitative research was very important to develop the case, thus to gather such information, an open-ended questions in-depth interview was performed with the JCD, PG's partner. With this approach I was able to collect rich and detailed information from a viable source that is one of the chiefly responsible for key-strategic decisions of the company.

Quantitative research was essential to comprehend the consumers' preferences, consumption patterns and to evaluate their perception of the PG's characteristics and notoriety. The online survey was elaborated not only to answer the thesis research questions, but also to analyze some measurable categories in PG. The use of this method proved to be the best way to collect quantitative information of different age targets, lower level of social pressure bias when compared to a questionnaire conducted face-to-face and higher level of confidentiality.

This quantitative analysis was able to give important information to PG on how effective have been their actions in communicating their intended associations, positioning and consumer's perceptions.

Regarding the secondary data, it was collected in the form of articles from top journals and publications, in order to create the Literature Review chapter, which provides an overview of the most relevant concepts for this case study and consequently a support for the Teaching Note. In addition, information from other sources was also gathered based on internal sources in PG, websites, reports and market studies developed by marketing research companies used to investigate potential clients/target markets, with the aim of enrich the case study.

3- Literature Review

In this section of the dissertation, the topics should be undertaken as being very significant in order to fully understand the main issues presented in the Prego Gourmet case study. Therefore, four theoretical topics will be explored in detail to cover several bases, namely: **Branding, Franchising Systems – Drivers for International Expansion, Internationalization – Critical Factors and Entry Modes and New Product Development – Introduction of New Products.**

3.1- Branding

3.1.1- Brands

The definition of brand is a complex phenomenon and along the years has been discussed since the definition depends on whose perspective is being analyzed: consumer, stakeholder, brand's owner perspective, etc. A brand definition is not a common understanding among the brand experts, "Each expert comes up with his or her own definition of brand or nuances of definition" (Kapferer, 2004). Although the American Marketing Association defines brand as "a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers."

According to Erdem and Swait (1998), one of the most important brand purpose is to assist consumers in their decision making process. Nowadays consumers have of plenty choices and suffer from choice fatigue, which lead them to develop decision making strategies, such as the formation of a small set of brands from which the final choice is made (Ballantyne, Warren & Nobbs 2005). Urde (1999) proposes that brands should acquire an identity that expresses the company's values, positioning and goals in a way customers perceive it as valuable and unique, making it hard to copy. Aaker (2003) states the need to differentiate products in such a way that creates competitive advantage over competition and it also avoids customers on having its purchase choice based on price. The existence of imperfect and asymmetric information in the market lead consumers to use brands as signals of credibility and quality to help them in their decision making process, decreasing the perceived risk and information costs which enables them to think less in each purchase decision (Erdem and Swait 1998).

Building strong brands is the goal for many companies, once this can provide some benefits to the company like "greater customer loyalty and less vulnerability to competitive marketing actions or marketing crises; larger margins; more favorable customer response to price increases and decreases...increased marketing communication effectiveness" (Keller 2001).

The basis of the Brand Equity concept consists in the added value that “enhances the value of a product beyond its functional purpose” (Farquhar 1990). According to Keller (1999), brand equity is “the differential effect that consumer knowledge about a brand has on the customer’s response to marketing activity” and “consumer brand knowledge can be characterized in terms of brand awareness and brand image dimensions”. Thus, strong brand equity is achieved when a brand has high awareness and consumers hold favorable and unique brand associations (Thomas and Kohli 2009).

Aaker (1991) defends that brand equity can add value or subtract value to the product or service that brand is associated. The author identifies five different brand equity components: brand awareness, brand loyalty, brand associations, perceived quality and other proprietary assets. Brand awareness measures the extent to which a brand is known by the public. Aaker (1991) states that if consumers recognize or feel familiar with certain brand, it influences during the purchasing process, thus having impact on the consumer choice. A brand can have anchors to which associations can be attached to, contributing to spread brand awareness (Aaker 1991).

Brand loyalty can be expressed as the loyal attitude consumers have towards one brand. Once loyal customers are not quick to switch brands, the company has more time to respond to competitive threats. It can represent a competitive advantage, as the company reduces marketing costs because it is cheaper to hang on loyal customers than potential customers (Aaker 1991; Chaudhuri and Holbrook 2001).

Brand associations are all the associations with features, attributes, benefits triggered by a brand that define the brand image for the customer (Aaker 1991; Sonnier and Ainslie 2011). The associations have to be favorable to strengthen the brand’s positioning taking into account the competitors, a well-positioned brand have to be supported by strong associations (Aaker 1991). Perceived quality is the sum of total experiences and perceptions of quality consumers have about a product or service. Due to the different customers’ preferences and needs, it is very difficult to measure it. The price, availability in different sales channels, the level of differentiation and the number of brand extensions are all quality indicators (Aaker 1991).

3.1.2- Managing Brands

a) Positioning

Keller & Lehmann (2006) stresses that a variety of marketing and branding activities can be made to achieve the intended brand positioning and also build brand equity. Positioning involves not only the product itself, but also “the importance of the company image, but more than anything else, stresses the need to create a position in the prospect’s mind” (Maggard 1976). So it is crucial that the product occupies a clear and distinctive position on consumer’s mind and is determined “by the combined total of a number of product characteristics, such as price, quality, durability, reliability, color, and flavor” (Maggard 1976).

Aaker & Shansby (1982) state the brand’s positioning is a critical strategic decision that can be determinant to customers’ perception and decision making process. The authors also defend that the positioning by attribute is the most frequently used positioning strategy by associating a product or brand “with an attribute, a product feature, or customer benefit”. “Positioning is conceptualized as a complex multidimensional construct that attempts to positively adjust the tangible characteristics of the offering and the intangible perceptions of the offering in the marketplace” (Blankson, Kalafatis, Cheng & Hadjicharalambous 2008). Managers tend to use the most important products’ attributes to distinguish their company’s offering from those of competitors in order to communicate the desired position strategy.

The best way to build a solid positioning strategy and get information is through market research. Segmentation and targeting the market are requirements to achieve a successful positioning (Ostasevičiūtė and Šliburytė 2008). When consumers’ expectations about quality are very similar, brand image plays an important role as differentiator. Brands tend to incorporate components of heritage and authenticity with symbolic value on their image, creating an emotional attachment to the consumer. The communication power of a brand is highly influenced by its consumption meanings and its attached history (Ballantyne, Warren & Nobbs 2005).

b) Rebranding/Repositioning Strategies

Kaikati and Kaikati (2003) state the aim of rebranding is to provide a new identity to the company or its products. In accordance to Muzellec and Lambkin (2006), a rebranding is a marketing transformation that has two fundamental dimensions when analyzed: the level of aesthetic change and the level of change in brand position. The level of aesthetic change represents the conception of a new name, new logo or new design. Generally a rebranding is a signal to stakeholders that something in the organization has changed and this can mean a

shift in the value proposition of the company, targeting different market segments or even a differentiated and new position in the mind of people (Muzellec and Lambkin 2006).

According to Merrilees (2005) the brands need to evolve and to be “revitalized on a regular basis in order for them to be kept fresh, vital, and relevant to the contemporary market”. Some modifications should be seen as part of a strategic imperative and natural evolution in response to changing market conditions. Furthermore, Muzellec and Lambken (2006) divide rebranding into two types, the evolutionary rebranding that “describes a fairly minor development in the company’s positioning and aesthetics that is so gradual that it is hardly perceptible to outside observers” and revolutionary rebranding that “describes a major, identifiable change in positioning and aesthetics that fundamentally redefines the company”.

c) WOM – Word of Mouth

The word of mouth effect occurs when people recommend and talk about their positive or negative experiences of a product or brand. It is a type of promotion “has become an increasingly potent force, capable of catapulting products from obscurity in runaway commercial success” (Dye 2000). Once WOM has a viral capacity, it is very important for companies be able to exceed the customer service expectations in order to share positive stories. “Word of mouth marketing (WOMM) has the power to quickly build up or tear down the reputations of products, services and organizations” (Smiciklas 2011).

d) Integrated Marketing Communications

Clow and Baack (2010) define the Integrated Marketing Communications (IMC) as the “coordination and integration of all marketing communication tools, avenues, and sources within a company into a seamless program that maximizes the impact on consumers and other end users at a minimal cost”. In accordance to this approach, the authors identify four categories of tools: media tools, advertising tools, integration tools and promotional tools. It has the power to affect the company’s business-to-business as well as to impact positively on the brand performance and improving the management and integration of the company’s marketing communication programs (Reid, Luxton and Mavondo 2005).

According to Ballantyne, Warren and Nobbs 2005, marketing communication is positively related to the awareness of a brand, once is more likely to remain in people’s memory, the brands consumers encounters more often.

3.2- Franchising Systems – Drivers for International Expansion

The agency theory is the most suitable to describe the interactions between franchisor and franchisee in a franchising system (Ni and Alon 2010; Rahaulah and Raeside 2008; Shane 1996). According to Ni and Alon (2010), the focus of agency theory on domestic franchising is to minimize agency costs, especially the monitoring costs. Shane (1996) suggests that franchising is a “mechanism of minimizing agency problems of growth”.

Franchising is considered a “business opportunity by which the owner (producer or distributor) of a service or trademarked product grants exclusive rights to an individual for the local distribution and/ or sale of the service or product, and in return receives a payment or royalty and conformance to quality standards” (Combs and Castogiovanni 1994). The authors see franchising as a way to overcome the financial and managerial limitations that preclude growth and at the same time transfer risk to the franchisee.

Franchising is one of the fastest and growing forms of business in the Western economies (Julian and Castrogiovanni 1995; Lillis, Narayana and Gilman 1976). Following Julian and Castrogiovanni (1995), franchising is often “a key tactic for pursuing goals of territorial expansion and commensurate sales growth”.

According to Lillis, Narayana and Gilman (1976), there are several advantages for using a franchising system. The combined advantages are the most important in the short run for market expansion, leading the company to competitive advantages. The four main advantages are:

- 1) Rapid access to markets
- 2) Reduced cost of capital
- 3) Risk sharing within the channel
- 4) Highly motivated owner-operators

The successful replication of franchising from one geographic market to others, can lead to business synergies, operational excellence, sustainable competitive advantages and a significant added value, but all of this depend highly from a serious business relationship between the franchisor and franchisee (Combs and Castrogiovanni 1994; Rahatullah and Raeside 2008).

Michael (1996) stresses that franchising is a “way of allocate decisions within the franchise system between the franchisor and the franchisee in order to promote efficiency and provide

incentives". In the relationship between franchisor-franchisee, franchisor must support and determine some managerial mechanisms and technical procedures in order to control and monitor the franchisee, but also to fulfill the franchisee' satisfaction requirements. The franchisee contributes with his vital capital investment, expertise about local market and also his insight knowledge (Rahatullah and Raeside 2008). With a satisfied franchisee it is easier to achieve a successful cooperation with franchisor's terms. According to Rahatullah and Raeside (2008), it is very important to have a trustful and cooperative environment between both parties in a franchising system, this synergetic efforts will lead to competitive advantages.

In accordance to Lillis, Narayana and Gilman (1976), in the fast food franchise systems, franchisee motivation "is perceived as the one of the most important advantage at all stages"; rapid market penetration and franchisee motivation are most relevant in the early life cycle stages of franchise; on the other hand, risk sharing is perceived as more relevant until growth stage and entry capital is perceived of low importance at all stages particularly in late maturity stage.

3.2.1- International Franchising Expansion

International franchising is an increasing popular expansion strategy among large and small firms (McIntyre and Huszagh 1995; Ni and Alon 2010; Rahatullah and Raeside 2008). One of the reasons that induce franchisors to internationalize is due to the saturation of the domestic market, once home markets may provide limited opportunities (McIntyre, Gilbert and Young 2006; Ni and Alon 2010).

According to Ni and Alon (2010), "franchising internationalization is based on resource-based factors, such as size, age, and growth rate and on agency factors, such as royalties, fees, and dispersion". McIntyre, Gilbert and Yong (2006) state a set of factors that can determine and affect international franchising process. The authors divide the factors into two categories: the firm characteristics and relationship characteristics.

Firm characteristics or resource-based factor, include factors as: firm age, size regarding the number of domestic units, number of franchised versus company-owned units and experience with franchising (Julian and Castrogiovanni 1995; McIntyre, Gilbert and Young 2006). As larger the operations in the domestic market are more marketing capabilities and customer knowledge the firm may acquire to grow to other geographic locations (McIntyre, Gilbert and Young 2006).

Relationship characteristics are related to relational norms among exchange parties, such as trust, flexibility and behavioral transparency (McIntyre, Gilbert and Young 2006). Monitoring, which is the “ability to identify and control inappropriate behaviors” is crucial for cooperative relationships and this monitoring skill is essential to a successful internationalization (McIntyre, Gilbert and Young 2006). Although there are factors that can deteriorate a business relationship, and lack of transparency is one of them, which can lead to a higher probability of opportunism and lower levels of trust (Parkhe 1993).

Shane (1996) stresses that geographic and cultural differences affect opportunism and bonding among parties. If there are significant differences between the two parties in terms of cultural characteristics or/and in terms of geographic distances, the potential for opportunism is higher. Therefore, the degree of opportunism and friction is expected to be lower in domestic markets than in international markets (McIntyre, Gilbert and Young 2006; Shane 1996; Ni and Alon 2010).

The franchisors that have accumulated substantial franchising experience, either through years of franchise operations or through direct operations with a high number of franchise outlets, are more propitious to own the appropriate needed monitoring skills for internationalization (Ni and Alon 2010). The more franchising experience a firm has, the more is the probability of developing organizational capabilities, local knowledge, cultural adaptability skills, managerial skills, long-distance management skills and host-country management skills (Combs & Castrogiovanni 1994; Ni and Alon 2010).

According to Petersen and Welch (2000), companies should build their franchising activities first in the domestic market and then start the international franchising. The authors indicate that there are some benefits from developing and modifying franchising systems firstly in a domestic market because franchisor can learn “how to operate the system and to manage a franchised network. If the resulting system and associated learning can be transferred to a foreign location with limited alteration, the transfer process thereby becomes easier and cheaper” (Petersen and Welch 2000). Petersen and Welch (2000) also state that from a learning perspective, the path from a non-franchising domestic operation into an international franchising operation with no previous of international operations is the most difficult path to undertake.

Master franchising is a method of franchising, where “an independent company is licensed to establish, develop and manage the franchising operation in the foreign country” (Petersen and Welch 2000). In this type of franchising contract the master franchisor grants the rights of

franchising activities in a specific territory to other person, called master franchisee. Master franchising approach is a common response by companies with little or no previous experience in international franchising, once “it transfers the responsibility for directly developing and managing the foreign franchising activity to a foreign operator” and could be used to reduce “the learning demands of, and financial and other commitments to, the foreign operation, compared with other forms such as a wholly owned subsidiary” (Petersen and Welch 2000).

McIntyre and Huszagh (1995) built a model of global development in franchise systems based on Cavusgil and Nevin (1980) model of the internationalization of firms. The model outlines the four stages of franchise internationalization process and identifies critical activities in each stage.

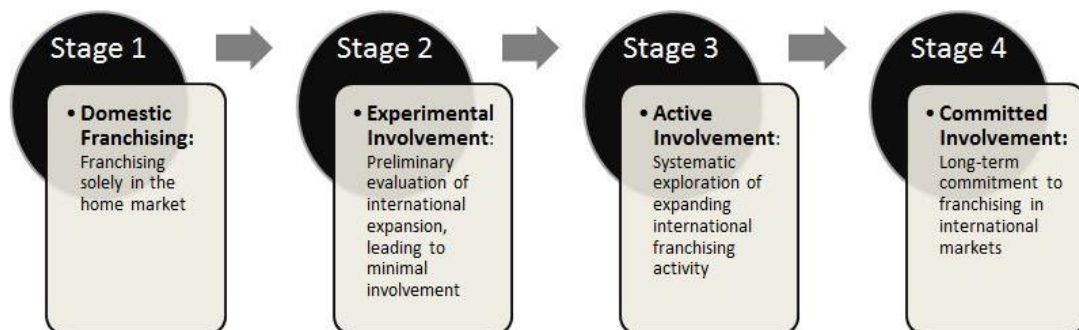


Figure 1 – Franchising Internationalization Stages

Source: McIntyre and Huszagh, 1995

Stage 1 – Domestic Franchising: the first stage corresponds to domestic franchising that precedes internationalization. McIntyre and Huszagh (1995) stress that through domestic distribution, franchisors acquire more knowledge about the market and operational expertise, which enhances domestic growth. The domestic market penetration is crucial since it allows gaining franchise experience to expand overseas (McIntyre and Huszagh 1995).

Stage 2 – Experimental Involvement: this is a stage characterized by a low level of managerial commitment in terms of resources invested. It is a stage to test few international markets with limited operations in order to acquire some international knowledge (McIntyre and Huszagh 1995). Some franchisors start with “company-owned stores prior to beginning major franchising efforts” (McIntyre and Huszagh 1995).

Stage 3 – Active Involvement: in the third stage, there is a higher level of managerial commitment in all terms. Already established in foreign markets, franchisors start to invest

more resources internationally in order to expand at a steady pace, always taking into account the specificities of each market (McIntyre and Huszagh 1995).

Stage 4 – Committed Involvement: the last stage is characterized by a firm's total commitment concerning international expansion and relationships acquired. It is expected that the main percentage of income comes from international operations (McIntyre and Huszagh 1995).

To conclude, domestic markets provide a set of limited opportunities and alternatives; market saturation is easily achieved due to the fierce competition. On the other hand, there are some reasons that influence a franchisor to internationalize, such as improve economic and managerial performance (McIntyre, Gilbert and Yong 2006).

3.3- Internationalization – Critical Factors and Entry Modes

According to some scholars, internationalization is a process, in which companies gradually become more and more involved in international markets; also represents a gradual acquisition of knowledge about foreign markets and operations, leading to an increasingly degree of commitment to foreign markets (Johanson and Vahlne 1977) ; Welch and Luostarinen 1988).

Schweizer, Johanson and Vahlne (2010) argue that the context is very important when it urges the need to explain the internationalization's details, as mode of entry or choice of country market. Nowadays the context in business environments is highly characterized by intense competition and Globalization, these external and internal factors trigger companies to find better ways to enhance the economic development of overall productivity, industry sectors and ultimately of nations (Korsakiené and Tvaronaviciené 2011).

According to Hill, Hwang and Kim (1990), the company's goals and internal strategy are very linked to internationalization process. Korsakiené and Tvaronaviciené (2011) argue that is not only the internal strategy and company's goals that drives internationalization, but also the firm growth in home country, the influence of fierce international competition and the impact of Globalization, all these factors play important role to go abroad.

The original Uppsala Model (1977), this internationalization model has been criticized for many scholars (Welch and Luostarinen 1988; Oviatt and McDougall 1994; Schweizer, Vahlne and Johanson 2010), is a model described for being reluctant to environmental changes and risk averse, which in fact is the reality in domestic and corporate markets nowadays (Johanson and

Vahlne 2009). Actually, since 1977, the regulatory and economic environments have changed drastically as well as the company's behavior (Johanson and Vahlne 2009); the shifts in cultural patterns, difficulty on acquiring knowledge about foreign markets, intense competition, the evolution of communication and transportation channels, were some of the drivers that led to a change in the original patterns of internationalization (Oviatt and McDougall 1994).

Therefore, after some years Johanson and Vahlne felt the need to reformulate the initial Uppsala model (1977). "Now the business environment is viewed as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers" (Johanson and Vahlne 2009). The model was revised based on a core argument of business network research, which has two sides:

- ➔ The first side is that "markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns" (Johanson and Vahlne 2009). "Insidership" is necessary for a successful internationalization, a company that is trying to enter without any established "insidership" will suffer from "liability of outsidership", which is a factor that difficults the process of getting inside (Johanson and Vahlne 2009).
- ➔ The second side is that "relationships offer potential for learning and for building trust and commitment, both of which are preconditions for internationalization (Johanson and Vahlne 2009).

The revised Uppsala Internationalization Model (2009) consists as the original, based on two set of variables: state variables and change variables, in which the variables affect each other.

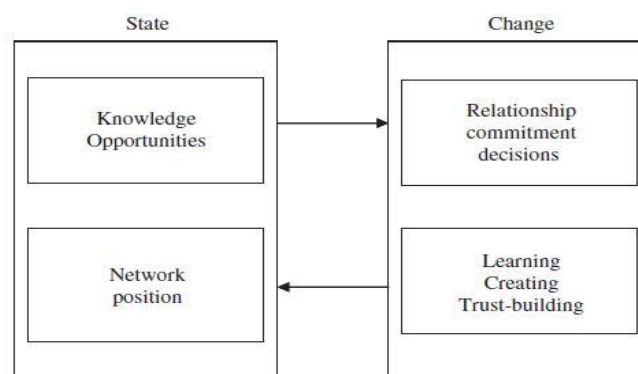


Figure 2- The Uppsala model revisited (2009)

Source: Johanson and Vahlne, 2009

When the authors built the first model were not aware of the importance of mutual commitment for internationalization. Hence, the authors did some changes in the new Uppsala Model, Johanson and Vahlne added the “recognition of opportunities” to the “knowledge” concept and also considered it as “the most important element of the body of knowledge that drives the process” (Johanson and Vahlne 2009). The main conclusion of this business network internationalization process is that a firm is inserted in a business network and depends from itself to gain advantage of the existed network. That is why relationships are so important, which are characterized by trust, specific levels of knowledge and commitment among parties (Johanson and Vahlne 2009).

According to Autio, Sapienza and Almeida (2000), organizational knowledge is the “capacity to apprehend and use relationships among critical factors in such a way as to achieve intended ends”. It is expected that the knowledge acquired and assimilated has an impact on firm’s international sales growth. When a firm with little or no previous experience intends to internationalize must acquire new knowledge, “including experiential knowledge of specific foreign business practices and institutional norms as well as general experiential knowledge of how to organize for foreign competition” in order to grow and compete in foreign markets (Autio, Sapienza and Almeida 2000).

Forsgren (2002) states the importance of international knowledge, once it works as a stimulus to initiate internationalization. According to Fletcher, Harris and Richey Jr. (2013), the concept of international knowledge represents the learning capabilities that are needed to acquire when entering in new territories in order to achieve sustainable competitiveness. The international knowledge can be categorized in three different ways:

Market Entry International Knowledge – It is the type of knowledge that firms must acquire about the international business on how countries and firms operate and differ internationally to succeed in foreign markets. A firm should understand the cultural differences, negotiation styles, ethical values, decision-making styles, language and organizational characteristics in each country. There is a need to build and know how to use the network relationships with international partners, which is an essential resource to evaluate the market specificities and leverage it through a successful marketing strategy (Fletcher, Harris and Richey Jr. 2013; Johanson and Vahlne 2009).

Localization International Knowledge – This second category of knowledge is “about environment, capabilities, and viable strategies such that a strategy developed for a territory will reflect the local market conditions” (Fletcher, Harris and Richey Jr. 2013). Cui, Griffith, and

Cavusgil (2005) stress that market knowledge is related to market information about competitors, distributors, customers or suppliers, which leads to a sustainable competitive position in foreign markets as well as an important resource for a firm to assess business opportunities and make the right strategically internationalization decisions.

International Enterprise International Knowledge – The last category of knowledge is characterized by the importance of management practices and the appropriate internal structure when incurring in an international growth. A firm should adapt and redefine management systems, human resources' policies across multiple international markets in order to facilitate the operations and better understand partner's behaviors (Fletcher, Harris and Richey Jr. 2013).

There is the risk of failure when internationalize, but according to Zhou, Wu, and Barnes (2012), there are ways to minimize uncertainty and the risk of failure by developing and acquiring marketing capabilities (please see **Figure 3**). The conceptual framework highlights marketing capabilities as a mediating factor that enables international growth among new international ventures.

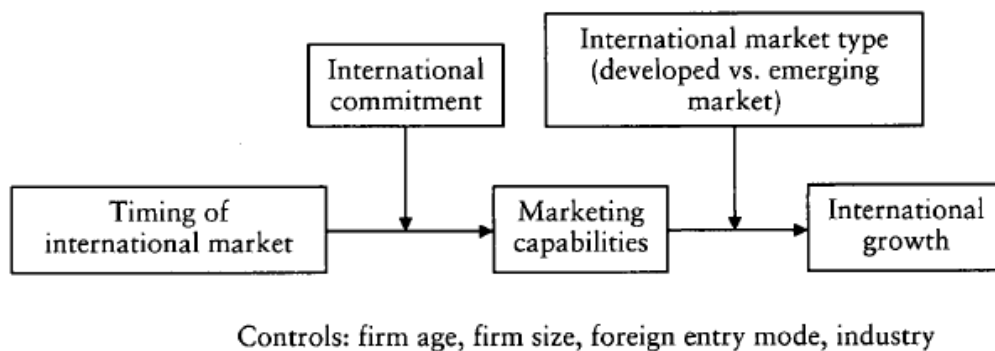


Figure 3- Internationalization factors

Source: Zhou, Wu, and Barnes, 2012

The choice of the optimal entry mode into a foreign market is based on several factors such as resources, knowledge, intended commitment, control and potential risk. According to Hill, Hwang and Kim (1990), the choice can be between an equity mode (joint venture or wholly owned subsidiary) or a non-equity mode (licensing or franchising). The authors stress the need to identify “the appropriate entry mode in a given context is necessarily a difficult and complex task. The choice, however is a critical determinant of the likely success of the foreign operation” (Hill, Hwang and Kim 1990).

The three distinct modes of entry into a foreign country can be evaluated in terms of different level of control, level of commitment by the firm and dissemination risk. The characteristics of each entry modes are summarized in **Figure 4**.

Entry Mode	Constructs		
	Control	Resource Commitment	Dissemination Risk
Licensing	Low	Low	High
Joint Venturing	Medium	Medium	Medium
Wholly Owned Subsidiary	High	High	Low

Figure 4 - The characteristics of different entry modes

Source: Hill, Hwang and Kim 1990

Hill, Hwang and Kim (1990) suggest a decision framework, composed by three groups of variables that influence the entry mode decision: Strategic variables, Environmental variables and Transaction variables (please see **Figure 5**).

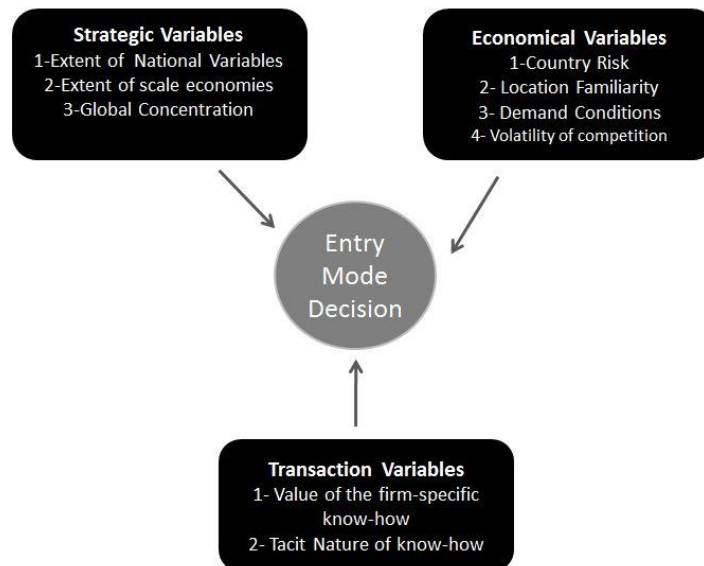


Figure 5 - The variables of a decision framework

Source: Hill, Hwang and Kim 1990

Strategic variables tend to influence the choice of entry mode in terms of control requirements. One of the main strategic decisions is that a firm should adopt a global strategy or a multi-domestic strategy, different strategies require different degrees of control and

consequently different entry modes. In a multi-domestic strategy, firms tend to favor joint ventures or licensing as the mode of entry (Hill, Hwang and Kim 1990).

Environment variables such as general political risk; operations risk; perceived distance between the host and home country in terms of business practices and culture; when host country demand for a product is uncertain; the volatility of competition in the host market – all these exogenous environmental variables influence the choice of entry mode through the appropriate level of resource commitments and strategic flexibility (Hill, Hwang and Kim 1990).

Transaction variables also influence the decision on the appropriate degree of control and on dissemination risk. “The greater the propensity of a licensee (or venture partner) to act opportunistically, the greater the transaction cost”, which means in this case is more likely a wholly owned subsidiary as entry mode (Hill, Hwang and Kim 1990).

3.4- New Product Development – Introduction of New Products

According to many scholars, Globalization is the process by which companies and businesses start to operate on an international scale and develop international influence through the integration of economies, markets, industries and cultures. With this triggering factor, companies have to adopt different strategies against internal and external factors that can affect directly or indirectly the business (Wang, Solan, Xu 2014).

Some companies consider a global strategy-standardization the best one to adopt when introducing a product in the market, but several fast food chains soon understood that globalization does not mandatorily means that consumers want globalized products or services. Therefore, nowadays companies more and more have to face complex challenges whether to do a *Glocalization*, which means to partially or fully adapt locally a product/service or do product lines extensions or even introduce new products (Rarick, Falk and Barczyk 2012).

Yamada (2010) defends that is crucial for a company to define what should be the ideal standardization level when introducing a product. If a product is not already globalized in a country, the more effective strategy should be the adaption strategy which aims to adapt a product/business plan to country’s specifications. On the other hand, if a globalized product is already established in a given country, the company should adopt an aggregation strategy to achieve economies of scale in order to overcome the emerging obstacles (Yamada 2010).

According to Wang, Solan and Xu (2014), the increasing globalization presents various challenges such as “the challenges of cultural integration and cross-cultural conflicts. Following

the authors, the challenges concerning the culture structure can be categorized into two dimensions: **National culture** is defined as the common “beliefs, values and practices that are shared by the vast majority of people belonging to a certain nation” or society that pass from generation to generation (Wang, Solan and Xu 2014); “collective programming of the mind which distinguishes the members of one group or category of people from those of another” (Nakata and Sivakumar 1996). **Organizational/Corporate culture** is perceived as the shared organization values, management practices, and leadership styles that influence the behaviors of people who are part of an organization (Wang, Solan and Xu 2014). There is a high correlation between those two cultures, once a national culture necessarily tends to induce some characteristics into a corporate culture.

There is a link between national culture and NPD, national culture has the potential of triggering operations and outcomes of a new product program (Nakata and Sivakumar 1996). According to Wang, Solan and Xu (2014), NPD is a complex process that consists in a viable strategy and “for different types of markets can keep the firm competitive and aid long term survival”; also argue about the relation between cross-cultural integration and their influences on NPD regarding country characteristics. Wang, Solan and Xu (2014) stress the NPD can be simplified into two phases; the first one consists in an initiation stage including idea generation, screening and concept testing. The other phase is the implementation that involves product development, test marketing and product launch. The national culture may end up influencing the NPD phases (Nakata and Sivakumar 1996).

Companies tend to select teams to explore and conduct the development process of new products; these task-teams are characterized by their national culture and for knowing better the specificities of their local country. NPD “becomes a cross-culture integration process involving task-team members from different countries with different cultures; the national culture of task-team members directly influences the development of the task-team subculture and the NPD process” (Wang, Solan and Xu 2014). One of the company’s goals is to appoint knowledgeable task-teams in each country in order to overcome obstacles and achieve economies of scale and maximum efficiency (Nakata and Sivakumar 1996).

Blois (1985) stresses that companies when developing new products can adopt one of two approaches; the first one is be pro-active, when the matter is under company’s control, is initiated within the company. The second approach is to be reactive, meaning that a new product development is a response to competitors or customers initiatives (Blois 1985). In the **Figure 6** can be observed the two sources of reactive new product development (Competitors

and Customers), which can be triggered from different cases that deals with specific critical issues.

Source	Type	Critical Issue
Competitor Initiated	Change in competitors product mix	Market research to identify appropriate product specification to attract customers from the established supplier of product.
	Opportunities for market segmentation	Physical product specification already determined. Market research required to assess possible promotional and/or distributive strategies to appeal to identify segments.
Customer Initiated	Maintenance of customer relationship	Product specification had to be capable of amendment without excessive cost penalties until the customer agrees specification.
	Changed specification of customer's product	The product requirements of customers were assumed to be homogenous when they were not.
	Customer's new product	Product performance specification set by customer but need to check circumstances of use.

Figure 6 - Cases of reactive new product development

Source: Blois, 1985

4- Case Study: Prego Gourmet - Critical decision in the future expansion strategy

It was the end of January 2013, staring at the renewed *Market of Campo de Ourique* and excited with the newest PG's business area, João Cota Dias was thoughtful about how much the company had achieved so far and what was yet to come.

PG has been under his shared management with his partner David Igrejas and Pedro Almeida since the beginning. Their vision was to become a reference company in the fast food industry, based on deliver high quality and healthy meals at affordable prices. JCD always knew that this reinvented and sophisticated version of a traditional Portuguese dish had the potential to shake it out the fast food industry. In 2011, when PG was founded in the middle of an economic crisis, the partners believed that could recover a Portuguese ritual through innovation, conceived not only to Portugal but also to go abroad. In the fast food industry, the right growth strategy is the key to success.

JCD, General Manager of PG, is responsible for the expansion strategy, and also by the financial department and marketing decisions. With this mission at hand JCD had performed the company to grow in Lisbon through several shopping malls.

After the initial business development and the consolidated success in Lisbon, JCD was deeply concerned with what would be the next step to a continuously growth of PG. Pedro Almeida, PG investor, had shared with him during a lunch that in spite of the expansion in Lisbon, the presence throughout the major cities of Portugal as well as the first internationalization process were still inexistent, being below the initial expectations.

“Our goal is to increase our presence at a national level, we are studying the north of country. But it is through internationalization that will hold our objective. I believe that the Brazilian would be optimal to initiate international presence”, JCD's words.

PG needs to define a growth strategy for the next two years, becoming essential to identify key markets or potential markets as well as to elaborate an entry strategy to each of them. They were aware that by following the wrong expansion strategy, it could affect the future health of the company.

In that moment, while enjoying a wine, JCD knew that both options would represent a different strategic course from the actual one. Expanding to the north of the country, would have to be through a business franchising model, selecting a franchisee and grating him

exclusive rights for opening stores. On the other hand the Brazilian venture would be through a joint venture agreement with a local partner to set up a master franchise.

However, the Brazilian market was very different and PG is inserted in Fast Casual Dining, a concept almost paltry in Brazil in 2011. That market had complex regulations, both tax policy and labor law diverged considerably from the ones in Portugal. On the other hand, the Brazilian consumer had more purchasing power with greater interest in having a healthier life, enjoying the benefits of better dieting. JCD knew that PG's investor, Pedro Almeida, would be a crucial asset, due to several businesses he had in Brazil, which allowed him to have some knowledge about the market, contacts and experience. After all, Pedro Almeida had worked more than 30 years outside of Portugal.

There were only two ways to proceed: start the national expansion to the north of the country – franchising-based strategy – strengthening position creating competitive advantages from a national perspective, or deciding to go abroad, building brand awareness in a given region – growing inside a different market – testing the Portuguese concept internationally. Full of doubts, JCD ate the last piece of cheese while he savored the wine.

In one month's time, on the first floor of ARDMA¹ offices in Lisbon, JCD would have a meeting with Pedro Almeida, where he had to present the best option for the company's success and growth. JCD was confident that would find the right strategic course of action, but surely had lot of work to do, needed to analyze the pros and cons of each strategy.

4.1- Prego Gourmet

PG is a Portuguese fast-food restaurant strategically located in shopping malls in Lisbon. It offers one of the most antique Portuguese cuisine, an exclusive and sophisticated version of a steak that can be eaten as a sandwich or not. The company was founded in 2011 by JCD and David Igrejas known for his passion about cooking, was the creator of the exclusive version of a Portuguese steak. **(Exhibit 1)**

The two partners noted that the Portuguese people were available for a healthier eating that could challenge the traditional concept of fast food. This was the motto for the young entrepreneurs. In the middle of the economic crisis, when David Igrejas was working in the locally famous *Foral da Vila* Restaurant in Cascais, he suddenly noticed that the less

¹ Pedro Almeida's office, Ardma SGPS is a holding created by Admar Trading in order to manage investments in Portugal.

conventional dish, a traditional Portuguese one was selling more than others more conventional: a steak generously covered with arugula, parmesan cheese and balsamic vinegar. This dish became for long time the ex-líbris of *Foral da Vila*, “Already there was called *Prego Gourmet*, which led me to start developing the idea”, David’s words. David Igrejas saw the potential of the product and the first step was to test and develop new recipes in a different restaurant: *The Bay* also in Cascais, “It was like a market test” said Igrejas. After the successful experiences, David got very excited with the perspective of this business spin-off so he joined with a longtime friend, JCD. Both started to develop the project and during 6 months they just had focused on designing the project, contacted several investors and hired an architect. Their goal was to create a restaurant chain where the main dish was a refined version of a traditional Portuguese Cuisine’s product, the *prego*.

The business was structured during a time of crisis, people were consuming less, the VAT on catering sector had increased from 6% to 23%, but despite all adversities this new concept of affordable quality attracted the traditional restaurant consumers to shopping malls, concept that was usually known in the fast food industry as *fast casual dining*.

At the time, there were several chains of fast food, but the truth was that no one explored the *prego* efficiently. Both partners did an intensive market evaluation and reached the conclusion that actually there was a gap to reinvent the product not only for the Portuguese market but also to go abroad. The idea went to transform the *prego* into a modern product with a wide variety of experiences and flavors totally different of what existed.

The two friends needed an investor to move forward with the project and found Pedro Almeida, an experienced businessman who believed in the project. In 9th June of 2011, PG opened the first restaurant in Amoreiras Plaza in Lisbon, which represented an investment of 150.000€. Amoreiras Plaza, a food court well located near office centers and highly visited by demanding public, which repeats, recommends and goes again. PG had quickly become one of the anchors of the food court. Their concept was designed for shopping centers, which were open for 362 days a year, had everything in terms of trade and services, well located and with lots of traffic. The initial estimate of the task force pointed to potential sales of 80 *pregos* per day, after 6 months they were selling 230 *pregos* per day in Amoreiras Plaza. On JCD words, “It was very well accepted from the first day”.

PG offers several gourmet dishes, having menus composed by refined versions of beef rump, sirloin, pork tenderloin, chicken breast, salmon steaks and salads, all mixed with several ingredients, having a total of 17 dishes. The garnishes included French fries, rice, Cesar salad,

carrot and celery with blue cheese mayonnaise. Menus vary between 5 and 12 Euros. (**Exhibit 2 and 3**)

4.2- Growth & Expansion

A market acceptance which far surpassed all expectations, the second restaurant opened before the end of the year in Oeiras Parque. In the first week, the store managed to sell a daily average of 250 *pregos*. This is a business with short margins that thrived on scale and network development, so they decided to focus on strengthening its expansion. It was an investment made in a gradual and sustained way, testing the concept at every step during the first two years. The investment plan was to be phased as business was growing and not drawing too much money initially.

When they opened the third store, the entire PG image was changed (**Exhibit 4**). JCD believed that the previous image was good, but it was not aligned with quality of the product neither was able to establish the intended connection to the customers. Therefore a new identity was built, all the stores got clearer tones, passing the inherent quality of the product and especially convey confidence. The design become quite different from the previous one, stores with better lightning, employee's uniforms assume the beige and the counter area with some details in wood. Also this new image was characterized by some graphic patterns that lead people to recall traces of the old Lisbon. At the same time, PG started to have a signature "*The Improved Portuguese Ritual*" which explains exactly what they have been able to do with the *prego*. (**Exhibit 5**)

The enterprise premise of the project was based on "a structure to the crisis" and "starting with a small dimension and the growth will depend on the success of each store", recall JDC. The value chain of PG has two sets of activities: primary and secondary. In the primary activities are included the Operations and Marketing, accounting together 29% of the company's costs. The secondary activities are Procurement, Human Resources Management and Technology and Firm Infrastructure accounting with 38%, 4% and 22% respectively. Those activities lead to a margin around 7%. (**Exhibit 6**)

Nowadays, PG already has nine restaurants in shopping malls spread all over the Lisbon area (**Exhibit 7**). The places were selected taking into account studies of traffic, type of customer and client/product relationship. The investment with the nine stores was around 2 million

Euros. Furthermore, PG ended 2012 with a turnover of 1.7 million Euros employing about 100 workers. The expectations were to achieve 5 million Euros until the end of 2013.

PG has several resources and capabilities that contribute to sustained competitive advantages: their efficient production process, as each store is able to deliver in short periods of time a good variety of different meals; the second is their managerial knowledge and skills as well as gastronomically expertise, combining their quality ingredients/products, recipes and chef's know-how.

4.2.1- Fast Casual Dining Concept



Fast Casual Dining is a relatively new and growing trend, a concept slightly more upscale than fast food. Fast Casual Restaurant is a type of restaurant that can be seen as a hybrid of quick service and higher quality meals, positioned between fast food and casual dining. Compared to fast food the price and quality is higher, much like casual dining restaurants. More freshly prepared food, sophisticated products with a good atmosphere but without full table service which are features of fast casual places. A market that has been growing a lot internationally and Portugal is no exception.

In Portugal the fast casual sector has matched the current consumer needs by delivering more economical alternative against more expensive restaurants, which has led consumers to shift from traditional restaurants to fast casual restaurants, getting similar customization and quality products for less money.

Despite huge inequality, Brazilians have been increasing their purchasing power and a new middle class was emerging with appetite for consumption, seeking products usually only affordable by high income groups, as a way of demonstrate status. Thereby the term Gourmet could personify the new tendency and also be associated with status.

However in Brazil the concept was still negligible in 2011, when Brazilians looked for quality they used to opt for full-service or kilo restaurants. Moreover, they have been increased their awareness about a healthier life and interested in the benefits of a better dieting.

4.3- Industry Mapping

PG operates in a very competitive industry – and during its expansion phase has been developing close relations with several entities (**Exhibit 8**). PG works simultaneously with 10 suppliers that deliver the products directly to the stores. With this they guarantee some business flexibility in order to offer the best quality meals at affordable prices. The products have to be always fresh and in great conditions, the quality of the raw materials affects not only the process but also the quality of the finished product, and consequently the customer satisfaction. The company has chosen not to have long term contracts with certain suppliers, once they want to be seeking better conditions among the suppliers in the market.

Shopping Centers: PG is strategically positioned inside Food Courts and Shopping Centers, facing high competition where the differentiation factor is determinant. They have to pay rents, which represents part of the slice of firm's infrastructures, having to obey to each Shopping Center's rules.

Competitors: The company faces two type of competitors, direct and indirect. The direct would be every fast-food chain within a shopping center, being h3 the most direct competitor, because h3 was the pioneer of the fast casual dining in Portugal and has managed to build a strong relationship with its customers. Regarding the indirect competitors would be every restaurant outside a shopping mall.

Substitutes: The substitutes represent a significant threat nowadays. Due to the economic crisis, people tend to eat more at home or eat at work, having as substitutes homemade or ready to eat meals.

External Auditors: After the arrival of the products to the stores and before being inserted in the production process, PG uses four external auditors to assure quality, health, pest control and hygiene of PG's products. *Active* is in charge of all HACCP²; *Pure Resources* assure the health and hygiene levels within stores; *Rentokil* is responsible for the control of pest and

² "Hazard analysis and critical control points or HACCP is a systematic preventive approach to food safety and biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level", Wikipedia. Available at : http://en.wikipedia.org/wiki/Hazard_analysis_and_critical_control_points [Accessed on 10th March]

animal procedures; and lastly *Cliente Mistério* is the firm, who provides customer's feedback about service and customer satisfaction as it was a regular client.

Market Regulators: Each store requires a license from the Municipal Council to open doors. Afterwards, ASAE (Autoridade da Segurança Alimentar e Económica) has to supervise and guarantee that all legislations are fulfilled.

Final Customer: PG owns all its stores, which allow them to have a customer oriented business. The final customer is typically more demanding than regular fast food consumer, once this type of customer is willing to pay a little bit more for quality as well as fast and outstanding customer service than usual fast food customers.

4.4- Conquer the North of Portugal

Portugal has faced a difficult economic situation and the financial crisis started to be felt. The unemployment rate is one of the biggest in Europe, with this rising unemployment and all the gloomy economic climate, consumer confidence weakened significantly. The consumer food service industry has been impacted considerably by the negative developments in the economy.

The fast food in Portugal has been recorded positive growth due to consumer switches from full-service restaurants to fast food and also 100% home delivery/takeaway. Despite the rise in VAT of 6% to 23% in the industry and difficult access to credit, the sales of fast food increased a modest 2% in 2010, largely stimulated by the opening of new chained outlets.

However these difficulties were not observed amongst the most recently emerged chains in the Portuguese market, the positioning of who is focused on healthy fast food or on the combination of healthy and gourmet fast food, have helped the segment to perform well. The sales of fast casual dining increased 3% in 2010, which has been an increased tendency, mainly due to the opening of new outlets.

Portuguese consumers are showing a great receptivity to fast casual dining chains, not only because they are concerned about their health, but also they appreciate the casual atmosphere, modern décor and affordable prices, which have been the key drivers for these fast casual positioned chains.

JCD knew that PG should start operating with a mixed strategy of company owned-stores and franchising. The main advantage of the franchising model is that it allows a quicker development at lower costs as well as it contributes to brand recognition.

To start franchising, PG should pass through a business model optimization and standardize processes. PG would be responsible for supporting and controlling its franchisees, integrating all the stores in order to have a successful growth. Programs would be needed to franchisees, such as manuals, training programs and also support and control programs to assure no differences in quality concerning the product and service in each store.

PG would have to be careful when selecting the franchisee, since JCD's intention is to grant to a franchisee exclusive rights for opening stores in the north of the country. In this type of agreement, the franchisor grants to franchisee the opportunity of exploring PG's concept according to their business model and ideas, in return of a monthly percentage of sales (royalties) and a franchising fee.

The selection of stores would involve great commitment from both parties, to select the appropriate locations in order to set up the stores with the right policies, specifications, training materials and operations manuals. About the supporting to the franchisee, PG must give training in store operations, marketing, finance and human resources always keeping a regular communication. On the other hand the franchisee would be responsible for recruiting and training employees. A constant share of knowledge between owned and franchised stores should have to be made as well as a good supporting and monitoring to evaluate the franchisee's performance. Is the national expansion the next natural step for PG?

4.4.1- Portuguese consumer

In Portugal, there are typical meals that traditionally vary from north to south, those in the north tend to eat more meat and the ones in the south tend to eat more fish. But the traditional *prego* is very common from north to south. The north of Portugal has 3.741 million of people and almost 2 million of active population. (**Exhibit 9**)

Portuguese consumers are increasingly health conscious, paying more and more attention to what they eat. In the actual context of the economic downturn, factors like price and convenience stores appear to be what has been driving consumer choice. Due to economic reasons, most Portuguese people prefer entertainment and dining at home rather than going

out to socialize, which in turn triggered a greater purchasing of food products in order to eat at home.

The increased dining and entertaining at home contributed to a bigger demand for home delivering and takeaway services. In 2010, eat-in expenditure represented 67% of overall fast food value sales, while takeaway accounted for 33%. In theory, who offers this service is in an ideal position to take advantage of consumer preference for staying at home. PG already offers the takeaway service and has a partnership with No Menu³.

The sophisticated consumer base is looking for fast food that is healthy and of good quality, so the provision of healthy food choices, diversity of dishes and prices, also all kind of complementary offered services are undoubtedly important marketing strategies to appeal to Portuguese consumers in today's consumer fast food market.

4.4.2- National environment in the franchising industry

In the Portuguese market, McDonald's Corp is leader with a value share of 53,1% in 2010 amongst chained operators, 41,1% belonging to McDonald's franchisees and 12% to McDonald's Portugal. Galp Energia with 181 Lojas Tangerina stores had a value share of 5,4%, followed by Iberking-Restauração with its Burguer King brand with 38 outlets in 2010, corresponding a 5% of value share of chained fast food. **(Exhibit 10)**

The most important fast casual dining player is h3 burger fast food chain and Loja das Sopas. h3 registered the biggest increase in value share during 2010, mostly because since their opening, h3 has been developing its chain throughout the country and opened 10 new stores in 2010. Their success is owned in part of its positioning as a healthy fast food, which led to an increase in its value sales by 80%. Loja da Sopas benefited from the Portuguese tradition of regular soup consumption, which is the main item of its menu and also because the brand is perceived as healthier offering fresh products with a variety of dishes at affordable prices.

Regarding the categories of consumer foodservice, independent operators owned 69% of the fast food outlets across Portugal, which represented 1.940 outlets. Although the chained operators have shown a higher ability to encourage consumers to their outlets, with only 31% of total fast food outlets controlled 62% in value sales.

³ "No Menu" is an online site to order food from several fast food chains.

The operating environment in Portugal is mainly franchising. The majority of fast food chained operators have been chosen to expand through franchising, McDonald's had almost 80% of its network managed by franchisees. The chained fast food operators have the financial means to develop further by company-owned stores or even to encourage individuals to invest in franchise stores. Brands like, Vitaminas e Companhia, Loja das Sopas, Burger Ranch, Telepizza and Joshua's Shoarma Grill have been developing their network through company-owned and franchising stores. This strategy allowed these players to develop more quickly at lower costs.

Some domestic players, as h3 and Burger Ranch have been competing with multinational chains by improving the quality of their services, as better food preparation steps, customer oriented or even explore emerging segments, as gourmet and healthy fast food. The chains with a healthy image and competitive prices have showed a strong growth and started to be considered by many Portuguese as a good alternative to traditional restaurants.

The franchising in Portugal is not immune to economic context, since have been experiencing a slowdown in the number of franchisees and the number of brands operating in the country (**Exhibit 11**). According to Instituto de Informação e Franchising (IIF) in 2012, Portugal has a total of 558 brands, which represents 11.018 outlets with a turnover of 4.950 million Euros (**Exhibit 12**). The franchising represents 3% of the Portuguese GDP and contributes with more than 64.000 jobs in 2012, which accounts for around 1,4% of the employment in Portugal.

However, the Portuguese entrepreneurs believe in this business format, since 62% of brands operating in Portugal are Portuguese. The fast food restaurants accounts just with 6,1% of the franchising sector, a small proportion due to high investments costs compared to Services. Moreover, regarding the franchising distribution by district, the majority operates in Lisbon with 256 brands, followed by Porto with 137 brands. (**Exhibit 13**)

The study also shows the growing trend of international expansion from Portuguese brands. In 2012 there were about 910 outlets abroad, an increase of 17,3% over 2011. Franchising minimizes the risk associated with starting a new business, but to engage in a franchising business model is necessary to have more than the initial investment. In a time of crisis, the chain success also depends on the franchisees success, which is why choosing a franchisee is becoming more rigorous.

4.5- The Brazilian Venture

Brazil the biggest country of Latin America with around 201M inhabitants, is considered the 6th largest economy worldwide in terms of US\$, after surpassed UK that is still struggling to

recover from the financial crisis of 2008. Despite Brazil is facing an economic slowdown, it was able to create 2.2 million new formal jobs in 2011 and 1.1 million new jobs in 2012. The unemployment rate fell from 6.0% to 5.5% in 2012. Brazil's economy reached a GDP value of US\$ 2,252,664 million, which represented a 0.9% GDP annual growth rate in 2012, was a result of their fierce export markets and an expansionary fiscal policy.⁴

“Thinking of developing a business only for Portugal is a mistake. There will be a positive growth for a while, but surely it will reach a saturation point” - JCD thought. But JCD was aware that entering in the Brazilian fast food market would not be an easy task.

Brazilian market is everything but simple, strong bureaucracy at entrance, a complex fiscal policy and labor laws, still facing several protectionist laws. Brazilian companies are benefited in their evaluation process of an increase of 25% in public tendering. In fact most of bureaucratic processes concerning food exportation are sluggish making companies quit. Additionally high import taxes that can go up to 80% of the product's value and also overlapping of state taxes.

On the other hand it is a time of opportunities, the Brazilian Fast Food reached a value of \$ 11,140.9 million and increased sales by 16% in current value terms in 2011. Also it is expected a total growth of 43% in constant value terms over 2011-2016 period. Brazil is the second most important, accounting for 10% of the Americas fast food market value, United States is leader with 73,5% of market value (**Exhibit 14**). In Brazil, Quick Service Restaurants (QSR) is the largest segment of fast food, accounts for 70,2% of the market with total revenues of \$7.8 billion, followed by street and mobile vendors with 25,9% equivalent to 2.9 billion in 2011. (**Exhibit 15**)

Since Brazil was a former colony of Portugal there is an intense history between them. Brazil still is a country with a strong presence of Portuguese Communities and descendants.⁵ Although it is not clear that this proximity would be beneficial to an entry Portuguese company. Brazilians do not see Portugal with great admiration or as an example, which might affect negatively the company penetration.

⁴ “GDP (current US\$)”, The World Bank. Available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries/BR?display=graph> [Accessed on 6th November]

⁵ Accordingly to Ministérios dos Negócios Estrangeiros – Direcção Geral dos Assuntos Consulares e Comunidades Portuguesas Direcção de Serviços de Emigração, France had the largest portuguese community with 580.240 in 2011, followed by Brazil with 329.711. Available at: <http://www.noticiasaoiminuto.com/economia/140738/ha-cada-vez-mais-portugueses-a-trabalhar-em-angola#.UwI95Pl ulg> [Accessed on 5th December]

Brazil will be the host country of the upcoming events, FIFA World Cup 2014 and Rio de Janeiro 2016 Olympic Games and Paralympic Games, which is expected to have significant social and economic impacts. Among all the investment in infrastructures, it's planned to open 124 shopping centers between 2011 and 2013.

4.5.1- Capital of Foodservice

São Paulo is known as the restaurant capital of Brazil famous for its diverse food culture. Being the largest Brazilian city and 6th worldwide with more than 11.8 million inhabitants in 2013. São Paulo welcomes every year around 12 million tourists and it is expected an increased due to the FIFA World Cup 2014.

Furthermore their cuisine reflects its immigration history with food origins that goes from Portugal to Italy or even Middle East. There are more than 12.500 restaurants in the city, almost the triple than in New York City. Paulistanos consider eat out one of the most favorite forms of entertainment and the majority of Brazilians tend to prefer fast food instead of traditional restaurants.

In São Paulo, there are more than 50 shopping malls and it is planned to open more over the next years. Among the shopping malls in São Paulo, two of them protrude, namely Shopping Vila Olímpia and Morumbi Shopping, both known for having weekly high people flow since they are nearby workplaces, and the rents are significant lower than other upscale shopping malls such as JK Iguatemi or Iguatemi, sited in Av. Pres. Juscelino Kubitschek and Av. Brigadeiro Faria Lima, respectively. Shopping Anália Franco, a reference in fashion, culture and life quality with high people flow, was elected the best São Paulo's Shopping in 2012. One of its strongest features is to hold events of great impact such as concerts, free exhibitions and fashion events.

The city keeps on growing as the consumer power grows as well, São Paulo and its metropolitan area would remain attractive to foreign direct investment, offering opportunities and good conditions for the ones who know how to approach the businesses.

4.5.2- Brazilian consumer

Nowadays, the Brazilian consumer spends more than twice that spent nine years ago to eat outside home. The emerging class C is already composed by 95 million of people, almost half the population and has been increasing its appetite for consumption. The fast food consumption is seen as a real delight for this type of consumers. However there is still a high percentage of Brazilians socioeconomic groups D and E who are not attending fast food chains,

so attract customers from disadvantageous groups represents a challenge among fast food chains.

According to a research conducted by Shopper Experience⁶, 28% of the Brazilian consumers go to fast food restaurant more than one time per week; 27% once a week and 20% once every fortnight (**Exhibit 16**). Most of Brazilians tend to consume fast food during their leisure time or during lunch on weekends. Dinner is still far from being a common option. In the analysis of the age group, the highest consumers of fast food, are people aged between 25 and 34 years, and the lowest with more than 50 years.

Regarding the preference to eat at a fast food restaurant instead of eat at a traditional restaurant, is justified by 74% of the people for the convenience, speed and agility of the meal. The study reached the conclusion that is ambiguous Brazilians' willingness to pay a higher amount to have a better quality in the fast food chain, 42% are available against 58% who are not interested. About the location, around 70% of the people prefer the restaurants located in shopping centers, while street restaurants are the second choice with 25% (**Exhibit 16**).

Furthermore Brazilians consumers are known as being highly emotional, seeking happiness towards consumption. When asked what they enjoy the most about fast food chain, 65% of respondents answered that the taste is the most important factor, 12% value the variety of dishes/sandwiches and 10% the quick service (**Exhibit 16**). The preference has become almost a cultural issue or an eating habit. Would be the *prego* well accepted by the Brazilian's eating habits?

4.5.3- Competition

The market had 153.395 outlets present in 2011 facing a very competitive rivalry. The fast food market is headed by five companies – McDonald's, Al Saraiva Empreendimentos, Brazil Fast Food Corp, Doctor's Associated and Restpar Alimentos, which accounted for 53% of total foodservice value sales in 2011 of R\$ 8.2 billion.

McDonald's represents almost 33% value market share, despite of the recent decrease in percentage points in the recent years, still is an absolute leader. Followed by Al Saraiva Empreendimentos with Habib's the largest Brazilian network of fast food and also the largest network of Arab fast food in the world. Ragazzo (Italian Fast Food) and BOX30 (Pretzels Fast

⁶ The Shopper Experience research had 5.815 respondents, 71% of women and 29% men, aged 18 and 55.

Food) also belong to Habib's Group. Brazil Fast Food Corp (BFFC) came after, having in their portfolio brands like Bob's, KFC, Pizza Hut, Doggis and In Bocca al Lupo (which operates inside Pizza Hut's restaurants). Additionally, Doctor's Associates with Subway is ranked fourth, followed by Restpar Alimentos with their strongest Brazilian brand Giraffas, which had consolidated partnerships with Coca-Cola Brasil, FSB Food, Unilever Food Solutions in order to provide sauces, salad sauces among others. **(Exhibit 17)**

The market as a whole is highly fragmented with so many large chains as well as independents, which enhances rivalry. For the fast food market, the inexistent customer's switching costs, increases the competition among companies, meaning that within a specific price range, a customer's choice of meal is basically a matter of individual personal taste. The fast food market is expected to keep growing at a slowed pace, while fierce pricing strategies reduce companies margins.

In this industry, the market of suppliers is not so concentrated as the market they serve, so there is no major supplier's player. Brazilian Fast Food chains make partnerships with companies of suppliers like FSB Food, Braslo Margrig or Sadia, covering the essential products like meat, chicken or even bread. With supplier's partnerships they are able to reduce the costs in order to increase their price competitiveness.

4.5.4- Trends and entry mode strategy

In the Brazilian Fast Food market, entry mode choice is a critical decision in international marketing. Within chained consumer foodservice in Brazil, the majority of foodservice chains, both foreign and local players expanded their businesses through franchising. Therefore, the fast food market faces five leading companies, accounting for 63% of the total brand shares of chained fast food: McDonald's, Habib's, Bob's, Subway and Giraffa's, which despite of McDonald's, are all master franchisors of many well-known brands.

Brazil's franchise industry is booming, being the most common entry method chosen by international players. The franchising sector had revenues of R\$ 103.292 billion in 2012, representing a 16,2% growth from 2011 **(Exhibit 18)**. São Paulo is the most competitive market with 51,5% of headquarters' franchisors and 37,1% of the franchised units. Moreover, the franchising sector almost quadrupled the number of franchise network in 10 years, reached 104.543 franchised stores, representing 2.426 franchisors.**(Exhibit 19 and 20)**

JCD believe that to expand throughout Brazil, it would have to be through a joint venture with a local partner in order to create a master franchising, having its own stores as well as sub-franchise stores. However, franchises should enter at a slower pace, since it is priority to create strong relationships at all levels with community, customer, suppliers, franchisor/franchisee or distributors.

The local partner would be the master franchisor responsible for several operations; find site location for the stores discovering the food courts that could better accept the PG's concept; to help to create a good supply chain; hiring and paying employees or suppliers. Furthermore the franchisor should always be customer oriented, worried in adapt the concept to Brazilians needs and preferences.

However starting a business in Brazil is everything but easy, Brazil is ranked in 116 out of 189 countries as ease of doing business⁷, with an estimation of 119 days needed to start operating compared to 20 days in G20 countries. Thus, Brazil is known for having a lengthy process with franchising legal issues, to open a franchise some legal documents are needed such as *Lei Magalhães Teixeira*, *A Circular de Oferta de Franquia* and *the Franchise Agreement*. It is also necessary the Registration of the agreement with the Brazilian Patent, Trademark Office ("INPI") and Central Bank.

The choice of the right partner is one of the biggest challenges when entering in Brazil. Due to the PG's lack of knowledge and resource, they would have to pay for external services, like *Bittencourt Consultoria*⁸, who had helped more than 1500 companies to grow and develop their businesses in Brazil.

4.6- Marketing the *prego* outside Lisbon

In Portugal, PG made no investment in communication, their bet is on the *word of mouth*, which in fact has dictated the growth of this fast food chain. JCD has used very specialized press and social networks like Facebook to communicate the product, in a way of creating a relationship with customer. Their main promotion is the loyalty's card in which for every 10 meals the client get a free meal or a branded PG t-shirt. The loyalty card is a successful tool in which keeps the client "attached" on a daily basis to PG in search of the 10th stamp.

⁷ "Easy of doing business in Brazil", Doing Business. Available at: <http://www.doingbusiness.org/data/exploreeconomies/brazil/> [Accessed on 20th January]

⁸ Bittencourt Consultoria is a consulting company, specialized in franchising, business expansion and business's networks.

However in Brazil the strongest players are constantly advertising themselves to boost brand awareness. McDonald's in 2011 spent globally US\$ 963 million in advertising. The brand uses all kind of marketing strategies such as celebrities, toys or games in order to attain the most diverse segments. Among the others most popular brands in Brazil like Habib's, Burger King, Bob's and Giraffa's also incurred in such marketing strategies. **(Exhibit 21)**

PG should try to position itself as a healthy fast food with a unique offer in the market. Using the point of sale to advertise the brand, but also use marketing strategies such as World Cup's menus or choose football athletes as brand endorsers, as a strategic and intentional advertising bet due to the upcoming World Cup 2014.

It is crucial for the company to take into account cultural shocks, because knowing the target enables to find opportunities and tap into them. In Philippines, Jollibee was able to beat McDonald's through the customers' preference for the local tasty burgers (Filipino flavor), taunted McDonald's with slogans as "smells and tastes delicious, not bland".

In the Portuguese market, the managers always aware of the consumers' taste, an extension in the menu was added **(Exhibit 22)**. This new menu is very similar to the well known Portuguese dish, the "bitoque"⁹, which is constituted by a *prego* with 2 possible sauces, black beer sauce or Portuguese sauce and an egg. An adaption was made to keep improving the variety in order to surprise the current and future customers.

The features of PG's menus in Brazil would have to suffer some modifications to better serve Brazilian's needs in order to adapt the product to the local culture. Brazilians are known for being big lovers of top sirloin cap (typical Brazilian meat); also are large tropical fruit consumers, which is a feature that is still almost unexplored within fast food chains. Catupiry a famous ingredient in various dishes that used to be spread over toasts or bread is a flavor highly appreciated by them. Moreover, one of the most common side dishes in Brazil is black beans with farofa. Deserts highly appreciated would be mango mousse, "*doce de leite*" mousse or "*brigadeiro*" mousse. The popularity of frozen yogurt has been increasingly, arrived in Brazilian market connoted as healthier and should be seen as other option.

4.7- Conclusions and Dilemmas

João Cota Dias has now an important decision to make. The challenge is to understand the risks and opportunities of each strategy, and also being aware of the company actual context. Both strategies have different requirements and implications that would affect the current

⁹ Bitoque is also a very traditional and common Portuguese dish.

Prego Gourmet - Critical Decision in the Expansion Strategy

business model. Starting a new business format as franchising would allow a quicker development in a such competitive industry, where the consumer's preference and eating habits are the key.

However, JCD knew that there are different risks for PG whether the strategy would be expands to the north of Portugal or start the Brazilian venture. The major concern about internationalization is to understand if they have the required managerial skills.

JCD is aware that his final decision would impact the future success of PG. Within a month he has to decide the right next growth strategy, so it is time to leave *Campo de Ourique* Market and start working.

Does PG really know their customers and preferences? What are the Portuguese fast food consumption patterns? Are there any critical factors when choosing a fast food restaurant that could be improved in PG's characteristics? What is the perception of customers about PG? Let's find out.

4.8- Case Study Exhibits

Exhibit 1 – PG's partners



Exhibit 2 – PG's menu

NO PÃO	PREGO MENU	NO PRATO	PREGO MENU	SALADAS	SALADA MENU
FREGO CÉSAR Peito de frango grelhado, com salada e molho César	€4,45 €5,95	FRANGO 200 gramas de peito de frango grelhado com molho de manteiga e alho	€7,25 €7,95	SALADA CÉSAR Com peito de frango grelhado	€7,75 €8,45
FREGO RÁPIDO Bife de alcatra grelhado, com molho de manteiga e alho	€4,45 €5,95	ALCATRA 200 gramas de bife de alcatra grelhado com molho de manteiga e alho	€7,25 €7,95	Com bife de alcatra grelhado	€7,75 €8,45
FREGO AMERICANO Bife de alcatra grelhado, com molho de pimentos, cebola e queijo cheddar	€5,45 €6,95	PORCO 200 gramas de lombinho de porco grelhado com molho de manteiga e alho	€7,75 €8,45	Com lombinho de porco grelhado	€8,25 €8,95
FREGO IBÉRICO Lombinho de porco grelhado, com salada e maionese de chutney de manga	€5,45 €6,95	SALMÃO 200 gramas de lombo de salmão grelhado com molho de manteiga e alho	€8,25 €8,95	Com salmão grelhado	€8,75 €9,45
FREGO ASIÁTICO Salmão grelhado, com salada e maionese de soja e gengibre	€5,95 €7,45	LOMBO 200 gramas de bife do lombo grelhado com molho de manteiga e alho	€11,95 €12,65	Com bife do lombo grelhado	€9,95 €10,65
FREGO CLÁSSICO Lombo grelhado, com molho de manteiga e alho	€6,95 €8,45				
FREGO GOURMET Lombo grelhado, com rúcula, parmesão e molho balsâmico	€7,45 €8,95				
		MENU INCLUI:			
		2 + 1			
		Acompanhamentos Bebida à escolha		PARA ACOMPANHAR	
				Arroz	€1,50
				Batatas	€1,50
				Cenoura e aipo com molho blue cheese	€1,50
				Salada César	€1,50
				Pão	€0,60
				IVA INCLUIDO À TAXA LEGAL EM VIGOR.	

Prego Gourmet - Critical Decision in the Expansion Strategy

Exhibit 3 – Prego

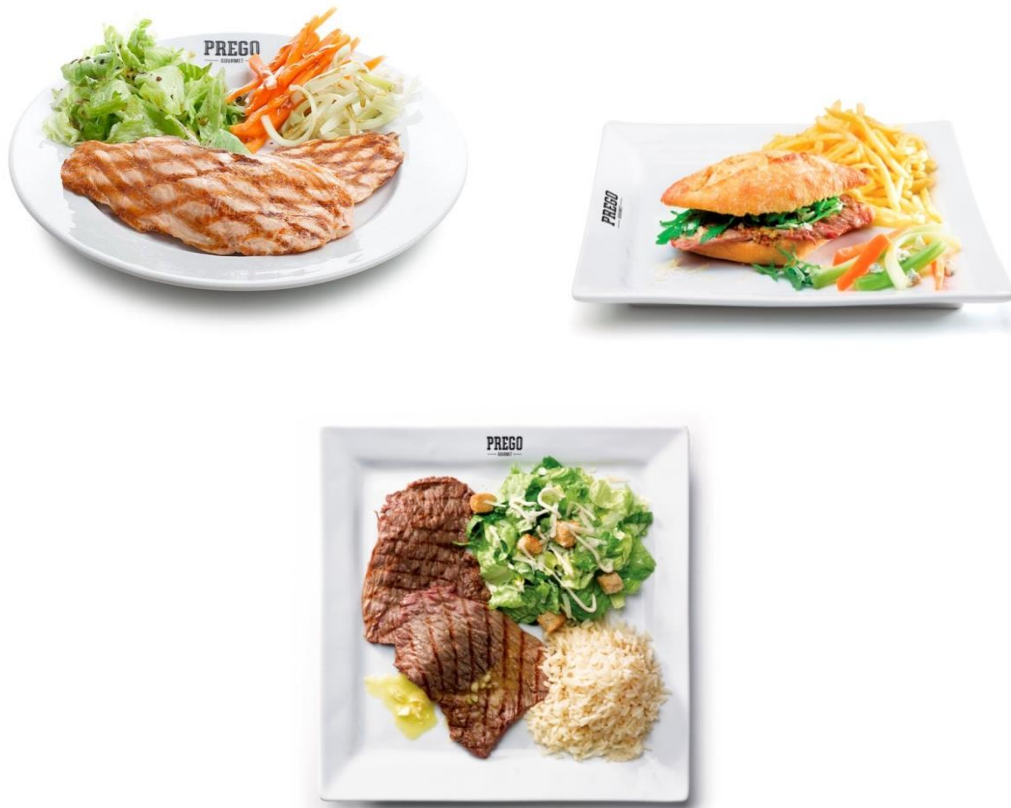


Exhibit 4 – PG's image, before vs after repositioning

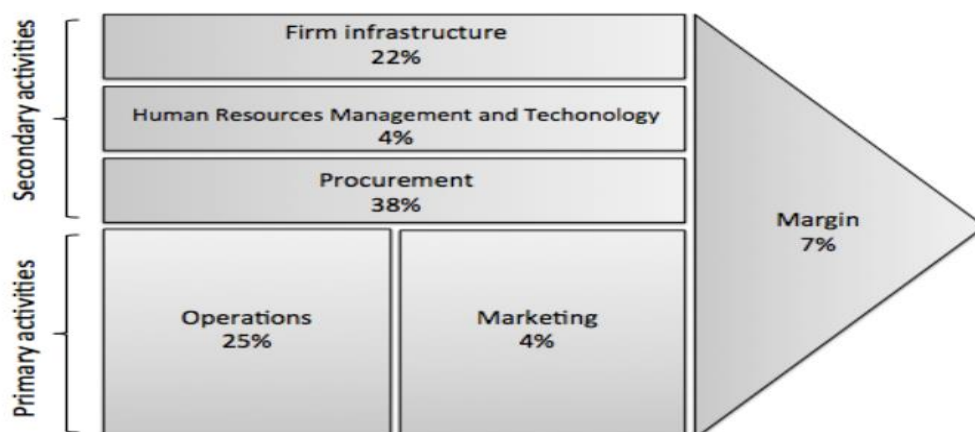




Exhibit 5 – PG’s motto



Exhibit 6 – Prego Gourmet Store’s Value chain



Source: Prego Gourmet

Exhibit 7 – Stores ‘evolution throughout time

Year	Month	Location
2011	Jun	Amoreiras Plaza
	Nov	Oeiras Parque
2012	Apr	Campo Pequeno
	Jul	Alegro
	Aug	Atrium Saldanha
	Sep	CascaShopping
2013	Feb	Colombo
	Jul	Chiado
	Aug	Vasco da Gama

Exhibit 8 – Industry Mapping



- Managed process links (Links managed by Prego Gourmet)
- -> Monitored process links (Non-critical links, important to integrate in the supply chain)

Exhibit 9 – Population of Portugal’s regions

Regiões	População total (2010)	População activa (2010)	PIB (2010)	PIB per capita (2010)	
	Milhares	Milhares	Milhões €	Milhares €	Portugal=100
Portugal	10.637	5.581	172.571	16,2	100,0
Norte	3.741	1.984	48.542	13,0	80,0
Centro	2.376	1.346	32.161	13,5	83,4
Lisboa	2.840	1.411	64.313	22,7	140,0
Alentejo	749	369	11.027	14,7	90,6
Algarve	438	223	7.381	17,0	104,5
RA Açores	246	118	3.728	15,2	93,7
RA Madeira	248	129	5.224	21,1	130,3

Fonte: INE

Source: INE – Instituto Nacional de Estatística

Exhibit 10 – Brand Shares of Chained Fast Food 2007-2010

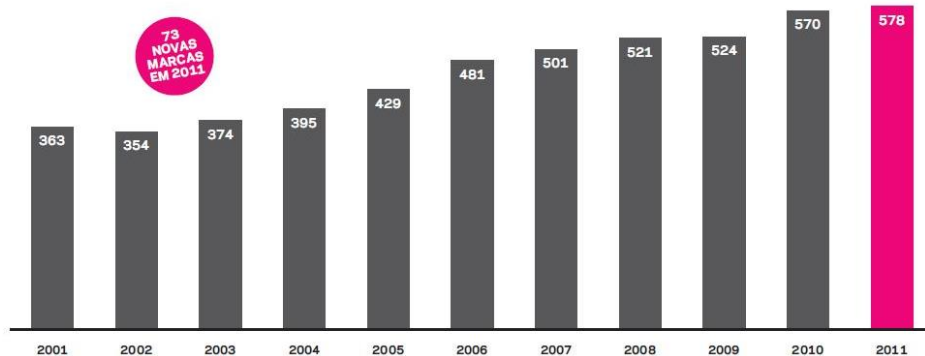
Table 9 Brand Shares of Chained Fast Food 2007-2010

% value	Global Brand Owner	2007	2008	2009	2010
McDonald's	Various franchisees	40.2	41.5	40.7	41.1
McDonald's	Sistemas McDonald's Portugal Lda	11.4	12.0	11.8	12.0
Lojas Tangerina	Galp Energia SGPS SA	6.7	6.5	5.9	5.4
Burger King	Iberking - Restauração SA	3.5	4.2	4.8	5.0
H3	Café 3 restauração SA	1.3	1.5	2.8	4.9
Pans & Co	Ibersande Restauração SA	5.3	5.4	4.8	4.6
Companhia das Sandes	Starfoods SA	-	-	-	3.1
Loja Das Sopas	Various franchisees	2.4	2.2	2.8	2.7
Go Natural	Go Natural	1.7	1.2	2.6	2.5
KFC	Iberusa Hotelaria e Restauração SA	2.1	2.0	2.0	2.1
Vitaminas e Companhia	Multifood Lda	2.3	2.2	2.0	1.9
Burger Ranch	Various franchisees	1.5	1.6	1.5	1.6
Burger Ranch	Lucas, Caetano & Martins Lda	2.0	1.9	1.7	1.6
Olá	Jerónimo Martins Restauração e Serviços	2.3	2.0	1.8	1.6
Happy Grill	Grill store Portugal	0.7	0.9	1.2	1.3
TelePizza	Various franchisees	0.6	0.6	1.3	1.1
Loja Das Sopas	Starfoods SA	-	-	-	1.1
Joshua's Shoarma Grill	Joshua-Cozinha Israelita, Lda	1.3	1.2	1.2	1.1
Farggi	Various franchisees	0.9	0.9	0.9	0.7
Baskin-Robbins	Various franchisees	0.9	0.8	0.7	0.7
Häagen-Dazs	Caravela Alimentação, SA	0.6	0.6	0.6	0.5
KonoPizza	Various franchisees	0.2	0.2	0.4	0.4
Joshua's Shoarma Grill	Various franchisees	0.4	0.4	0.4	0.3
Délfiance	Various franchisees	-	0.3	0.4	0.3
Vitaminas e Companhia	Various franchisees	-	0.2	0.3	0.3
Bocatta	Ibersande Restauração SA	0.3	0.3	0.3	0.2
TelePizza	TelePizza Portugal SA	0.2	0.1	0.2	0.2
KonoPizza	Provelto Lda	0.1	0.1	0.1	0.1
Prime Ice-cream	Various franchisees	0.2	0.2	0.2	0.1
Prime Ice-cream	Piazza Indústria de Gelados Lda	0.2	0.1	0.1	0.1
Companhia das Sandes	Cia das Sandes, SA	4.3	3.7	3.5	-
Loja Das Sopas	Sopas & Cia Systems Restauração SA	2.1	2.0	1.2	-
Subway	Subway Realty of Spain SL	0.5	0.2	0.2	-
Teriyaky San	Frankoi, SA de CV	0.2	0.1	-	-
Pizza Hut	Ibersol SGPS SA	0.7	-	-	-
Others	Others	3.0	2.8	1.9	1.6
Total	Total	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources.

Source: Euromonitor International – Analysis, 2011. “Fast Food in Portugal”

Exhibit 11 – Number of franchisors in Portugal



Fonte: 17.º censo "O Franchising em Portugal" do IIF - Instituto de Informação em Franchising [dados de Dezembro de 2011]

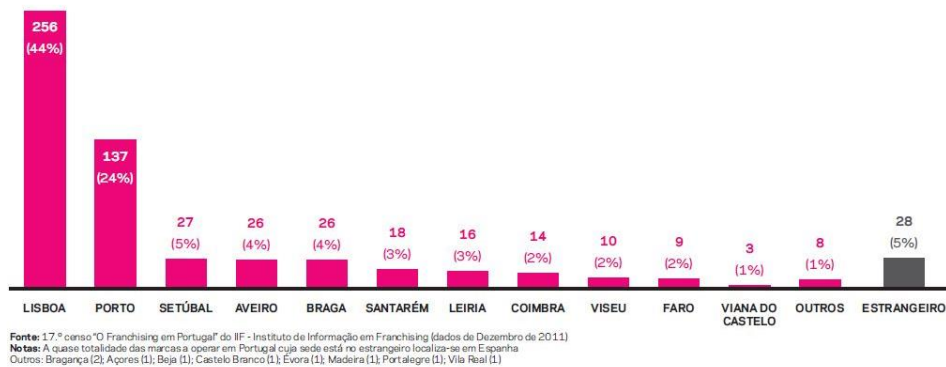
Source: Instituto de Informação em Franchising

Exhibit 12 – Number of franchise stores in Portugal



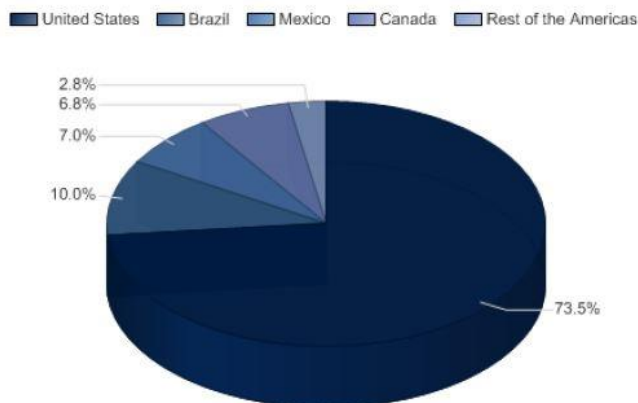
Source: Instituto de Informação em Franchising

Exhibit 13 – Distribution of franchisors' headquarters per district



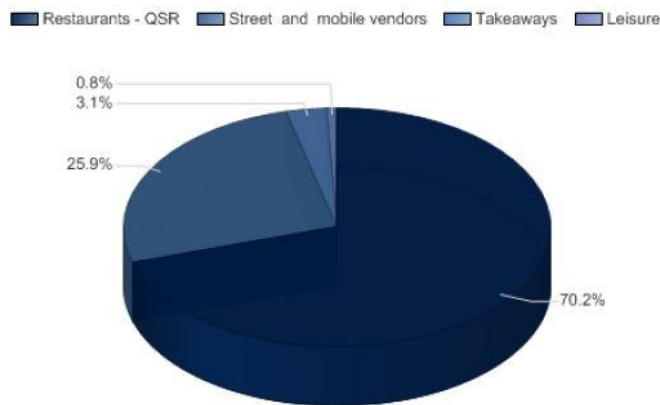
Source: Instituto de Informação em Franchising

Exhibit 14 - America Fast Food Market



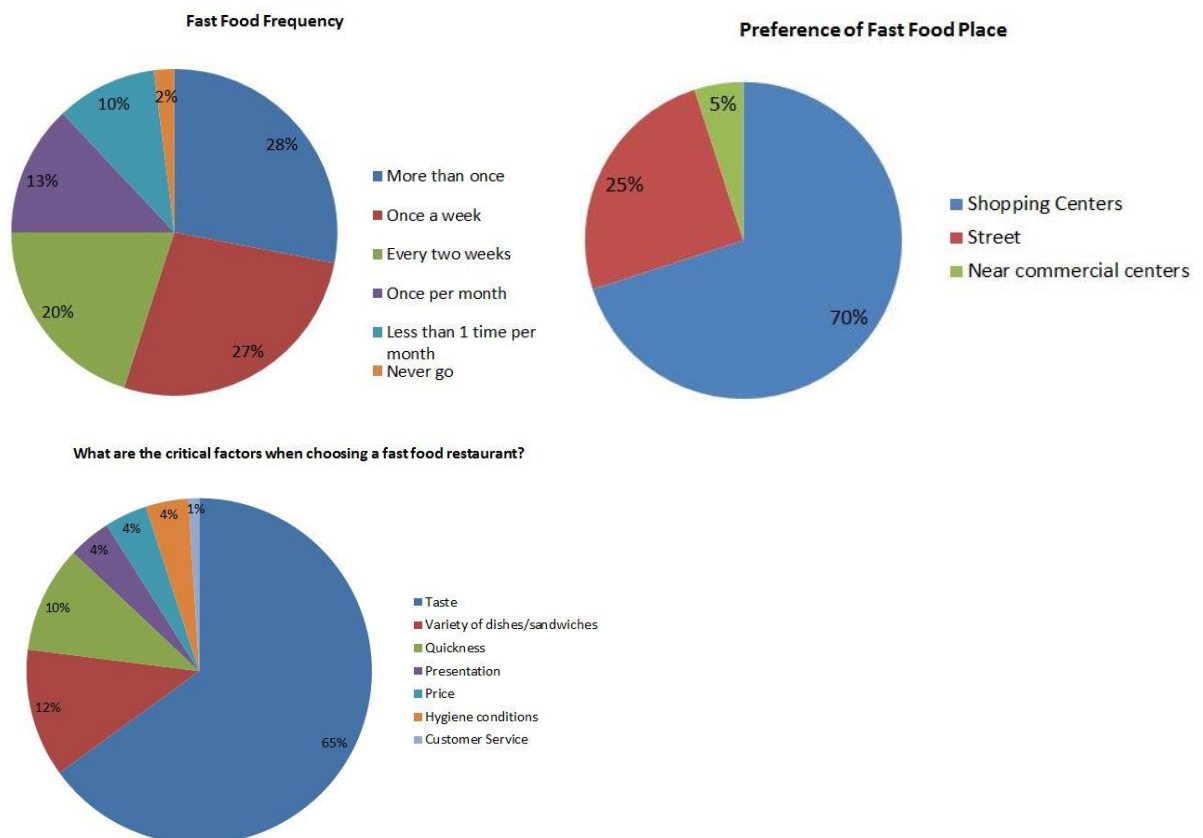
Source: Marketline

Exhibit 15 – Segment’s value in Brazil



Source: Marketline

Exhibit 16 – Research conducted by Shopper Experience



Source: Shopper Experience – “Fast-Food no Brasil”

Exhibit 17 – Brand Shares of Chained Fast Food 2008-2011, Brazil

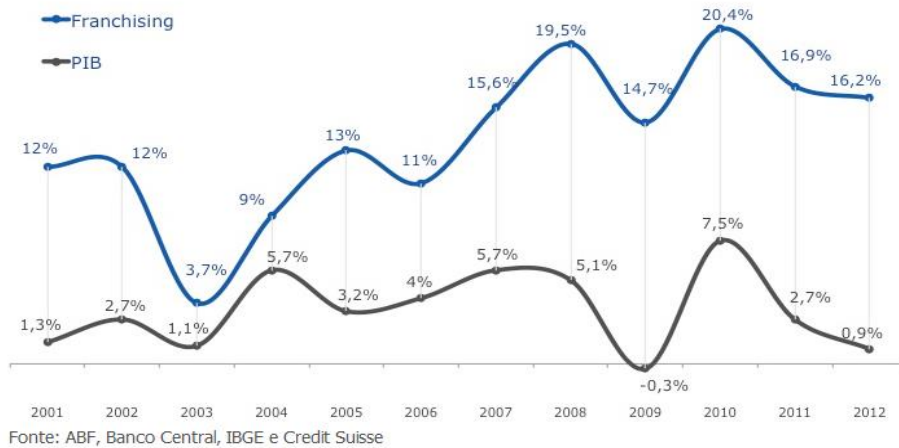
Table 9 Brand Shares of Chained Fast Food 2008-2011

% value	Global Brand Owner	2008	2009	2010	2011
McDonald's	McDonald's Corp	39.7	36.4	33.9	32.9
Habib's	Al Saraiva Empreendimentos Imobiliários e Participações Ltda	12.7	12.7	13.2	11.4
Bob's	Brazil Fast Food Corp	7.9	7.0	7.3	7.2
Subway	Doctor's Associates Inc	3.0	3.7	4.6	6.7
Giraffa's	Restpar Alimentos Ltda	4.9	5.2	5.1	5.3
Burger King	Burger King Holdings Inc	2.1	2.4	3.0	3.5
Spoletto	Grupo Úmbria	3.5	3.6	2.8	3.0
Casa do Pao de Queijo	CPQ Brasil S/A	3.2	3.0	2.7	2.6
Vivenda do Camarão	Vivenda do Camarão	1.2	1.6	1.7	1.8
ampm	British Petroleum Co Plc, The	1.2	1.3	1.4	1.6
Montana	Gálica Comércio de Alimentos Ltda	1.3	1.4	1.4	1.3
Frango Assado	International Meal Co	0.7	0.6	0.7	1.0
BR Mania	Petrobrás Distribuidora SA	0.7	0.8	0.8	0.8
Pizza Hut	Yum! Brands Inc	0.7	0.8	0.8	0.7
Yogoberry	Yogoberry Sorvetes de Iogurte Ltda	-	0.1	0.1	0.7
Roasted Potato	M. Caroni Junior	0.6	0.7	0.7	0.7
Gendai	RHS Franchising S/C Ltda	0.3	0.4	0.5	0.6
Yoggi	Yoggi Franquias Ltda	-	0.2	1.0	0.5
Koni Store	Grupo Úmbria	0.3	0.4	0.4	0.5
Camarão & Cia	Drummatos Produtos Alimentícios Ltda	0.4	0.5	0.5	0.5
Jin Jin Wok	Jin Jin Com e Franchising Ltda	-	-	0.5	0.5
Amor aos Pedacos	AAP Franchising S/C Ltda	0.4	0.4	0.4	0.4
Grietto	Grietto Franchising Ltda	-	0.3	0.4	0.4
Sensações Doces	Cléusa Maria da Silva Salto ME	0.3	0.3	0.4	0.4
Mister Pizza	Pizzarias Mr Pizza Ltda	0.6	0.5	0.4	0.4
Baked Potato	Baked Potato Ltda	0.4	0.4	0.4	0.4
Shell Select	Koninklijke Shell Groep/Royal Dutch Shell Group	0.3	0.4	0.4	0.4
Bon Grille	Bonfiglioli, Grupo	0.6	0.5	0.4	0.4
Mister Sheik	Mister Sheik Com Emp e Administração Ltda	0.5	0.5	0.4	0.4
Mini Kalzone	MK Marketing e Franchising Ltda	0.5	0.4	0.4	0.3
Jin Jin Chinese Fast Food	Jin Jin Com e Franchising Ltda	0.4	0.5	-	-
Others	Others	12.5	13.1	13.4	12.8
Total	Total	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

Source: Euromonitor International – Analysis, 2012. “Fast Food in Brazil”

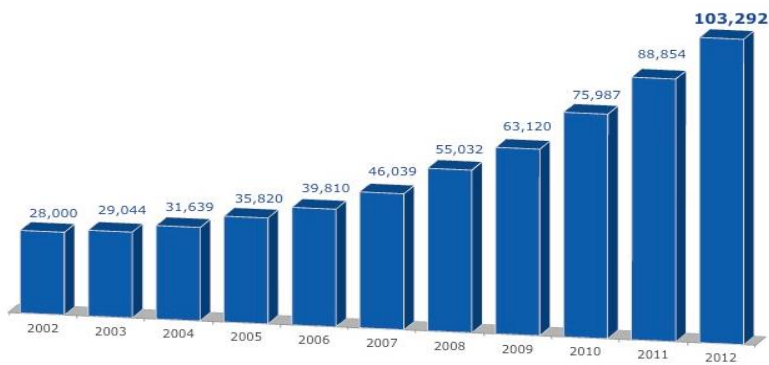
Exhibits 18 – GDP and franchising growth in Brazil



Source: ABF – Associação Brasileira de Franchising

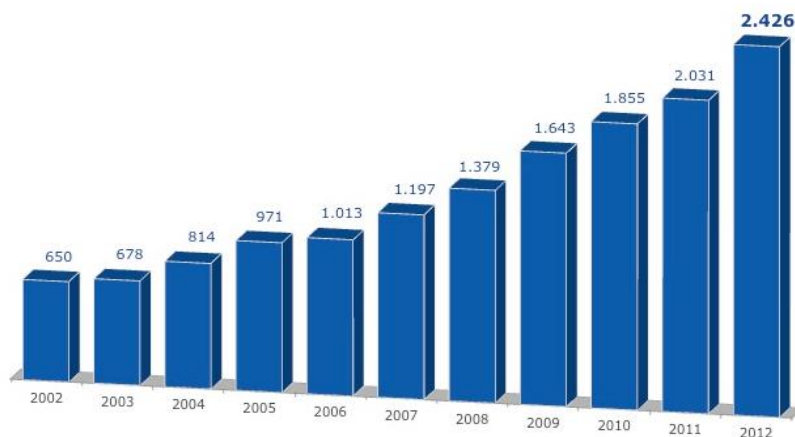
Exhibits 19 – Turnover of franchisors the franchising sector in Brazil

(valor em bilhões de R\$)



Source: ABF – Associação Brasileira de Franchising

Exhibits 20 – Number of franchisors in Brazil



Source: ABF – Associação Brasileira de Franchising

Exhibits 21 – Major players marketing strategies in Brazil

Brasil – estratégias de marketing					
					
Personagens de desenho animado	SIM	SIM	SIM	SIM	SIM*
Celebridades	SIM	SIM	NÃO	NÃO	NÃO
Brinquedos e brindes	SIM	SIM	SIM	SIM	SIM
Jogos	SIM	NÃO	NÃO	NÃO	NÃO

*A rede Giraffas não utiliza personagens de desenhos animados, mas possui personagens próprios.

Source: Instituto Brasileiro da Defesa do Consumidor

Exhibit 22 – PG's new product



E UM OVO A CAVALO?

Peça o seu ovo extra por apenas **0,50€**

PREGO

e experimente os **novos molhos:**

CERVEJA PRETA **PORTUGUÊS**

www.pregogourmet.com

Source: Prego Gourmet

5- Market Research

Before entering into foreign markets, it is vital at first to understand the Portuguese consumer and their patterns. Is the *prego* a product with an inherent Portuguese culture? Would it be a product easily globalized? What are the determinant aspects for the consumer when eating fast food?

There are several internal and external characteristics that may affect the consumption patterns of the Portuguese shopping mall's customers. Hence, the company should know exactly the Portuguese consumers to better address and take into consideration their habits and preferences.

For a better understanding about Portuguese consumption preferences when having a fast meal, an online survey was conducted (**Appendix 2**) in order to collect quantitative and qualitative information. The survey covered the following topics:

- Consumption Patterns of the Portuguese people
- Fast Food consumption preferences
- Critical factors when choosing a fast food restaurant
- Portuguese perception about the *prego*
- Brand Recognition
- Generalized Perception towards PG
- Competition

5.1- Methodology

Market research was done through the development of an online survey. The survey was built on QuestionPro and distributed through social networks and internal email lists, which resulted on a random sample of 383 participants that started the survey, but only 352 finished it. With a dropout rate of 8%, just 352 responses were considered valid and useful for further analysis.

The survey was based on 18 close-ended questions, divided into three parts of analysis. The first one with the purpose of understanding the consumption patterns of Portuguese people, the place where people often have lunch and frequency that people eat in shopping malls. The ones that answered that "I never eat in shopping malls" pass automatically to the end of survey, since I considered those people not useful to my research. The second part highlights

the fast food consumption preferences, critical factor about fast food restaurants, perception about the *prego* and brand recognition. The ones that do not know or never ate in PG go to the end of the survey. In the third part I tried to understand the generalized perception that customers have about PG and find out the main competitors. For this purpose, it was important to only consider the people that know and already ate in PG to reach more accurate responses. Qualitative insights were incorporated in some questions to better understand the customer's perception.

During the survey, there were two questions in which people had to answer the two best options in order not to restrict the person's preference to only one option. All the questions were mandatory. The target of the survey was the Portuguese population of all ages, so the survey was designed and distributed in Portuguese to guarantee clarity for the participants and more precise results.

5.2- Sample Analysis

The sample is constituted by 352 valid answers. In terms of demographic variables, it is important to categorize the sample, hence **(see Exhibit 23 a)**:

- 49,43% of the sample are females and 50,57% are males;
- There were only 3 respondents under 18;
- The ages between 18 and 28 years represent the large majority of the sample with 69,6%, representing 64,94% of the females and 74,16% of the males;
- 13,22% of females and 9,55% of males are between 29 and 40 years; having a total of 11,36% of the total sample represented,
- The second largest sample is inserted in the age category between 41 and 55 years achieving a total of 12,78%, representing 14,94% of females and 10,67% of males.
- Above 55 years old, 5,40% of the total sample; consisting in 5,75% of females and 5,06% of males.
- 87,78% of the sample was from Lisbon and 12,22% from other districts.

Regarding the participants' occupation (Exhibit 23 b and c), I could verify the following:

- The majority of the sample is constituted by 50,85% of students, which 97,21% of the respondents are between 18 and 28 years old;

- Professionals are the second largest portion with 41,19%, which 42,07% are between 18 and 28 years old;
- The third and last option, "Other" representing retired, unemployed people or other situations, represents 7,95% of the sample; the categories of 18 to 28 years old and above 55 years old have the highest portion, each category with 35,71%.

Regarding the participants' income (Exhibit 23 d), I could verify:

- The largest sample is formed by 61,93% of people with an annual income below 14.000€, which 88,99% are between 18 and 28 years;
- The second largest sample is constituted by people with an income between 14.000€ and 30.000€, which 41,67% are between 18 and 28 years old and, 29,76% are between 29 and 40 years old;
- People with an income between 30.000€ and 50.000€ is the third largest portion with 8,81%, which 38,71% are between 41 and 55 years old.

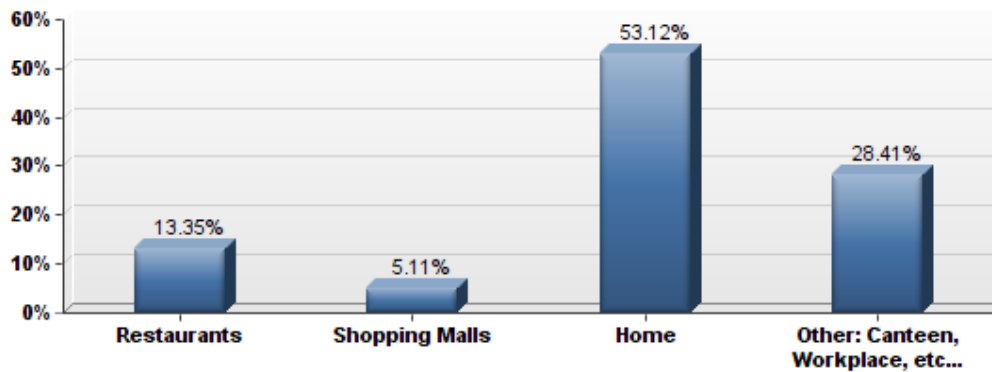
According to the values above, I can conclude that the majority of participants are students from Lisbon, between 18 and 28 years old with an annual income below of 14.000€. But also a large sample of professionals between 18 and 40 years old with an income between 14.000€ and 30.000€.

5.3- Results

5.3.1- Consumption Patterns of the Portuguese people

Regarding consumption patterns, some variables were taken into consideration: in a first phase, it was asked where Portuguese people usually have lunch and then the following question was about the frequency that people eat in shopping malls. Taking a look at **Exhibit 23 e)**, I could verify that 53,13% of the sample have lunch at home during the week; 28,41% chose the option "other" referring to canteens or other; 13,35% opt to street restaurants.

Exhibit 23 e) – Consumption patterns place



Shopping malls appears to be the last common option, achieving only 5,11%. In fact, from the results obtained, Portuguese people still suffer from the current socio-economic crisis and the sample shows that people prefer saving money and having a meal at home, instead of going out to shopping malls on a regular basis.

Concerning the frequency that people use to eat in shopping malls, 60,23% of the respondents go 1/2 times per week. On the other hand, 34,38% answered that “never eat in shopping malls”, those who answered it were redirected to the end of the survey, once I considered this type of respondents not useful to the next research questions. Please observe more information in **Exhibit 23 f)**.

The large majority of respondents admitted that to eat in shopping centers are not their first option and, through the analysis of cross tabulations, I could verify that there are a clear preference for eating at home regardless of respondents’ occupation, annual income or age. Please see more information in **Exhibit 23 g), h) and i)**. The Portuguese people that study or work near home rather prefer to save money and eat at home than to go to shopping malls.

Most of the fast food chains are adding more healthier options in their menus, which goes in line with the high awareness of a healthier diet by the Portuguese people, and this was confirmed by 89,77% of the respondents, who responded that tend to worry in having a healthier diet. (**Exhibit 23 j)**)

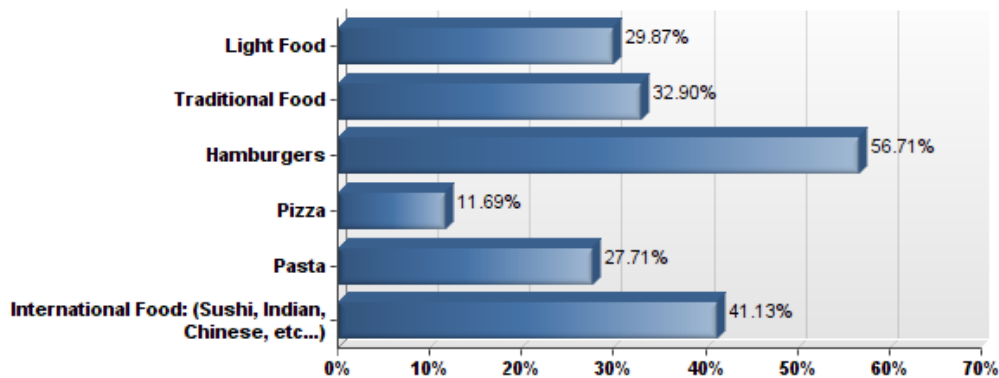
5.3.2- Fast Food consumption preferences

In Portugal, the fast food market is considered a saturated market with a high competition. Therefore, the variety offered in shopping malls is highly differentiated and the purchase choice is mainly induced for the preferred type of food. In order to understand the favorite

types of food concerning fast food chains, it was developed a question where the participant had to point out the two preferred options when eating in shopping malls.

According to the **Exhibit 23 k)**, the preferred type of food is Hamburgers with 56,71% of the sample. In the second place appears international food, an option mainly driven by the recent trend of sushi. Please see **Exhibit 23 k)**.

Exhibit 23 k) – Type of food preferences

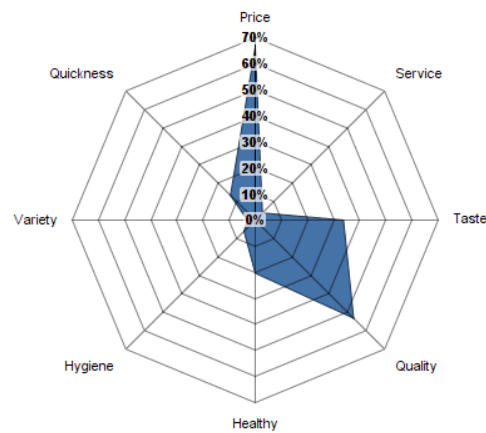


Traditional food is in the third position with 32,90%. As the less preferred types of food are light food and pasta representing a similar preference, and Pizza seems to be the last choice with only 11,69%. The results show that hamburgers as a globalized product, dominate the preference of Portuguese people.

5.3.3- Critical factors when choosing a fast food restaurant

As I previous stated, once the Portuguese fast food market is highly saturated, there are some aspects that trigger the customer choice when choosing a fast food restaurant. For that purpose and to figure it out the factors, it was asked to the respondents to indicate the two factors that they value the most when eating in shopping malls. The question highlights eight factors: price, service, taste, quality, healthy, hygiene, variety and quickness.

Exhibit 23 l) – Critical aspects when choosing fast food



Portuguese consumer considers **Price** as the most critical factor with a total of 153 responses. **Quality** of the products seems to be also one of the most important aspects with 123 responses meaning a high awareness about quality by the consumer. (Exhibit 23 m)

The third factor that consumer values the most is **Taste**, with 78 responses. It is considered one of the most differentiated factors among fast food chains. In the Portuguese market, more specifically among fast casual restaurants, where the quality and price are very similar, taste would play a very important role on consumer's choice. Concerning the **Healthy** aspect and taking into account that 89,77% responded that they worry about having an healthy diet, it is surprisingly that healthy factor only obtained 47 responses. This fact also contrasts with the current trend of fast food restaurants on creating healthier options.

Analyzing the results, it is perceived that PG is well positioned in their characteristics and offers, once are aligned with consumers' expectations. Despite the fact Portuguese consumer considers quality and taste very important factors when choosing a restaurant, price is still crucial as well, which allows me to conclude that Portuguese consumer tends to balance those three factors in their choice.

5.3.4- Portuguese perception about the *prego*

The *prego* is a typical Portuguese product which has lasted over the years. In order to address the consumer's perception about the main product of PG, two direct questions were made. The first one was about the consumer's opinion about the relation of the *prego* with the

Portuguese culture, 96,10% of the sample affirmed they consider the *prego* an icon of the Portuguese culture. (**Exhibit 23 n**)

Although when asked if they ever wanted to eat a *prego* outside of Portugal, the results indicate that only 33,77% of the sample felt the need of eating a *prego* in a foreign country. I could conclude that despite inherent link that Portuguese people have with the product, it is not so significant that leads them to want to eat it out of Portugal. (**Exhibit 23 o**)

5.3.5- Brand Recognition:

In this phase of the survey, I intended to select only the participants that already knew and tasted PG, in order to have more valid responses in the next questions. For the purpose of brand recognition, I could verify that among the 231 participants who reached this stage, 159 participants know PG, but 72 participants do not know, which gives 68,83% and 31,17% respectively. The ones that do not know were redirected to the end of the survey. (**Exhibit 23 p**)

Taking into account that 159 participants that know this fast food chain, a second question were addressed to find out how many of them already ate in PG. Considering the sample of 159 participants, 112 answered positively and 47 answered negatively, representing 70,44% and 29,56% respectively. After this question, only the 112 participants that responded positively were allowed to proceed to the rest of the survey. (**Exhibit 23 q**)

Therefore, this reveals that there is high brand awareness about PG, and also the large majority affirmed that they already went to PG's restaurant.

5.3.6- Generalized Perception towards PG

Now with a sample of 112 respondents, a more viable opinion about PG's perception was obtained. A specific question was built in accordance to eight critical aspects and the evaluation of each aspect were classified in scale between 1 and 5, "1-Very bad" and "5-Very good".

Observing **Exhibit 23 r**), taste, hygiene and quality are the three aspects with higher scores, 4.04, 4.03 and 3.90 respectively. Comparing to the responses about the critical aspects when choosing fast food, PG has been capable of satisfied the consumers on two of the three main aspects when choosing a fast food restaurant, taste and quality.

In contrast, healthy aspect is the one with lower score, which lead me to believe that people do not see PG as a healthy option. Other question was addressed about healthy perception, asking if the consumers consider PG a healthy food, 52,68% responded negatively and 47,32% agreed. The results reached numbers very close to each other, which allowed me to conclude that this point is not well defined in the consumer's mind. Observing **Exhibit 23 s)**, I could verify that who answered that worry in having a healthier diet, 50% consider PG a healthy option and the other 50% do not.

For the purpose to understand how people interpret PG's image according to several characteristics: innovative; modern; unique; quality/trust; original; patriot/national; Timeless and Sophisticated. A question with eight elements was built and asked to rate in a scale between 1 and 6, "1-Strongly Disagree" and "6-Strongly Agree".

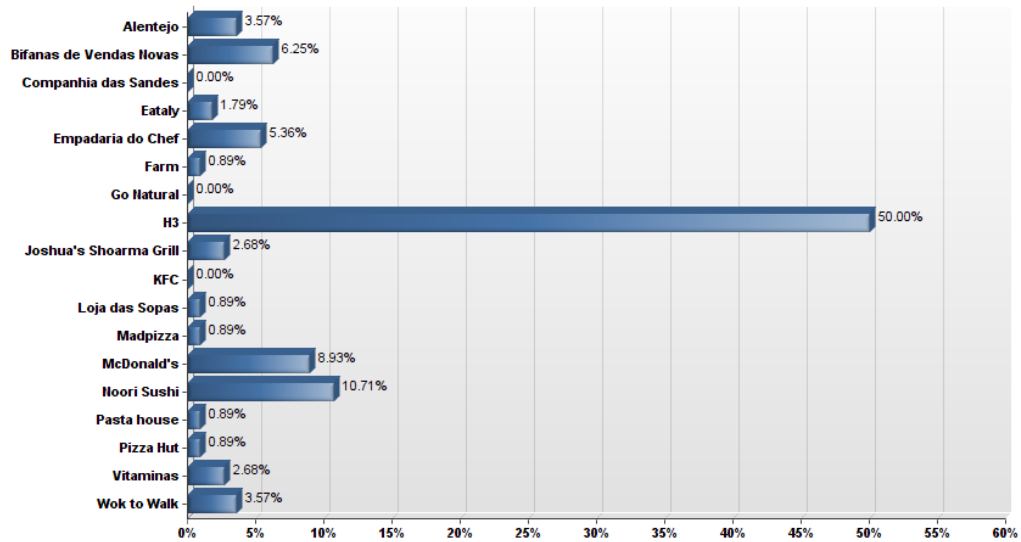
According to the **Exhibit 23 t)**: modern, quality/trust and sophisticated are the three characteristics with the highest scores, hence, it is important to be recognized for this aspects once PG is positioned as a fast casual restaurant. On the other hand, aspects like timeless and unique did not gathered approval by the majority, being the lowest scores. In a saturated market like fast food, it is very difficult to achieve a consensus in those parameters. The "patriot/national" characteristic in the brand image is not perceived for majority of sample which is surprisingly, because the stores have a several references to Lisbon and to the Portuguese culture.

PG has been able to be aligned with what Portuguese consumers seek and value when eating in shopping malls and also in transmitting the core values of the chain.

5.3.7- Competition

Regarding the competitors of PG, a question was built in order to find out where people would go if there was not PG in the shopping mall. Half of the sample of 112 responses, would go to h3 Hamburger Gourmet, which lead me to conclude that h3 being inserted in the type of fast casual restaurants like PG, is definitely the biggest competitor, gathering the preference of 50% of the sample. (see **Exhibit 23 u)**

Exhibit 23 u) - Competitors



The second preferred choice of the sample is Noori Sushi with 10,71%, a type of food that is achieving a notorious position in the last years. Followed by McDonald’s with 8,93% of the respondents. Bifanas de Vendas Novas with an adherence of 6,25%, is the fast food chain with the product more similar to PG, although not with the gourmet touch and not so sophisticated.

Observing the consumption patterns of the Portuguese people regarding type of food, where hamburgers and international food dominate their preferences, I could verify the same patterns when analyzing the competitors, once again the fast food chains with hamburgers as main product (h3; McDonald’s; Farm) are leader with 59,82%, and the fast food chains with international food (Noori Sushi; Joshua’s Shoarma Grill; Wok to Walk) are the second most wanted with 16,96%. Therefore, there are a positive correlation between consumers’ consumption habits and the local chosen in a shopping mall.

6- Conclusion

PG, a Portuguese fast food chain opened its first restaurant in 2011. Three years and 9 own stores later, in a market highly saturated, PG was able to conquer their space and already has an established position in several shopping malls at Lisbon area.

The aim of this dissertation was to comprehend the strategic implications of PG's future expansion strategy; which can take one of two distinct paths. Using the information gathered from Literature Review, Case Study and Market Research, I will be able to answer the four key research questions to reach a conclusion of what decision to take first.

KRQ #1: What were the key success factors that contributed to Prego Gourmet's market acceptance in Lisbon?

It would not be realistic to assume just one key success factor as the main responsible for the success of PG. In fact, it was a combination of several key factors that enabled the penetration of this fast food chain. First of all, the valences of each member of PG was crucial to the entrepreneurial project, where David Igrejas with his technical expertise and culinary attributes; JCD with his management skills and last but not the least Pedro Almeida who believed in them and invested in the project offering the needed borrowing capacity.

The partners were able to set up a business with low margins, offering a refined version of a traditional Portuguese product at a very competitive price. The main product was very popular among Portuguese people, with a strong emotional attachment to the Portuguese culture, which was confirmed for 96,10% of participants in the survey. This factor largely contributed to arouse people's interest leading to the surprising market acceptance. As with any business, luck plays an important role as one of the many key success factors.

Another key success factor was the viral behavior that the fast casual dining concept acquired since the launch of h3, PG also won with the growing acceptance around the concept.

In the middle of economic crisis, consumers were seeking affordable quality and the ones who used to eat in traditional restaurants started to go to fast casual restaurants. Analyzing the survey's results, the two characteristics that consumers like the most about PG; taste and quality, are also the main critical factors when choosing a fast food restaurant.

Due to the resilience and dynamism from all partners, the idea was thought and based on a sustained intensive research which enables the developing of an effective business model with specific target and place well defined.

KRQ #2: What were the marketing efforts applied in Portugal and further implications that contributed to Prego Gourmet's positioning in the fast food Portuguese market?

PG without any help of direct marketing or marketing campaigns was able to penetrate the saturated market that appeared to have no room to grow. With no investment in communication, the powerful effect of *word of mouth* played an essential role and has dictated the success of the brand. During the first year, they also used social networks like Facebook and very specialized media to increase brand awareness. The power of the brand consists on its brand image, brand mottos and slogans which are present in all PG stores defining the strategic positioning as a premium brand.

Big marketing efforts are not an option for the company, simply because the partners believe that offering a original and quality product is already a great advertising by itself since people will talk about their good experience and will keep coming back. The lack of direct advertising did not influence negatively the adherence by consumers, since observing the results of the survey, in terms of brand awareness, 68,83% of the sample are familiar with PG. Among the ones who know, 70,44% have already a meal in PG.

By being positioned as a fast casual restaurant PG has managed to convey the core values of the chain, since the quality/trust, modern and sophisticated characteristics have gathered the highest score in the survey.

The partners learned that a clear communication of the product at the point of sale is a critical success factor in the customer's first choice. Therefore, when they opened the third store they changed completely the image of PG from the entire physical space of the store to the colors, slogan, mottos and brand associations.

This repositioning strategy was the only action undertaken, which has influenced the market opinion makers and allowed them to have a different positioning, more according to the quality of the product and the intended brand associations. This new distinct image was also able to establish a different relationship with customers mainly due to the new positioning strategy. In a way to improve the client's loyalty, their main promotion is the loyalty's client card in which for every 10 meals the client consumes they offer a meal or a branded PG t-shirt.

In turn, the brand associations related to the Portuguese culture highly contributed to the actual positioning among the fast food chains as a premium brand that sells a high quality

version of a traditional Portuguese product that has conquered the most demanding consumers. Although the healthy food association is highly related to fast casual restaurants, but it is still not perceived by the majority of the people, since 52,68% of the sample in the survey, do not consider PG an healthy option.

KRQ #3: Is it franchising the appropriate method to expand the business at a national and international level? Has Prego Gourmet the enough managerial preparation to initiate the internationalization process or is it too soon?

Franchising is one of the fastest and growing business forms among fast food chains. This approach is commonly used to overcome the financial and managerial limitations that preclude growth at the same time. As a key tactic to pursuing goals of territorial expansion and sales growth, this business form allows several advantages such as, shared risk, rapid access to markets and reduced cost of capital. The combined advantages are crucial, in the short run, for market expansion, leading the company to business synergies and operational excellence.

This system is a successful method to expand from one geographic market to others, depending highly from a serious business relationship between the franchisor and franchisee, which means there must have to be a trustful and cooperative behavior between both parties.

The international franchising process can be affected by the following firm characteristics: number of domestic stores, age, growth rate, number of franchised versus company-owned stores and experience. So as larger the operations are in the domestic market more competencies and customer knowledge the firm is able to acquire to grow internationally.

It is important for a firm to have a franchising experience because the more experience a firm has, the more is the probability of developing cultural and long-distance managerial skills and organizational capabilities. Therefore, PG should first implement a franchising model in domestic market in order to optimize best practices, learn how to manage a franchised network and also grow in its own country. After having fulfilled all conditions it can proceed to international expansion.

Due to the fact that PG has only 9 own stores just in the area of Lisbon with no current or previous experience with the franchising model in the home country, it would not be the right moment to start the internationalization process. A national expansion through franchising

model is a prerequisite to a successful internationalization, that is why a business expansion to Brazil without the experience of domestic franchising maybe a very hasty step.

KRQ #4: How would be achieved the internationalization to Brazil and what are the main challenges that Prego Gourmet would face?

PG's internationalization to Brazil would be achieved through a joint venture agreement with a local partner, creating a "win-win situation" which enables the market entrant to capitalize on the partner's local market knowledge to establish operations. The right partner would work as a factor of higher credibility to better penetrate the market and overcome local obstacles.

In this type of entry mode PG would have less control when compared with wholly owned stores, but would benefit from partner's scarce skills and nuclear competences. In a country like Brazil, with strong bureaucracy at entrance and several protectionist laws, the local partner could deal with these issues, avoiding collusion among restrictions on foreign-owned companies or host-country competitors.

The aim would be through this partnership, create to a master franchising business, having its own stores as well as sub-franchise stores, where the local partner would be the master franchisor responsible for several operations such as finding the best shopping malls to open stores; hiring and paying employees and suppliers; and help to create a good supply chain. Master franchising approach is commonly used by companies with little or no previous experience in international franchising, which in fact would be the case of PG. In order to create a successful master franchising, PG would have to develop solid training programs as well as a constant monitoring procedures to follow the foreign business, like having a country manager from Portugal controlling the operations.

Internationalization to Brazil represents different types of challenges, where critical factors should be taken into consideration, such as cultural and demographics aspects, market saturation, target size, mode of entry, international operations, product adaptations and partnerships. These constitute the main factors that can determine the success or failure of PG overseas.

One of the biggest challenges and uncertainties would be the product's market acceptance, since it is not clear that Brazilian eating habits would accept it easily. The main product of PG and its concept is intrinsically connected to Portuguese culture and the Brazilians do not share

the same feeling. At the same time, the close history between countries could not help in terms of receptivity of Portuguese concept. Moreover, in the sample 66,23% of the respondents never felt the need of eating a *prego* overseas. In spite of the inherent connection to Portuguese culture, it is not so significant that leads them to want to eat it out of Portugal, which reinforces the idea of a possible hard acceptance by non-Portuguese people.

Despite the market research that was already conducted by the PG's partners, the lack of market knowledge about the Brazilian market could be an obstacle. However, finding the right and trustworthy local partner would certainly aid to overcome the local barriers.

Firstly, a domestic expansion through franchising should be undertaken in order to cover the entire domestic market. Afterwards, internationalization should be the next strategy step for the following years.

7- Limitations and Future Research

This dissertation has faced some limitations, being one of them related to the quantitative data gathered. The first limitation found in my research work was the sample size which was small and cannot be considered completely representative of the Portuguese consumer, therefore results cannot be generalized.

Despite efforts to have a balanced distribution of ages, it was not achieved in the survey, since it was distributed through social networks and personal email account. Therefore, there were a particularly high number of responses by people between 18 and 28 years old and it would be more reliable if it had gathered a higher number of participants in other age segments, particularly between 29 and 40 years old.

The online survey is already by itself a limitation, since people tend to finish it very quickly. Another limitation related to the online questionnaire was the geographic reach considering that most of the participants were from Lisbon. It would be particularly relevant to be able to gather more responses from the north of Portugal, in order to have deeper insights and fully understanding the potential of that region and its consumers. All of these sample's characteristics can result in some biases.

Besides the quantitative limitations, this research could be enriched with some qualitative perspective, such as performing focus group and further analysis. This qualitative method would allow a deeper understanding and a detailed information about consumers' preferences and needs.

The geographical distance between Portugal and Brazil represents a limitation, since it would be very relevant to visit Brazil, in order to observe their shopping malls and to better understand the Brazilian market. Thus, interviews and online survey targeting Brazilian consumers would be helpful to deeply understand the market specificities as well as the required strategies adaptations. Thereby, those initiatives would certainly enrich my research.

One of the major limitations of my dissertation was that the future expansion of PG has not yet been materialized, so the choice between the two strategic options presented are still in progress. It would be interesting for a future analysis to study the PG's choices and its impact in business.

8- Teaching Notes

8.1- Case Study Synopsis

This case study regards PG's future expansionary strategy, and more specifically the dilemma about expanding nationally or going to Brazil, both through franchising model.

PG is a Portuguese fast casual chain of restaurants founded in 2011, in Lisbon. The main product is a sophisticated version of a *prego* which is a traditional Portuguese product that can be eaten as a sandwich or on plate. Currently has nine outlets spread in Lisbon, all operating as own stores.

Despite the fierce competition and the boom of hamburgers, PG was able to penetrate the market and achieve some market notoriety. It is a chain highly connected to the Portuguese habits and culture. When they opened the third store, the brand image was completely changed as a way of accomplish the desired identity. This new image was built to transmit the real values and the intended brand associations.

The presented case study aimed the PG expansion decisions. JCD has an important decision to make, whether to start the franchising model and expand it throughout Portugal firstly to the north of Portugal, or to initiate the internationalization process to Brazil (as a way of complementing) the regional success. It is important to understand the rationality of each strategic option, covering aspects like strategic operations and how they will be achieved, customer knowledge, local adaption and diet habits.

8.2- Target Audience

PG's case study can be used for undergraduate and master students. The teaching case may be useful and appropriate for Marketing and Strategic Management courses. The case covers essential topics related to decision making process of a company, including positioning, franchising related issues at a beginner's level, or topics about internationalization strategy such as mode of entry, product adaption and consequent new product development.

8.3- Teaching Objectives

The objective of this dissertation is to present to students a real decision making challenge, which faced an interesting strategic options. The case was built to address a real dilemma

using a real situation in order to stimulate students to apply their theoretical knowledge and managerial skill to help in the decision making process while addressing relevant topics. Through the comprehension of the case study and the exhibits, students should develop an analysis to support the decision making process.

Being a real situation that managers face, the business case allows students to become better prepared when facing such situations.

The teaching objectives for this Case Study are the following:

- To present the importance of a solid market analysis on a company's strategic decisions;
- To highlight the students about brand positioning and why repositioning could be crucial to the future success of the company;
- To comprehend the importance of multiple factors analysis and what are the key issues to consider in the decision making process when defining expansion strategies;
- To enlighten students about franchising systems;
- To familiarize students with foreign market entry modes dilemmas;
- To introduce the case readers with international entry modes specific notions, implications as well as strategies;
- To understand the importance of country choice and the eating habits of the potential foreign customer;
- To apply Marketing knowledge on Product Portfolio Management;
- To develop a critical thinking on the need for product adaption/standardization in a foreign market and to comprehend the complexity of cultural differences;
- To evaluate the more appropriate marketing research methodologies.

8.4- Teaching Plan

The PG case study should be delivered to students one week before its resolution. Students should read carefully and prepare a report to deliver in the beginning of the class. The report should include the answers to the individual assignment questions. At the end of the class, should be given 15min to solve the group assignment and discuss it in class (Groups of 4 are recommended).

It is expected that students have some previous knowledge on the theoretical topics covered in order to better understand the main concepts. Along with the case, students should read the following articles related to Positioning, Franchising and Internationalization:

1. Ostasevičiūtė, R., & Šliburytė, L.
Theoretical Aspects of Product Positioning in the Market
Engineering Economics, 56(1), (2008), 97-103
2. Faye S. McIntyre and Sandra M. Huszagh
Internationalization of Franchise Systems
Journal of International Marketing, Vol. 3, No. 4, (1995), 39-56
3. Erkkö Autio, Harry J. Sapienza and James G. Almeida
Effects of Age at Entry, Knowledge Intensity and Imitability on International Growth
Academy of Management Journal; Vol. 43 (October 2000), 909-924

8.4.1- In Class Discussion

In order to introduce PG case study, it is advisable to start with a general briefing about the case. The instructor or students should make a brief description of the case, and then discuss the major issues, perspectives and the challenges of the case. The suggested assignment questions can be useful to generate a class discussion among students and introduce themes like brand positioning, target market, market analysis, and Portuguese fast food market and consumption patterns. Regarding the internationalization process an overview of entry modes strategies, challenges and cultural aspects should be addressed in class.

8.4.2- Assignment Questions

Assignment Question #1: Prego Gourmet decided to create a new image and repositioning the brand. What is Brand Positioning and why was it so important for the actual market acceptance of Prego Gourmet? (10 minutes)

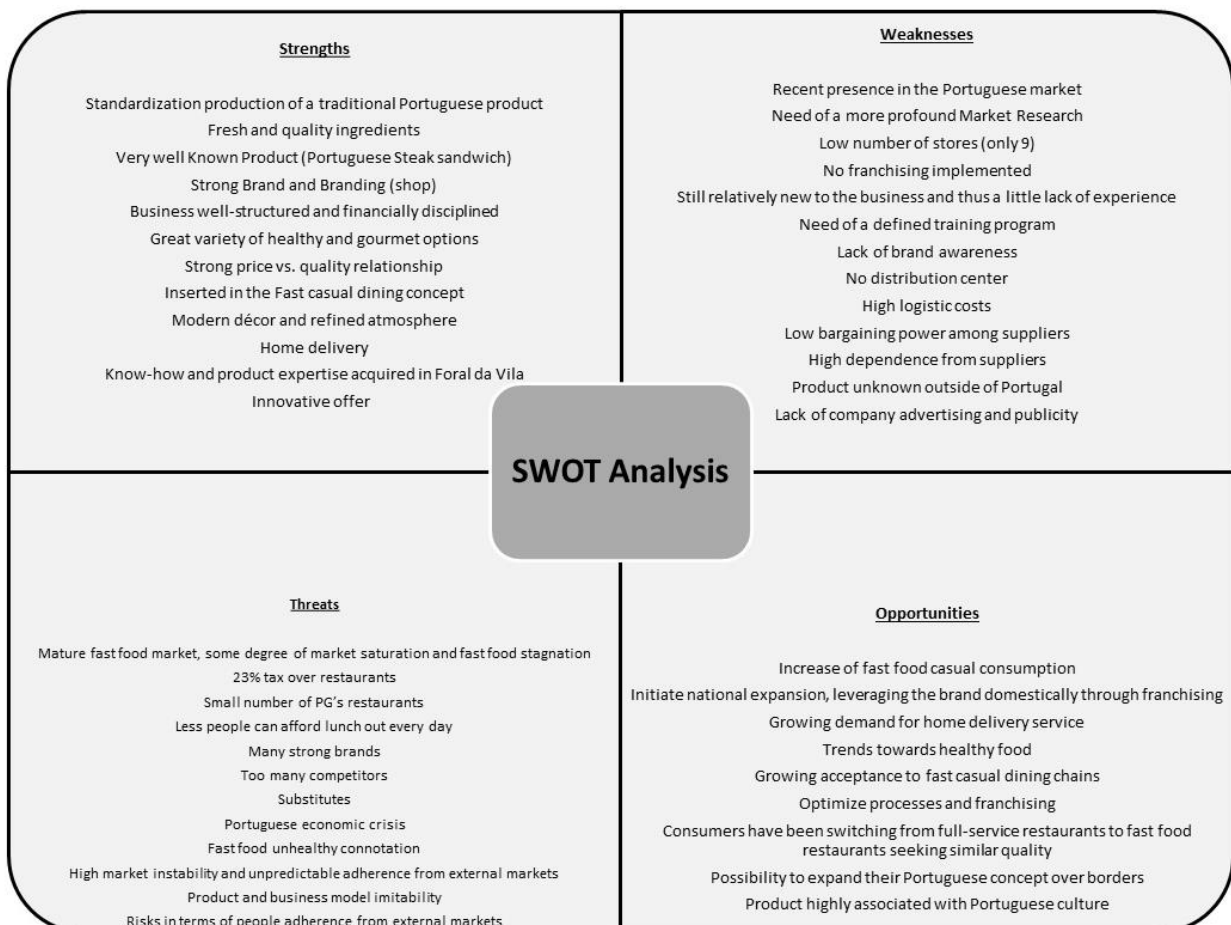
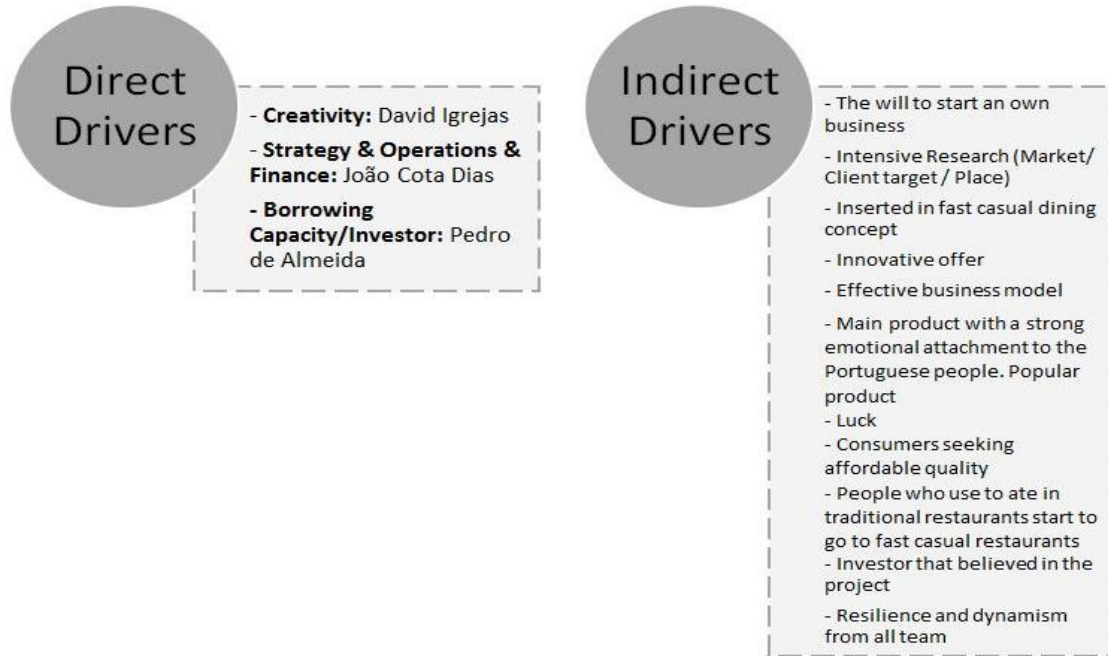
Positioning is a critical strategic decision that involves not only the product itself but also “the company image, but more than anything else, stresses the need to create a position in the prospect’s mind” (Maggard 1976). Brand positioning can be determinant to consumer’s perception and decision making choice (Aaker & Shansby 1982). Therefore, it is extremely important to communicate the desired position in consumer’s mind in order to achieve a preferred and distinctive position among competitors.

In order to communicate the desired position, managers tend to use brand associations like an attribute, characteristics, customer benefit, among other things. The Portuguese fast food market is characterized for being highly competitive, so fast food chains tend to use brand image as differentiator factor. This differentiator factor could be achieved through components of heritage and authenticity with symbolic value on brand image, and consequently creating an emotional attachment to the consumer (Ballantyne, Warren & Nobbs 2005).

A company, in order to build a solid positioning strategy in the market, should go through two prerequisites: market segmentation and target marketing. PG to get information about the market, should perform a market research so that they can identify the consumer's segments. From those segments, should select the most appropriate target to achieve a successful positioning, basically using the STP model (Ostasevičiūtė and Šliburytė 2008).

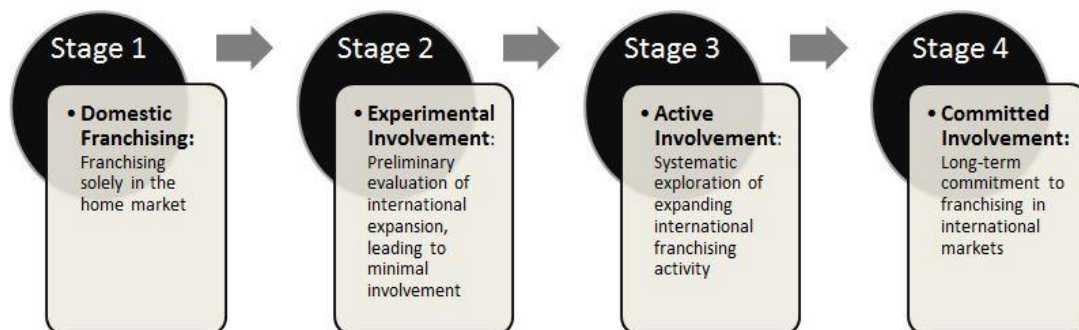
PG decided to create a new image and position the brand in a quite different way when they opened the third store, nine months after the launch. The partners believed that the current positioning was not the right one for their target consumers, as the image did not follow the quality of the product or even established the intended relationship with clients. Hence, they changed completely in a way of conveying more quality and confidence to the customers. At the same time, an emotional attachment was added to brand image related to Portuguese culture, as traces of Lisbon included in graphic patterns. PG also started to have a motto, "The Improved Portuguese Ritual", which explains exactly what they have been able to do with the *prego*. All of these changes were crucial to the development of PG and also very important to achieve a good and consistent positioning in the Portuguese market.

Assignment Question #2: In your opinion, what were the direct and indirect key drivers that largely contributed to the success of Prego Gourmet during the first year? Describe the market environment and illustrate the critical points of Prego Gourmet's business strategy in a SWOT analysis.



Assignment Question #3: According to McIntyre and Huszagh's Franchising Internationalization model, what should be the next step for Prego Gourmet regarding the expansion strategy? Also explain briefly all the stages. Put yourself in the shoes of JCD, how would you shape the future expansion plan to be presented to Pedro Almeida in the upcoming meeting? Should it be the national expansion or internationalization strategy the right next step to Prego Gourmet? Is it the right time to initiate the internationalization process?

Observing the Franchising Internationalization model according to McIntyre and Huszagh (Figure 1), students must be able to briefly explain each stage of the theoretical mode:



Stage 1: Domestic Franchising – the authors stressed the need of having a domestic franchising as a necessary requirement for internationalization, once it allows to gain franchise experience to expand overseas.

Stage 2: Experimental Involvement – it is a stage where companies test few international markets with limited operations and also with a low level of managerial commitment in terms of resources invested, in order to acquire knowledge.

Stage 3: Active Involvement – here the level of managerial commitment is significantly higher in all terms. It is a stage where companies are already established in foreign markets, investing more resources.

Stage 4: Committed Involvement – concerning the two last stages, this one is characterized by a firm's total commitment in terms of international expansion and relationships acquired. It is expected that the main percentage of income comes from international operations.

According to the internationalization franchising model of McIntyre and Huszagh, and taking into account that PG only have 9 own stores, the next right step should be to start the national

expansion through franchising business, which is a prerequisite to a successful internationalization (Stage 1: Domestic Franchising).

The second part of this question will generate some class discussing between students. Here, it is important to stimulate a debate and help students come to the conclusion that to initiate an internationalization project based may seem premature. It is relevant to stress that to achieve a sustainable growth is betting on new market opportunities and enlarging managerial tools, and at this point, a move to Brazil without a higher expansion in Portugal may prove to be a hasty step.

Although students should be able to give a recommendation about what would they do if they were JCD, depending on their choice, students must defend and justify their opinion. The recommendation based on the national expansion through franchising, should take into account the McIntyre and Huszagh's Franchising Internationalization model and, understand that it is not the right time to initiate the internationalization process. PG should first develop a domestic franchising, in a way of gaining business experience, increasing the probability of develop organizational capabilities, long-distance management skills, knowledge, cultural adaptability skills and also managerial skills. As larger the operations are in the domestic market, PG will be more prepared to face the international challenge. Once PG has a recent presence in the Portuguese market and thus lack of experience, the domestic franchising option is the less risky and allows a higher domestic development covering the all relevant Portuguese urban areas.

Students should also understand the concept of franchising model as one of the fastest and growing business forms among the fast food chains that has several advantages, such as rapid access to markets, reduced cost of capital, risk sharing within the channel and highly motivated owner-operators, leading companies to competitive advantages, business synergies and operational excellence.

On the other hand, students that recommend the internationalization process should be confronted with the higher risk, the future challenges and with the stores' evolution throughout geographies and time of h3; h3 only started the expansion throughout Brazil after 38 stores opened in Portugal, in 4 years.

RQ#4: Please point out the main reasons why Brazil should be considered the first country to initiate the internationalization process? Also identify the main challenges and adaptations that Prego Gourmet would face in the Brazilian market. (closed question)

In this question, it is crucial for students to reflect and acquire a clear vision of the entire internationalization process. There are several factors which will affect the international expansion, so it is important starting to point out why Brazil as first destination:

- Proximity relationship, with an intense history between countries, Brazil was a former colony of Portugal
- Strong presence of Portuguese communities and descendants
- Brazilian fast food market is growing
- In Americas, Brazil is the second country with higher fast food market value
- Quick Service Restaurants is the largest segment of fast food, accounting 70,2% of the market
- The emerging class C is already composed by 95 million of people, almost half the population and, has been increasing its appetite for consumption. The fast food consumption is seen as a real delight for this type of consumers
- h3, being inserted in the fast casual concept, was able to succeed in Brazil
- Similar shopping mall culture
- Same language facilitates communication and training programs
- Significant social and economic impacts due to FIFA World Cup 2014 and Rio de Janeiro 2016 Olympic Games

Regarding the main challenges that PG will face in the Brazilian market:

- Geographically, Brazil is far away from Portugal, not being the most accessible country which difficults monitoring
- Brazil was ranked in 116 out of 189 countries as ease of doing business, with an estimation of 119 days needed to start operating
- Strong bureaucracy at entrance, a complex fiscal policy and labor laws and also several protectionist laws
- The intense history and proximity between countries could have a negative impact
- Fierce competitive market
- Lack of market knowledge; despite some research was already conducted, it is a new country where PG has no previous experience

- Market saturation, but could represent an opportunity to surprise with an innovative offer
- Entry mode is a critical decision: Joint venture agreement with a local partner, enables PG to have access to resources, market knowledge and share the potential risk; although in this type of partnership at some point strategic interests of both partners could diverge as future goals, management policies or even horizon and geographical decisions. So the loss of control could increase the risk of brand damage and reduced returns.
- Find a suitable and trustworthy local partner to create a master franchising
- Product adaptations are needed to satisfy the Brazilian consumer
- Cultural aspects: uncertainty about the Brazilian eating habits, more specifically about the future acceptance of PG's product. The core product of PG is intrinsically connected to Portuguese people, but Brazilians do not share the same feeling
- Socio-economic indicators: there is a high percentage of socioeconomic groups D and E who are not attending fast food chains, so to attract customers from disadvantageous groups represents a challenge among fast food chains. PG as a gourmet concept and being inserted in the fast casual trend will be perceived as an expensive option
- Create an internal systems, which allow the company the company to properly function in Brazil without the physical presence of the partners, a country manager would be a good option
- More investment in communication

Last but not the least, PG would have to face adaptations regarding:

- **Product:** the product could remain the same, but slight changes are needed like adding top sirloin cap as a new offer. The modifications in the menu characteristics: a menu with catupiry sauce, black beans with farofas as a new side dish, tropical fruits, if PG decide to offer deserts mango mousse, "dolce de leite" mousse, "brigadeiro" mousse or frozen yogurt are options highly appreciated by Brazilian people.
- **Place:** PG should adopt the same strategy, open stores in shopping malls.
- **Target:** The emerging class C composed (95 million of people almost half the population) has been increasing its appetite for consumption. The fast food consumption is seen as a real delight for this type of consumers.
- **Price:** being a fast casual restaurant, the price should be higher than the average available fast food (e.g. McDonald's) and similar to h3 in Brazil.

- **Promotion:** a more active marketing communication should be undertaken; in Portugal there is no investment but in a foreign country some promotional efforts are needed.

8.4.3- Group Assignment

Prego Gourmet decided to create a new brand image to reposition the brand in a different way. Marketing Research is a key factor to evaluate the effectiveness of this change in transmitting the intended associations to consumers. Choose the research method you think more applicable for this case, also explain its advantages and disadvantages and why it is the best for the purpose.

In this question students should be challenged to identify the best research method in order to analyze the consumers' perception about the new brand positioning. The research aims to understand if the new brand associations are being well transmitted and what customers think about this bigger change.

It is important to decide several aspects: who is the research's target, if it is to PG's customers or just fast food consumers; the sample size; the need for quantitative vs. qualitative information among the variables; the sensitivity of the participant.

Qualitative method as surveys can be conducted on a large scale, representing a higher sample of the total population. The purpose of this method is to describe and to investigate the environment; also to study cause and effect. On the other, it asks questions like when, what, how often, and where, which limit the research making it less flexible, since it may not address issues that were not considered by researcher.

Qualitative methods as in-depth interviews or Focus Groups investigate the why and how of decision making, so it is easier to gain better understanding of the target market. The aim of qualitative methods is to provide a focused, detailed and interpreted study of the participants. However the analyzed sample is smaller, being little representative of the total population.

Students should understand that regarding research methods is essential to question what is more important, quantity or quality? Then, present a method and justify their choices. Examples of research methodologies used in this dissertation and how marketing research was performed can be consulted in the Appendix.

9- Exhibits

9.1- Exhibit 23 – survey results

Exhibit 23 a) – Cross tabulation between people age and gender

		Gender		
		Male	Female	Total
Age	< 18	1 0,56%	2 1,15%	3 0,85%
	18 - 28	132 74,16%	113 64,94%	245 69,60%
	29 - 40	17 9,55%	23 13,22%	40 11,36%
	41 - 55	19 10,67%	26 14,94%	45 12,78%
	> 55	9 5,06%	10 5,75%	19 5,40%
Total		178 100,00%	174 100,00%	352 100,00%

Exhibit 23 b) – % people occupation

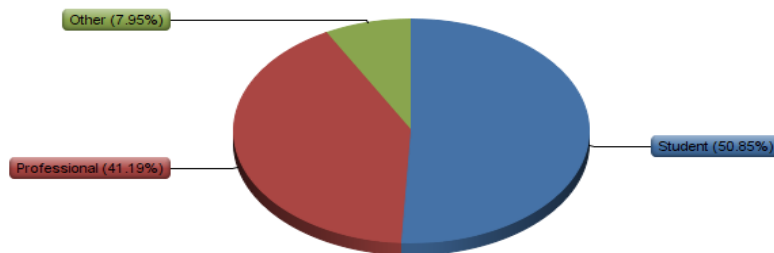


Exhibit 23 c) – Cross tabulation between people age and occupation

		What is your occupation?			
		Student	Professional	Other	Total
Age	< 18	3 1,68%	0 0,00%	0 0,00%	3 0,85%
	18 - 28	174 97,21%	61 42,07%	10 35,71%	245 69,60%
	29 - 40	1 0,56%	38 26,21%	1 3,57%	40 11,36%
	41 - 55	1 0,56%	37 25,52%	7 25,00%	45 12,78%
	> 55	0 0,00%	9 6,21%	10 35,71%	19 5,40%
Total		179 50,85%	145 41,19%	28 7,95%	352 100,00%

Exhibit 23 d) – Cross tabulation between people age and annual income

		In which of the following levels is inserted your annual income?				Total
		< 14.000€	14.000€ - 30.000€	30.000€ - 50.000€	> 50.000€	
Age	< 18	3	0	0	0	3
		1,38%	0,00%	0,00%	0,00%	0,85%
	18 - 28	194	35	8	8	245
		88,99%	41,67%	25,81%	42,11%	69,60%
	29 - 40	9	25	5	1	40
		4,13%	29,76%	16,13%	5,26%	11,36%
	41 - 55	9	16	12	8	45
		4,13%	19,05%	38,71%	42,11%	12,78%
	> 55	3	8	6	2	19
		1,38%	9,52%	19,35%	10,53%	5,40%
Total		218	84	31	19	352
		61,93%	23,86%	8,81%	5,40%	100,00%
		100,00%	100,00%	100,00%	100,00%	100,00%

Exhibit 23 f) – Cross tabulation between frequency and place

		Where do you usually have your lunch during the week?				Total
		Restaurants	Shopping Malls	Home	Other: Canteen, Workplace, etc	
How many times per week do you eat in a shopping mall?	Everyday	0	0	0	0	0
		0,00%	0,00%	0,00%	0,00%	0,00%
	3 or 4 times / week	5	9	4	1	19
		10,64%	50,00%	2,14%	1,00%	5,40%
	1 or 2 times / week	29	9	116	58	212
		61,70%	50,00%	62,03%	58,00%	60,23%
I never eat in shopping malls	13	0	67	41	121	
	27,66%	0,00%	35,83%	41,00%	34,38%	
Total		47	18	187	100	352
		100,00%	100,00%	100,00%	100,00%	100,00%

Exhibit 23 g) – Cross tabulation between people occupation and place

		Where do you usually have your lunch during the week?				Total
		Restaurants	Shopping Malls	Home	Other: Canteen, Workplace, etc	
What is your occupation?	Student	14	6	117	42	179
		29,79%	33,33%	62,57%	42,00%	50,85%
	Professional	30	10	50	55	145
		63,83%	55,56%	26,74%	55,00%	41,19%
	Other	3	2	20	3	28
		6,38%	11,11%	10,70%	3,00%	7,95%
Total		47	18	187	100	352
		100,00%	100,00%	100,00%	100,00%	100,00%

Exhibit h) – Cross tabulation between people annual income and place

		Where do you usually have your lunch during the week?				Total
		Restaurants	Shopping Malls	Home	Other: Canteen, Workplace, etc	
In which of the following levels is inserted your annual income?	< 14.000€	20 42,55%	6 33,33%	131 70,05%	61 61,00%	218 61,93%
	14.000€ - 30.000€	16 34,04%	10 55,56%	32 17,11%	26 26,00%	84 23,86%
	30.000€ - 50.000€	6 12,77%	2 11,11%	12 6,42%	11 11,00%	31 8,81%
	> 50.000€	5 10,64%	0 0,00%	12 6,42%	2 2,00%	19 5,40%
	Total	47 100,00%	18 100,00%	187 100,00%	100 100,00%	352 100,00%

Exhibit 23 i) – Cross tabulation between people age and place

		Where do you usually have your lunch during the week?				Total
		Restaurants	Shopping Malls	Home	Other: Canteen, workplace, etc	
Age	< 18	0 0,00%	0 0,00%	2 1,07%	1 1,00%	3 0,85%
	18 - 28	25 53,19%	9 50,00%	140 74,87%	71 71,00%	245 69,60%
	29 - 40	5 10,64%	7 38,89%	16 8,56%	12 12,00%	40 11,36%
	41 - 55	13 27,66%	2 11,11%	17 9,09%	13 13,00%	45 12,78%
	> 55	4 8,51%	0 0,00%	12 6,42%	3 3,00%	19 5,40%
	Total	47 100,00%	18 100,00%	187 100,00%	100 100,00%	352 100,00%

Exhibit 23 j) – % people worried in having a healthier diet

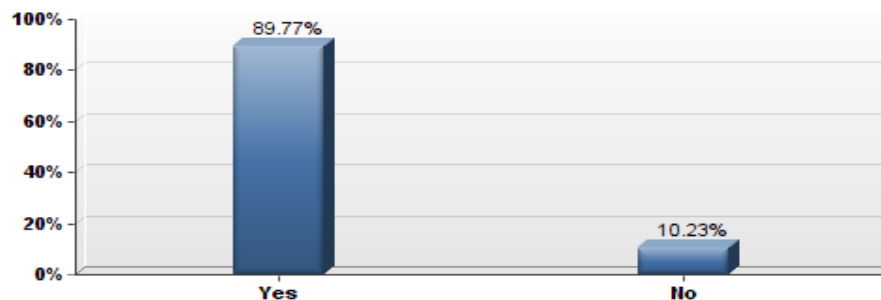


Exhibit 23 m) – Quantitative results of critical factors when choosing a fast food restaurant

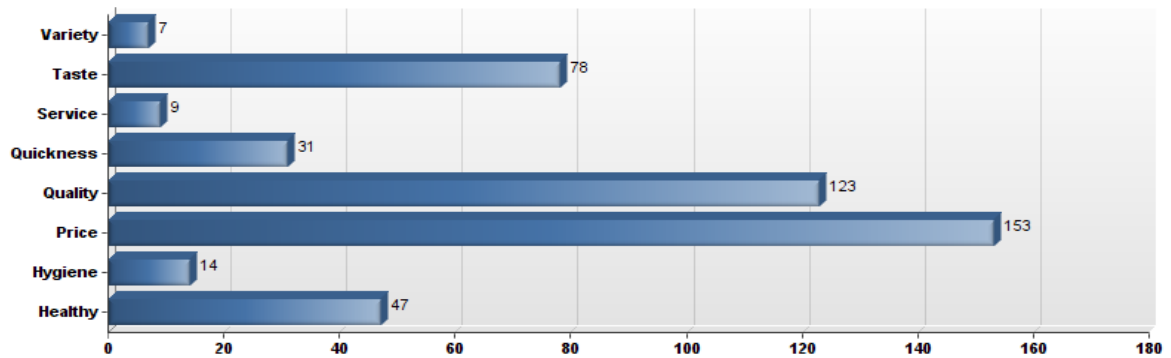


Exhibit 23 n) – Do you link/associate the *prego* with the Portuguese culture?

Answer	Response	%
Yes	222	96.10%
No	9	3.90%
Total	231	100.00%

Exhibit 23 o) – Have you ever wanted to eat a *prego* outside of Portugal?

Answer	Response	%
Yes	78	33.77%
No	153	66.23%
Total	231	100.00%

Exhibit 23 p) – Do you know PG?

Answer	Response	%
Yes	159	68.83%
No	72	31.17%
Total	231	100.00%

Exhibit 23 q) – Have you ever eaten in PG?

Answer	Response	%
Yes	112	70.44%
No	47	29.56%
Total	159	100.00%

Exhibit 23 r) – Quantitative results of PG characterization in several aspects

Question	Very Bad	Bad	Reasonable	Good	Very Good	Total Responses	Mean
Price	1	13	45	46	7	112	3.40
Service	0	2	37	64	9	112	3.71
Taste	1	3	17	60	31	112	4.04
Quality	1	3	22	66	20	112	3.90
Healthy	1	13	55	38	5	112	3.29
Variety	0	9	55	41	7	112	3.41
Hygiene	0	2	13	77	20	112	4.03
Quickness	0	4	27	61	20	112	3.87

Exhibit 23 s) – Cross tabulation between people’s perception of healthy food and diet

		Do you worry about having a healthier diet?		
		Yes	No	Total
Do you associate PREGO GOURMET with healthy food?	Yes	49 50.00%	4 28.57%	53 47.32%
	No	49 50.00%	10 71.43%	59 52.68%
Total		98 100.00%	14 100.00%	112 100.00%

Exhibit 23 t) – Quantitative results about PG’s image

Question	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	Total Responses	Mean
Innovative	1	3	18	54	34	2	112	4.10
Modern	0	1	9	35	57	10	112	4.59
Unique	2	16	30	37	26	1	112	3.64
Quality/Trust	0	1	5	49	53	4	112	4.48
Original	1	5	19	50	33	4	112	4.08
Patriot/National	3	11	18	38	33	9	112	4.02
Timeless	1	15	20	35	34	7	112	3.96
Sophisticated	0	7	15	48	36	6	112	4.17

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Appendixes

Appendix 1 - Interview Guide Dr. João Cota Dias

Questions:

- Could you briefly explain all the idea behind Prego Gourmet?
 - a) When was it founded?
 - b) What/How was the role of each partner to proceed with this project?
 - c) When did you see the business opportunity and why?
- How many stores Prego Gourmet has? Own or franchised stores?
- What was the brand's old positioning and what brand associations did you intend to communicate with the new image?
- How many suppliers do you have? Which contracts are used?
- How does the company manage the operations of all stores?
- What are the resources of Prego Gourmet that lead to competitive advantages? Are the resources rare and difficult to imitate?
- Who are your main competitors? What differentiates Prego Gourmet's offer from competition?
- Would you briefly explain the brand's communication strategy? Do you invest in advertising?
- What is the promotion strategy of Prego Gourmet? What are the costs?
- What is your pricing strategy?
- What are Prego Gourmet strengths and weaknesses? What threatens Prego Gourmet? What opportunities can you take advantage of? Can these threats be minimized and the opportunities be harnessed?
- What are the strategic objectives of Prego Gourmet for the next years?
- What will be the first international destination? Why?
- What would be the main barriers and challenges in the internationalization process?
- Is the fast casual dining an international trend?
- Are you considering investing in marketing in foreign countries?
- How will you operate in a foreign country? What will be the chosen entry mode?
- Are you considering product adaptations in foreign countries?

Closing Comments:

Additional comments?

Thank you very much for your cooperation

Appendix 2 – Online survey

1. Do you worry about having a healthier diet?
 - Yes
 - No

2. Where do you usually have your lunch during the week?
 - Street Restaurants
 - Shopping Mall
 - Home
 - Other: Canteen, workplace etc..

3. How many times per week do you eat in a shopping mall?
 - Everyday
 - 3 or 4 times / week
 - 1 or 2 times / week
 - I never eat in shopping malls (Go to question 14)

4. What is your favorite type of food when you decide to eat in a shopping mall? (Select the two you value the most)
 - Light Food
 - Traditional Food
 - Hamburgers
 - Pizza
 - Pasta
 - International Food: (Sushi, Indian, Chinese, etc)

5. Please indicate the determining factors on your choice, when eating in a shopping mal. (Select the two you value the most)
 - Price
 - Service
 - Taste
 - Quality
 - Healthy
 - Hygiene
 - Variety
 - Quickness

6. Do you link/associate the “prego” with the Portuguese culture?
 - Yes
 - No

7. Have you ever wanted to eat a “prego” outside of Portugal?
 - Yes

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No

8. Do you know PREGO GOURMET?

Yes

No (Go to question 14)

9. Have you ever eaten in PREGO GOURMET?

Yes

No (Go to question 14)

10. How do you characterize PREGO GOURMET according to the factors described below?

	Very Bad	Bad	Reasonable	Good	Very Good
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Healthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Variety	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hygiene	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quickness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. What is your opinion about PREGO GOURMET's image? Classify each parameter between "1. Strongly Disagree" and "6. Strongly Agree".



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	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
Innovative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Modern	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unique	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality/Trust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Original	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Patriot/National	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Timeless	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sophisticated	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Where you would go, if there is no PREGO GOURMET in your shopping mall?

- Alentejo
- Bifanas de Vendas Novas
- Companhia das Sandes
- Eataly
- Empadaria do Chef
- Farm
- Go Natural
- H3
- Joshua's Shoarma Grill
- KFC
- Loja das Sopas
- Madpizza (Mediterranean Pizza)
- McDonald's
- Noori Sushi
- Pasta house
- Pizza Hut
- Vitaminas
- Wok to Walk

13. Do you associate PREGO GOURMET with healthy food?

- Yes
- No

14. Where do you live?

- Lisboa
- Porto
- Braga
- Coimbra
- Faro
- Other

15. Gender:

- Male
- Female

16. Age:

- < 18
- 18 – 28
- 29 – 40
- 41 – 55
- > 55

17. What is your occupation?

- Student
- Professional
- Other

18. In which of the following levels is inserted your annual income?

- < 14.000€
- 14.000€ - 30.000€
- 30.000€ - 50.000€
- > 50.000€