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Export promotion agency for the Portuguese olive oil sector: a boost in exports of branded olive oil

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Dissertation written under the supervision of Ricardo Reis

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Abstract

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Ana Margarida Matos da Cruz Fernandes

Portugal is one of the main players on the olive oil sector. The production methods used, as the products' quality, have been recognized by specialists. However, the difficult access to distribution channels abroad, the expensive distribution costs and lack of notoriety of olive oil and of Portuguese brands are some of the barriers on the export of branded olive oil, leading producers to sell branded olive oil mainly in Portugal and export in bulk. Exporting branded olive oil increases the reputation of the Portuguese products and exports in value. This thesis aims to fill a gap in the literature applying the theory on Export Promotion Agencies to this sector. An Agency to the olive oil sector in Portugal should be developed to boost the export of branded olive oil and help companies tackle these barriers, being beneficial for the sector that *Casa do Azeite* takes lead. The creation of an umbrella brand for high-quality Portuguese olive oils is suggested to increase the reputation and sales of branded olive oils. It is also suggested that *Casa do Azeite* creates export support programs and offers them to companies according to the export barriers they face and to their stage of export. With this collective effort, there are marketing cost-savings, customers perceive less risk when they buy a new product under the umbrella, brands that have less notoriety benefit from the reputation of stronger ones on the same umbrella and consumers still have the brand to conclude about the quality of the product.

Key words: Export promotion agency, Export support programs, Olive oil, Umbrella branding

Resumo

Agência de Promoção de Exportações para o setor do azeite português: um impulso às exportações do azeite de marca

Ana Margarida Matos da Cruz Fernandes

Portugal é um dos principais *players* do setor do azeite. Os métodos de produção adotados assim como a qualidade do produto são reconhecidos por especialistas. Contudo, a dificuldade de acesso aos canais de distribuição, os elevados custos de transporte, a falta de notoriedade do azeite e das marcas portuguesas apresentam-se como barreiras à exportação do azeite de marca, levando os produtores a vender azeite de marca sobretudo em Portugal e a exportar a granel. Exportar azeite de marca melhora a reputação do azeite e aumenta as exportações em valor. Esta tese aplica a teoria das *Export Promotion Agencies* a este setor em concreto. É necessária uma entidade que ajude as empresas deste setor a combater as barreiras à exportação, sendo vantajoso para o setor que seja a Casa do Azeite a assumir este papel. Sugere-se a criação de uma *umbrella brand* para os azeites portugueses de elevada qualidade de modo a aumentar a reputação e vendas dos azeites de marca. Sugere-se ainda que a Casa do Azeite crie programas de apoio à exportação e os ofereça às empresas em função das barreiras à exportação sentidas e do estágio de exportação em que se encontram. Com este esforço coletivo, há economia de custos relativos ao marketing, reduz-se o risco sentido pelos clientes ao comprarem um novo produto sobre a *umbrella*, as marcas com menor notoriedade beneficiam da reputação das mais fortes e os consumidores podem utilizar a marca como indicador da qualidade do produto.

Palavras-chave: Agência de promoção de exportações; Programas de apoio à exportação; Azeite; *Umbrella Brand*

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1. Introduction

1.1 Context

Along with globalization, a rise in studies about companies' internationalization process occurred. With export being the easiest way to enter new markets, it was the most applied and studied method. The main barriers on exporting, what actions benefit its success, its main advantages, among others, were studied by country and by sector. Company case studies were also carried out.

In the last decades, many countries set up Export Promotion Agencies (EPA) to tackle export barriers. Studies state that these agencies have an impact on export, although it is still necessary to quantify this impact. In performing this function, companies offer concrete programs, from information programs about the export process or a concrete market, to consulting services, trade shows and trade missions. One can also find studies in the literature about these programs and the best strategy to apply them.

However, there is still a gap in the literature regarding the application of an EPA to different activity sectors. This thesis aims to fulfill this gap by studying the creation of one of these agencies in Portugal to support the olive oil sector.

The value of the creation of an EPA to boost the export of Portuguese olive oil, especially branded olive oil, is presented. Recommendations are made for the creation of this agency considering the specificities of the Portuguese olive oil sector. The development of an umbrella brand, similar to what was done in the wine sector when the Wines of Portugal brand was created, and the creation of Export Promotion Programs (EPP) suitable for each export phase, are two of the suggestions that are aimed at combating the main difficulties.

1.2 Research objectives

This research has multiple objectives, namely: (1) Perceiving the olive oil sector in Portugal. Identify advantages and constraints to the export of the Portuguese product; (2) to study in the literature the structure, objectives and benefits of an EPA, and the most appropriate Export Promotion Programs to each phase of the internationalization process; (3) Apply the bibliography about the EPAs to the Portuguese context; (4) Study what has been done in another sector (wine sector) and see whether the strategy can be replicated to the olive oil sector.

1.3 Problem statement and research questions

One of the problems found in the sector is the discrepancy between Portuguese olive oil quality and notoriety of perceived by foreign clients and the one recognized by experts in olive oil. This unawareness of Portuguese olive oil and lack of distribution channels often leads Portuguese companies to choose to export the product in bulk, further contributing to the lack of recognition and brand awareness of Portuguese Brands by the final consumer, leading consumers to choose products of other nationalities with greater notoriety. These events encourage Portuguese producers to export in bulk a product with less added value. Most of the time this oil is exported in bulk to Spain and Italy, who then sell the product packed, at a higher price and increase their reputation and awareness.

Therefore, it is necessary to study mechanisms that favour the increase of exports of higher value olive oil, branded olive oil. This way, Portuguese olive oil will have greater notoriety and may also charge higher prices, increasing exports value.

To accomplish the research objectives, the following research questions were elaborated:

RQ1: Is it advantageous to create an Export Promotion Agency (EPA) for the Portuguese olive oil sector?

RQ2: Is *Casa do Azeite* an approach to an EPA?

RQ3: Is the activation of the umbrella brand *Azeites Portugal* a concrete way to contribute to the attainment of the 4 main goals of an EPA, also contributing to a rise of the exports of brand olive oils?

1.4 Structure of the thesis

The second chapter reviews the literature on exporting, which includes bibliography on export barriers and export promotion. Concepts related to branding, namely studies on umbrella branding and country of origin effect are also discussed. In the third chapter a description of the world olive oil sector is made. Main players are studied and the Portuguese market is studied in greater depth. At the end of this chapter a key entity in the olive oil sector in Portugal is identified: *Casa do Azeite*, which will be fundamental in the following chapter. In the fourth chapter we try to respond to each of the research questions and give some suggestions of work to *Casa do Azeite*. The final chapter closes with a summary of the main conclusions, pointing also limitations of the study and suggestions for future research.

2. Literature review

2.1 Exporting

Exporting has been a widely used method by companies to internationalize, as the simplest and fastest process to enter and operate in another market (Majocchi, Bacchiocchi, & Mayhrofer, 2005), especially for small and medium size companies (Leonidou, Katsikeasb, & Samiee, 2002).

Exporting can be tempting as it diversifies and spreads business risk across different markets and ventures (Leonidou L. , 2004) in hope of increasing potential market and gaining new customers (Smith, Gregoire, & Lu, 2005). In some cases, exporting may be advantageous because it allows the products resulting from overproduction to flow into other markets. Export is a company growth strategy. By risking and succeeding outside its country, the company gains new skills, expertise, and knowledge (Kotabe & Czinkota, 1992).

Joan Freixanet considers exportation to be a process and segmented the companies by stage of export, distinguishing companies by degree of commitment to foreign markets¹ (Freixanet, 2011).

Therefore, Freixanet distinguishes the following 5 stages of export. Starting/passive exporters are in the first stage of export and have the lowest level of commitment and experience, thus being the most vulnerable to export barriers. Regular exporters with little structure have a low level of commitment, structure and human resources and are in the second stage of export. In the third stage, there are regular exporters with a complete structure that already have a system of their own and more resources and capacities to face the barriers. By gaining more international experience and developing capabilities, companies enter the fourth stage of consolidated exporters with permanent sales, hence having a level of involvement and market information that makes them more independent and less vulnerable. The last stage belongs to multinational companies with production subsidiaries abroad (Freixanet, 2011).

Although export is an attractive internationalization mechanism, some companies lack fundamental resources, know-how and information, among others, leading them to avoid the uncertainty of the international market.

¹ This division is made through four variables: export volume, size of the export or international expansion department, existence of subsidiaries and production abroad

2.1.1 Export barriers

Leonidou defines exporting barriers as "all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets" (Leonidou L. C., 2004)

Export barriers occur in all stages of the internationalization process (Leonidou L. , 1995). At an early stage, the pre-export stage, companies seek to identify market opportunities and afterwards to increase their presence in this market. In more advanced states of internationalization companies are concerned with maintaining lasting relationships with their clients (Leonidou L. , 1995).

Kneller and Pisu (2011) argue that often initial market contact with new customers and marketing costs are an export barrier too (Kneller & Pisu, 2011). However, these barriers diminish as companies become more aware of the target market. They also refer to some language, financial, legal and other barriers, which also tend to diminish with market experience. The following table lists the most commonly reported barriers in the literature.

Export Barrier		Author
Knowledge	Lack of knowledge about the market and competition	Arteaga-Ortiz & Fernández-Ortiz (2010) and Seringhaus and Rosson (1989)
Resource	Lack of production capacity, credit, human resources, etc.	Arteaga- Ortiz & Fernández-Ortiz (2010) and Seringhaus & Rosson (1989)
Informational	Difficulty collecting information about the market and the target set for its business, contacting suppliers and customers	Seringhaus & Rosson (1989), Katsikeas & Morgan (1994), Leonidou (2004)
Functional/ Operational	Difficulties related to different functions of the companies: human resources, production related issues, financial, operations, etc.	Leonidou (2004) Seringhaus & Rosson (1989)

Marketing	Difficulty penetrating distribution channels, gaining market share, promote the product, adapting it to the new culture, meeting export labelling requirements, competition prices, etc	Neupert Baughn & Thanh Lam Dao (2006) and Leonidou (2004)
Procedural	Bureaucracies, deep cultural differences, language, different payment policy, etc	Arteaga- Ortiz & Fernández-Ortiz (2010) and Leonidou (2004)
Government	Lack of support	Leonidou (2004)
Task	Customer matters and different product requirements	Leonidou (2004)
Environment	Economic, political-legal, and socio-cultural aspects in the target market	Leonidou (2004)

Figure 1: Export barriers most reported in the literature

In his study, Leonidou ranks the impact of this barriers. Among the very high impact barriers limited access to information about the destination market, trouble contacting with local clients, different customer habits, difficulty in matching competitors' prices and excessive transportation costs stand out. Accessing distribution channels and obtaining reliable foreign representation are some of the high impact barriers to export. With moderate impact, the following barriers are presented: complexity of foreign distribution channels, lack of home government assistance, keen competition in overseas markets and different socio-cultural traits. Amidst the low or very low impact barriers are linguistic struggles, lack of excess production capacity for export, meeting export product quality standards and export packaging requirements (Leonidou L. C., 2004).

2.1.2 Export promotion

To overcome part of the export barriers, a wide range of services were created resulting from private and public initiatives.

The main functions of EPAs are to motivate companies to expand their business across borders, reducing export barriers, supporting the company in the different stages of the internationalization process through financial and/or non-financial support (Wilkinson & Brouthers, 2006). In general, the objectives of EPAs can be divided into four main types: country image building, export support services, marketing, market research and publications (Lederman, Olarreaga, & Payton, 2009). To Seringhaus and Botschen (1991), the goals of these agencies further include organizational help and cost-sharing programmes to bear international activity in a tangible way.

EPAs can be initiated by individuals, fully private, semi-private agencies, or agencies that report to a ministry or be even a sub-unit of a State Ministry (Seringhaus & Botschen, 1991). Lederman, Olarreaga and Payton found that programs are more effective when organized by private individuals and subsidized by the government (Lederman, Olarreaga, & Payton, 2009). The recipients of the programs are both exporters and non-exporters. (Ahmed, Julian, & Mahajar, 2006).

Paul Hogan (1991) identified a few factors in the EPA's internal structure needed for the mission to be accomplished. Human resources ought to have strong knowledge on the target markets to help exporters. If the EPAs are public, they should have autonomy in the decision-making process. The number of overseas offices is also important to have updated information and the means of financing are to be well established, among others (Hogan, 1991).

Naturally there are external factors that influence EPAs' activity and the efficiency of the exportation promotion. The literature identifies three factors: internal factors of the companies themselves, political context and exporters and governments' trust on EPAs (Ferreira & Teixeira, 2012). However, most authors take as granted the positive impact of EPAs in exportation. For example, Lederman ran a survey through 88 EPAs and concluded that the EPA budget has a positive impact in exports, particularly in European, Asian, Latin-American and Sub-Saharan Africa countries (Lederman, Olarreaga, & Payton, 2009).

EPAs, through their exportation support instruments (the Export Promotion Programs – EPP), contribute positively to fight export barriers. For this reason, EPPs have been increasing its weight in state budgets. The need for EPPs increases with the threat of export barriers (Lederman, Olarreaga, & Payton, 2009). These programs cover a range of activities, as wide as

the barriers. Carballo and Marticus identify the following: training programs for inexperienced companies in the field of internationalization, information programs as a response to informational asymmetries between trading parties, consulting and networking programs with potential suppliers and customers (Carballo & Martincus, 2010).

Although EPAs and EPPs can help in the internationalization process in two ways, supporting the company sporadically or accompanying it throughout the process, studies show greater effectiveness when the company is followed from the start and not only sporadically (Carballo & Martincus, 2010).

Joan Freixanet lists several programs (EPPs) and studies their benefit in each stage of export: the program that a company needs in the initial phase of the export process is different from the one to be offered to a multinational. (Freixanet, 2011).

Some EPPs studied by the author will now be referred. Direct promotion programs, namely trade missions, trade shows and support for brand promotion, are the most frequently used programs, with 8 out of 10 exporters who know these EPPs using them (Freixanet, 2011). They are used specially when the company enters a new market or industry and in case of market diversification but are attended at all stages of export. As they are the most used programs, more reference is made to them.

Trade missions are international travels organized by EPAs with the main objective of exploring business opportunities. They are conducted by a specialist in a product that brings together sellers and buyer (Jaramillo, 1992). Although immediate sales can be made of the products or services presented, trade missions have long-term effectiveness, as it is mainly through them that knowledge of markets with experts, contacts, among others, is obtained (Seringhaus F. H., 1989). Wilkinson further argues that trade missions are even more useful in attracting investment and enthusing non-exporters who lack experience in exporting (Wilkinson & Brouthers, 2000)

Trade shows are fairs where products are exhibited. Participating in these programs has three main advantages: immediate sales, increasing awareness of the product, and learning new ways to diversify the business (Gopalakrishna, Lilien, & Williams, 1995).

Both trade shows and trade missions allow managers to broaden their network of contacts, learn about other markets with more experienced participants and make important initial contacts for the internationalization process (Wilkinson & Brouthers, 2006).

Gopalakrishna, Lilien and Williams concluded that trade shows have a greater impact on exports than trade missions (Gopalakrishna, Lilien, & Williams, 1995). Usually trade show participants are not as much non-exporters but rather exporters who want to diversify the market

and have little knowledge of the market to which they want to internationalize (Durmuşoğlu, Apfelthaler, Nayir, Alvarez, & Mughan, 2012)

Continuing with other EPPs, Information Programs (where companies are informed about new markets or receive practical information about exports) are used mostly in stages 1 and 2 of the export process.

The first stage exporters, starting/passive exporters, are the main target of the Programs for assistance to start exporting. Despite being of the cheapest programs, they have low participation, mainly due to little publicized, as 80% of exporters who know the programs use them. Freixanet concludes that it is necessary to reinforce the dissemination of them (Freixanet, 2011).

The consultancy programs are used in the more advanced stages of the export process. However, their use is insignificant at around 7% (Freixanet, 2011).

The author verified that in stage 5 exporters seek more programs to support the creation of production subsidiaries and found a reason why export groups are so poorly attended, stating it is not often that companies have products that can be exported together. That is, they realize they will not find a business partner in these groups.

There are also other programs discussed in the literature, such as programs identifying agents and distributors. As many producers find it impractical and unhelpful to integrate vertically to distribute internationally, they choose to distribute independently or resort to local distributors (Bello & Lohtia, 1995). This is case for most of small and medium-sized enterprises (SMEs) for whom distributors are often the link with the buyers. These distributors allow the product to be sold in another market easily and provide good customer contacts and information about the local market (Clasen, 1991). However, finding, perceiving and satisfying distributor requirements may be too time-consuming (Bello, Chelariou, & Zhang, 2003). It is difficult to get to the shelves of a distributor if opponents already compete for distribution control (Leonidou L. C., 2004). So, the distributor may have a bargaining power which makes the process very expensive. On the other hand, distribution systems are different from country to country, which obliges the exporting company to adapt constantly to each of these systems. When analyzing this export barrier, Leonidou presents, as one of the solutions, that companies use the help of export promotion agencies to reduce the risk of choosing an opportunistic or inappropriate distributor (Leonidou L. C., 2004). The same applies to agents or representatives of the exporting company in the target market. It is difficult to find an agent that fulfils several fundamental requirements for export success (Leonidou L. C., 2004) and this kind of EPPs can help identify an appropriate one.

2.2 Branding

Spyropoulou and colleagues concluded that firms that achieve corporate image advantage position in the market (also in the export market) are more likely to have higher performance outcomes (Spyropoulou, Skarmas, & Katsikeas, 2010). Corporate image advantage is reached when an export venture grasps a brand image more favourable to the target market consumers, compared to competitors (Zou, Fang, & Zhao, 2003) Mike Bendixen and colleagues found, about the business to business market, that brand is responsible for 16% of the purchase decision (Bendixen, Bukasa, & Abratt, 2004).

2.2.1 Brand equity and branding

According to Levitt, the product supply is divided into three levels (Levitt, 1980). The product itself (consisting of its characteristics and tangible properties), augmented product (through which other benefits and secondary services such as technical support services, delivery services and others) and the potential product (through which intangible characteristics valued by customers are offered). Branding is included in the third level, potential product (Levitt, 1980) and it is powerful because it is associated with benefits offered to customers (Mudambi, 2002). Increasingly, brands are used as factors of product differentiation.

There are several variables that influence a brand purchase behaviour. On one hand, the individual (age, salary, gender, marital status) and the country's characteristics (consumption habits, cultural dimensions, economic development, etc). On the other, the brand-image perception (product-image dimensions, corporate-image dimensions and country-image dimensions) (Hsieh, Pan, & Setiono, 2004).

A product under a large brand can have a great power in a customer's mind when choosing between this brand or a competitor (Keller, 1993). In fact, brand equity comes from the whole set of images created in the minds of customers and associated with a brand (Michell, King, & Reast, 2001).

According to Keller, brand equity exists if there is a unique brand association and brand knowledge (Keller, 1993). Some authors go further identifying the main sources of brand equity: brand reputation, brand awareness, consumer loyalty, perceived quality (Bendixen, Bukasa, & Abratt, 2004) and brand association (Aaker, 1996). For Bendixen and colleagues, the quality of products is the largest generator of brand equity, even though it is referred that it is necessary for the company to turn this real quality into quality perceived by the customer.

Because of brand equity, consumers opt for a premium price brand rather than opting for a generic or unknown brand, when recommending a brand to their peers and when they are interested in other products on the same brand (Hutton, 1997).

2.2.2 Umbrella branding

Umbrella branding is the practice of selling various products under the same name (Miklós-Thal, 2010).

Although one of the arguments defending the use of umbrella brand is that they drive sales of new products based on the reputation of older products with a strong brand, there are those who argue that this strategy should not always be used.

According to Miklós-Thal, umbrella branding can induce two types of effects: signalling effect and feedback effect. The first occurs when a consumer compares the new product under umbrella brand, quality wise, with another product of an unknown brand. Feedback effect happens when the success or failure of a new product affects the consumption of the old product, as the new experience has led consumers to rethink their beliefs about the old product. (Miklós-Thal, 2010)

Wernerfelt argued that in the presence of information asymmetry about the quality of products (both about the old product and about the product being introduced), the company should only use umbrella branding if the two products are in fact of good quality (Wernerfelt, 1988). If consumers perceive poor quality in the old product, even if the new product has better quality, customers will compare it with the old one and have a worse perception than they would if the product was not under the umbrella brand (Wernerfelt, 1988). If the opposite happens, i.e. if the old product is of good quality but the new one is not, it does not make sense to use umbrella branding. Although in the short term the new product sells more due to the reputation of the first product, in the long run the negative impression about quality will affect both products sales (Wernerfelt, 1988). These results are similar to Miklos-Thal's findings: for products seen as poor quality, the decision to be under the same umbrella brand seems to have no more effect on sales than the decision to keep products on different brands (Miklós-Thal, 2010).

When well applied, umbrella brand can reduce the risk and uncertainty felt by the consumer when buying a new product (Wernerfelt, 1988). Another advantage of using an umbrella brand is that this forces new products to have more quality (Miklós-Thal, 2010).

In 1981, Tauber argued that the umbrella brand can create advertising efficiencies and allows saving in marketing costs. (Tauber, 1981)

In Portugal, the strategy of internationalization of Portuguese Wine, developed by Wines of Portugal, is based on the promotion of three brand levels: the country brand (Wines of Portugal, operated by ViniPortugal²), regional brands (appellations of origin) and private brands (operated by the companies owning the marks) (viniportugal, 2011). The country brand is used as an umbrella brand and is managed by ViniPortugal, not by the companies that own the product. Hsieh, Pan and Setiono justify the use of an umbrella brand as part of the branding strategy country wise by stating that the country image can pass on to the clients a series of associations that become an influencing factor in the purchase decision. (Hsieh, Pan, & Setiono, 2004)

2.3 Country of origin effect

Many authors have investigated the effect of the country of origin (COO) on consumer buying behaviour, whether or not it results in increased brand awareness (Agrawall & Kamakura, 1999) and also whether *made in* is associated with a perception of greater or lesser quality of the product (Yasin, Noon, & Mohamad, 2007).

In the review of the literature all authors agree that COO may affect purchase decisions, however the effect is different depending on the type of products. In technological products, for example, product quality is known even before the customer experiences the product, through the intrinsic characteristics of the product (in the case of a mobile phone: storage capacity, processor, etc). In case of hedonic products, although the quality can be described through the components of the product (thinking, for example, about a perfume, some drink, olive oil or wine), the client does not know, without experimenting, if he will like these characteristics. In this case, extrinsic factors such as price, brand, COO, can be used to predict quality. (Steenkamp, 1990) In these products, a branding strategy that associates the product with the COO can be advantageous. When referring to a country or region, marketers bring feelings and images related to that region that may be fundamental when the customer makes the purchase of the product. (Lans, Ittersum, Cicco, & Loseby, 2001)

In the strategic plan for the internationalization of the Wines sector in Portugal, the promotion of the Wines of Portugal brand is justified because the product is considered a hedonic product.

² Interbranch organisation of Portuguese Wine

3. Methodology

To answer the research questions, the literature review contributed to identify the most efficient way to constitute an EPA, the most appropriate EPPs and to know the requirements necessary for the success of the strategy of umbrella branding. These concepts will further be applied to the olive oil sector.

To understand the context of the olive oil sector in Portugal primary data was collected. To identify the international presence of Portuguese branded olive oil, a study was carried out of two product distribution channels abroad: the existence of Portuguese restaurants abroad and the existence of Portuguese branded olive oil in supermarkets abroad. The participation of Portuguese olive oil brands in international competitions was also studied. Three meetings were also held with *Casa do Azeite* in the hypothesis validation phase and one with Dr. José Cortez de Lobão, owner of *Herdade Maria da Guarda*.

4. Olive oil market context

4.1 History of the olive oil

Olive oil, from the Arabic *olive juice*, is a typical product of the Mediterranean basin. Few countries in this region do not produce the so-called *liquid gold* (Bartolini & Petruccioli, 2002).

Historians conclude that olive culture has spread from Syria, Iran and Palestine between 5000 and 1400 BC. Later, through commercial exchanges and through new knowledge it was possible to take the plant to areas such as Turkey, Cyprus and Egypt where there are many archaeological sites with olive-related findings (Vossen, 2007). In the 16th century BC, the Phoenicians began to spread the olive along the Greek islands, and in the 15th century BC the olive tree was the basis of the Greek economy (International Olive Council, 2017)

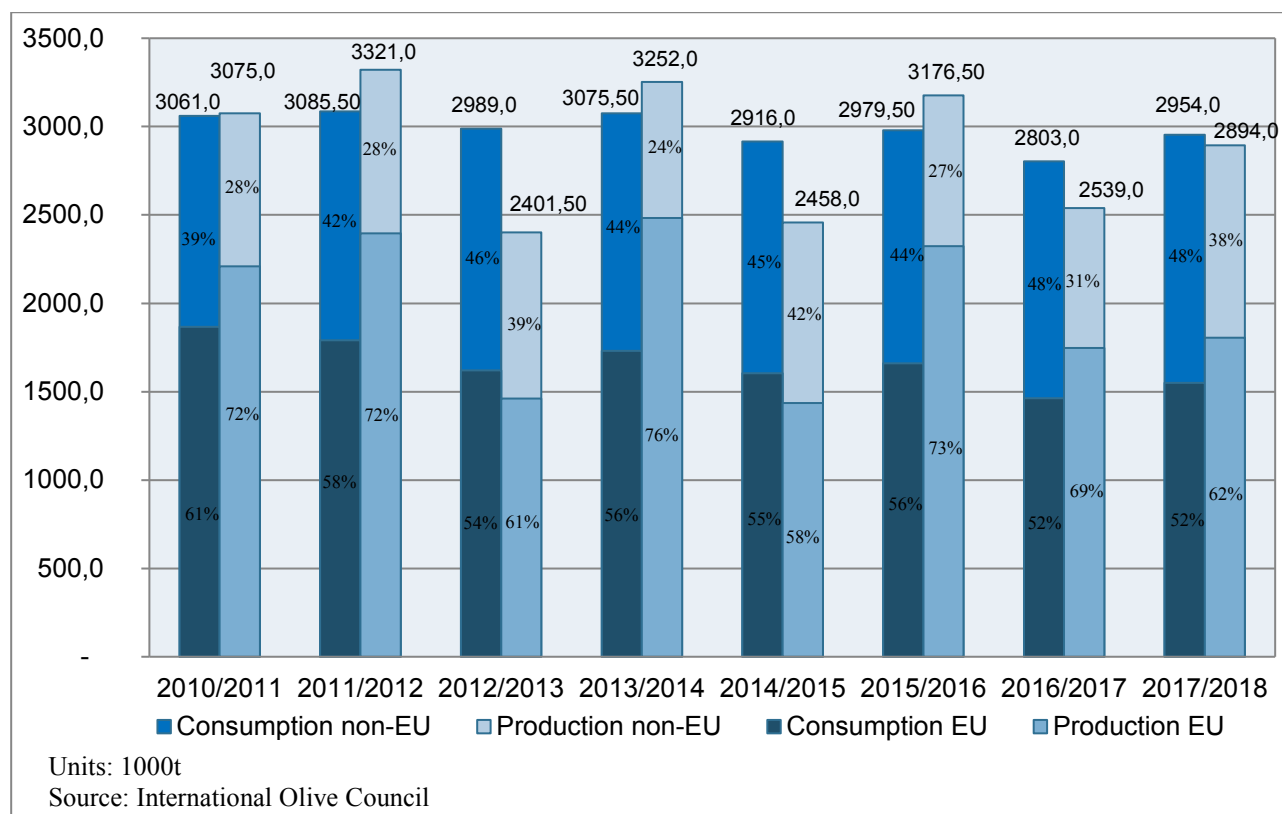
Then the olive tree arrived in Italy, France and North Africa. In a short time, during the Roman Empire, the olive tree grew roots throughout the entire Mediterranean basin (Aparicio & Harwood, 2013). Later, with the Portuguese and Spanish discoveries, the olive tree traveled to America.

Then, where the weather conditions allowed, the olive tree spread a bit throughout the world. Regarding Portugal, this was one of the first products to be exported.

Nowadays, olive oil is appreciated not only for its quality but also for the benefits it brings to health. Olive oil is a favorite source of fat for some health-conscious people who have adopted the Mediterranean diet as its combination of phytochemicals and monosaturated fatty acids is quite advantageous for the organism (Boskou, 2009).

Depending on the physical properties of the product and the means of production, olive oil can be classified as "extra virgin", "virgin", "refined" and "olive oil" (the blend of virgin and refined olive oil). *Casa do Azeite* explains that Extra Virgin Olive Oil has excellent organoleptic characteristics, acidity up to 0.8%, as oleic acid. Virgin olive oil is extracted from olives by physical processes that have not been refined and have acidity up to 2.0%. Refined olive oil is a clean oil with impurities and acidity equal to or less than 0,3 degrees. Common olive oil is a blend of non-lampante virgin olive juice with refined olive oil and a degree of acidity of not more than 1,5 degrees. (*Casa do Azeite*)

4.2 Sector characteristics and trends



Graphic 1: Olive oil world production / consumption

The world production of olive oil tends to be stable, with oscillations between consecutive years due to the annual alternation of the production of traditional mills. According to *Casa do Azeite*, in the last 10 years the world production increased at an average rate of 0.002% (*Casa do Azeite*).

As for consumption, it appears to be stable in producing countries. However, it has increased in non-producing countries such as Australia, USA, Japan, Canada and Brazil (International Olive Council, 2017). The consumption of olive oil increases as a consequence of the extension of the Mediterranean diet. The type of olive oil with the greatest weight on increasing consumption is extra virgin olive oil.

4.3 International Analysis

4.3.1 International Production

According to data from the International Olive Council (IOC), the world production of olive oil in 2016/2017³ was 2,539,000t and world production in 2017/18 is estimated at around 2,894,000t, which means an annual increase of approximately 14 percent. (International Olive Council, 2017). The European Union (EU) is expected to be responsible for 62.38% of this production (in 2017/2018), what means approximated 1,805,000t (see Appendix 3 for more details).

The biggest players in the world are Spain (with 60.41% of EU production and 37.68% of world production), Italy (responsible for 11.06% of world production), Greece (10.37% of world production), Turkey (with 9.92% of world production), Tunisia (7.60% of world production), Morocco (4.84%) and Portugal (2.72% of world production and 4.37% of EU production) (see Appendix 4).

4.3.2 International Consumption

The expected world consumption in 2017/2018 is 2,954,000t which means an increase of 5,4% compared to the homologous period of 2016/2017, when consumption stood at 2,803,000 t. (International Olive Council, 2017)

In Europe, the producing countries are the same that most consume the product. The biggest consumers in the world are Italy (35.96% of EU consumption and 18.86% of world consumption), followed by Spain (15.91% of world consumption), USA (with 10.66% of world consumption), Turkey (with 5.75%), Morocco and Greece (with 4.06%), France, Syria, Algeria, Portugal (2.37% of world consumption and 4.52% of EU consumption), and Germany, by order. (see Appendix 5 and 6).

4.3.3 Analysis of the largest European players

Spain, Italy and Greece are among the largest producers and consumers of olive oil.

The most exported and imported type of olive oil, in Europe, is extra virgin olive oil. Usually this is also the most expensive olive oil, with Italians selling at the highest price and with an increasing trend over time.

³ The term crop year covers the period from 1 October of one year to 30 September of the following year.

As for exchanges between countries, Spain is the largest supplier of olive oil within the EU and Italy is the largest buyer.

According to Eurostat data, the largest supplier for European countries is Tunisia, followed by Morocco, from where most of the extra virgin olive oil is imported. The largest importers of European olive oil are the United States, which account for about 36% of EU exports, followed by Brazil with only around 7% of exports. Other markets are Japan, China, Canada, Australia, Russia, among others (International Olive Council, 2018).

We will now see the particular cases of the biggest players in the sector.

Spain

Spain is a country of great importance both globally and in Europe. On average, Spanish production assumes 60% of EU production and 38% of world production.

According to the *Asociación Española de la Industria y el Comercio Exportador del Aceite de Oliva*, ASOLIVA, the cultivated area in Spain is 2,584,564 hectares, representing over 25% of the world olive surface (ASOLIVA). Andalucía is responsible for 80% of Spanish production, according to the same source, followed by 8% from Castilla la Mancha.

Spain is also the world's largest exporter. The Spanish government states that olive oil occupies the 4th position on Spanish exportations and, according to data from ASOLIVA, in the last 5 years, the country has exported an average of 850,000 tons per year.

The main destination market for Spanish olive oil, mainly in bulk, is Italy, according to Eurostat, with 57.8% of exports destined to supply Italy. Other markets are Portugal, UK, Japan, France, Australia and China. Although 75% of the value of Spanish exports relate to EU countries, the trend is higher for non-EU countries. Imports have a low relevance and come from countries like Portugal (50%) and Italy (27%). The largest share of imports of the product is made in bulk.

Italy

Even though being the second largest producer in the EU, Italy, produces 28% of Spain's production.

In Italy there are approximately 1.1 million hectares of cultivated area with over 250 million olive trees. According to a report about the Italian Olive Oil market in 2017 (USDA Foreign Agricultural Service, 2017), the main production regions are Puglia and Calabria with 68% of the national production. 60% of the olive oil produced is extra virgin. The Italians are

the largest olive oil users, with 19% of olive oil world consumption. 80% of consumption is also extra virgin olive oil.

Italy remains by far the main destination for intra-EU olive oil exports. A significant share of the imported products is purchased for exportation by Italy (Giles & Bettini, 2017).

Greece

The olive oil industry is one of the most important industries in the Greek economy. It produces 16% of the EU's olive oil (International Olive Council, 2017), with 300 million t produced in 2017/2018. The regions with the greatest responsibility for production are Messinia, Laconia, Irakleio and Phthiotis.

It is the third most consuming country in the world and in the EU. Greece does not import olive oil. It is important to point out that 76.9% of its exports go to Italy.

4.3.4 Analysis of the largest non-European players

Turkey

Turkey is another major world producer, the fourth, which exports mainly bulk to consumer countries. In 2017/2018 Turkey produced 287 million t and exported 20 million t of olive oil. (International Olive Council, 2017) According to the Turkish Statistical Institute, the largest importer of Turkish olive oil is the US, followed by Spain, S. Arabia and Iraq. (Republic of Turkey Ministry of Economy, 2017)

Tunisia

Tunisia is the fifth largest producer in the world, exporting almost 2/3 of the production to the outside, supplying mostly European countries of the Mediterranean basin. (International Olive Council, 2012)

Olive oil accounts for 10% of the country's exports. According to IOC data, over the past six years, Tunisia has exported some 145,000 tonnes on average, mainly to Spain and Italy.

4.4 Olive oil in Portugal

4.4.1 Overall review of the sector

The olive oil sector represents 1.36% of the value of agricultural production, generating €95.5 million to the Portuguese economy (International Olive Council, 2017). Portugal has 471 companies linked to the olive oil industry (which means 5.1% of the food industry) employing a total of 1431 workers. (AGRO.GES , 2016)

Olive oil is a key ingredient in the Portuguese gastronomic culture. Over time, Portugal has become a better producer (both qualitative and quantitative), consumer and exporter of so-called *liquid gold*. Currently, annual per capita consumption is 6,6 kg (Casa do Azeite, 2016). According to the same source consumption in Portugal has been decreasing.

Being among the largest players in the market, Portugal is a founding country of the International Olive Council (IOC), an initiative of a group of countries such as Belgium, Spain, Greece, Italy, Israel, Libya, Morocco, United Kingdom, Portugal and Tunisia.

Portugal is the seventh largest producer in the world, producing 78.8 tonnes of olive oil in a 352,000-hectare growing area, in the 2017/2018 year (International Olive Council, 2017). Portugal accounts for 4.37% of European production and 2.72% of world production. (International Olive Council, 2017)

After a sharp decline in domestic production between the 1960s and 1980s (at which time old crops had to be replaced (International Olive Council, 2017) with new ones resulting in high costs for the sector), Portugal regained production due to advances in production technology, increased processing capacity and concentration of the mills and production support policies were implemented. (Casa do Azeite) Many of these events stem from Portugal's entry into the EU in 1986. In addition, the quality of Portuguese olive oil was recognized both nationally and internationally and, perhaps the most relevant factor, new irrigated olive groves were planted in the Alentejo region (mainly in the new irrigated areas of the irrigation perimeter of Alqueva). According to the IOC, Portugal has 495 olive mills, 12 olive oil refineries and 17 olive pomace oil extractors. (International Olive Council, 2017) For the owner of *Herdade Maria da Guarda*, this is one of the main competitive advantages of Portugal: the recent technology of super intensive olive groves and the high quality of olive oil. In addition, Portugal is the first country to harvest olives and therefore sells first than the other countries (see Appendix 1 for more information).

The main production area for olive oil is Alentejo, which accounts for 50% of the country's production, followed by Trás-os-Montes (22%), Centro (18%), Ribatejo (7.7%) and Algarve (2.3%) (International Olive Council, 2017).

In 2016, Portugal became the world's fourth largest exporter by exporting 41,200 tonnes: 69% of exports are intra-EU sales (International Olive Council). The main destination of Portuguese olive oil is the neighboring country absorbing 49% of Portuguese exports. Another market that stands out is the Brazilian one which, according to the most recent IOC statistics of 2015/16 crop year, absorbs about 24% of the total Portuguese exports of olive oil, making Portugal the market leader in that country. Following Brazil, comes Italy, with 14% of exports, Angola, with 3%, and France, with 2%.

In terms of product category, according to the IOC the olive oils with the highest overseas demand are virgin and extra virgin olive oil which account for 81% of total exports. (International Olive Council, 2017)

For the Spanish and Italian markets, exports are mostly bulk, with less added value. Whereas for Brazil and Angola, and other non-producing countries, the product is exported branded, packaged, with more added value. *Herdade Maria da Guarda* exports the product in bulk and justifies it saying that it is difficult to create a brand that is recognized internationally. This happens for two reasons: because of the competitiveness in the market and because the lack of notoriety of the Portuguese product (see Appendix 1).

For *Casa do Azeite* and to the owner of *Herdade Maria da Guarda* the main difficulties encountered when exporting the product branded are the lack of awareness of Portuguese olive oil and the difficulty of accessing the distribution channels as a result of competition with the major world players: Spain and Italy.

As for future prospects, we can say that with this recent plantation of the new olive groves, a few years in full production are expected. For this reason, *Casa do Azeite* foresees that production will increase in coming years, but that domestic consumption will decrease. Besides, with the increase of imports by non-olive oil producing countries and the increase in Portuguese olive oil, Portugal is a good candidate for these client countries.

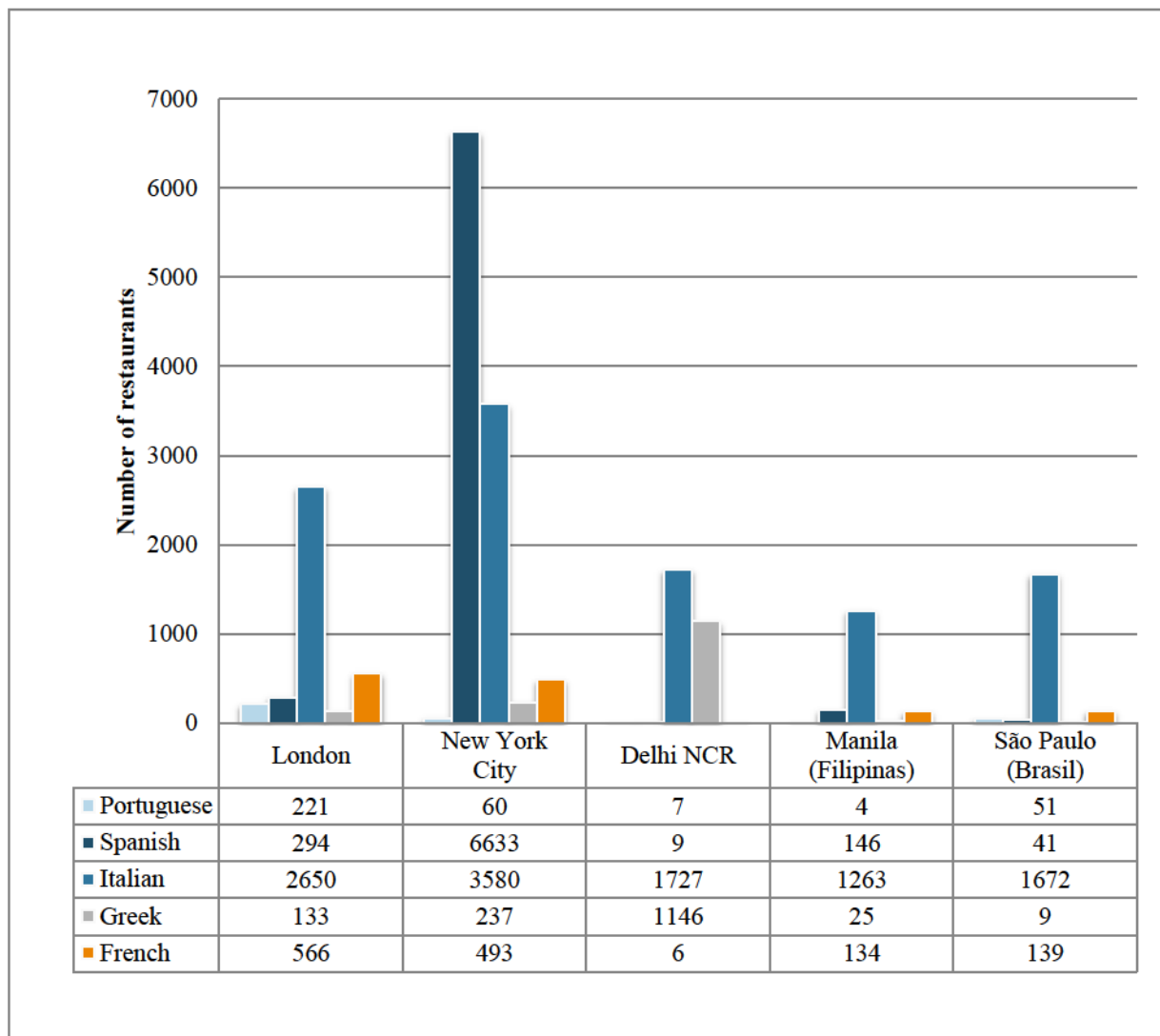
4.4.2 Portuguese brands

As for the main Portuguese brands, we have top of mind brands like Oliveira da Serra, *Azeite Gallo* and *Herdade do Esporão*. The group that exports to more than 70 countries, the Sovena group, owns Oliveira da Serra which holds more than 10 million olives (SOVENA) and

is a market leader in Portugal with a market share of 22% in terms of volume and 23% in value. *Azeite Gallo*, owned by Unilever Jerónimo Martins, is present in more than 40 countries and even though it is not a market leader in Portugal, occupies position 4 in the world olive oil ranking.

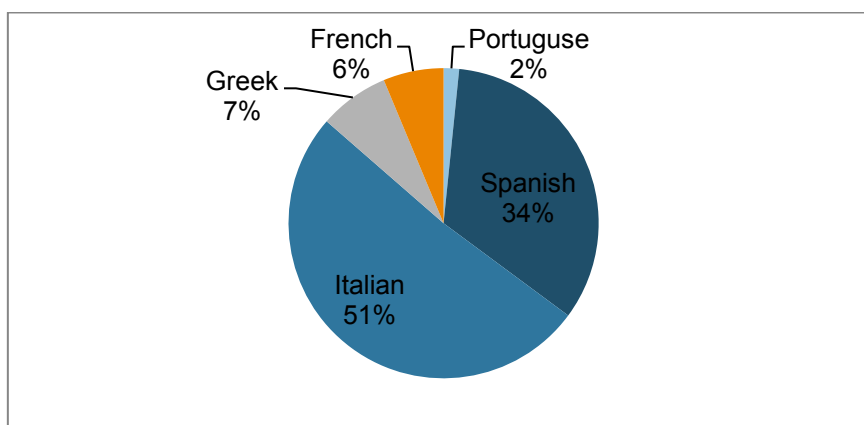
4.4.3 Distribution channels

Producing high quality olive oil is not enough to export. The product must reach the customer. Typically, a connoisseur of olive oil seeks for the product in the large distribution, supermarkets, hypermarkets or restaurants (HORECA channel). Therefore, we tried to identify the presence of Portuguese olive oil in the large retail areas and the presence of Portuguese restaurants around the world.



Graphic 2: Number of restaurants in the countries analyzed

Starting with HORECA channel and following the purchase path of the olive oil connoisseur, they are expected to start searching for Portuguese restaurants in their country, for example via the Zomato platform. We sought to know the number of restaurants, by country of their cuisine, enrolled in this platform in five different cities: London, New York City, Delhi NCR, Manila and São Paulo (see Appendix 8 and 9 for more details about the number of international restaurants by location).



Graphic 3: Distribution of the presence of restaurants abroad

The presence of Portuguese restaurants in these cities is 2%. Italian and Spanish restaurants, on the other hand, have a well-developed Horeca channel, ensuring the market for olive oil exporters (see Appendix 10).

This happens due to the fact that there is no strong Portuguese gastronomic culture abroad, with it being a point to improve if one wants to increase exports of Portuguese gastronomic products.

There are already measures being taken to address the problem. The Ministry of Foreign Affairs has signed a protocol of cooperation with *Associação de Hotelaria, Restauração e Similares de Portugal*⁴ with the objective of creating a network of Portuguese restaurants in the world for the program COMPETE 2020. The goal of the restaurant network is to promote and value internationally the Portuguese gastronomy and the endogenous products (wine, olive oil, cheeses, typical pastry, etc.) and promote Portugal as a touristic destination.

In order to know the penetration of Portuguese olive oil in the big distribution the largest supermarkets in the following countries were analyzed: Spain, Italy, France, Brazil, United

⁴ Entity representing the companies of the hotel, restaurant and catering sector

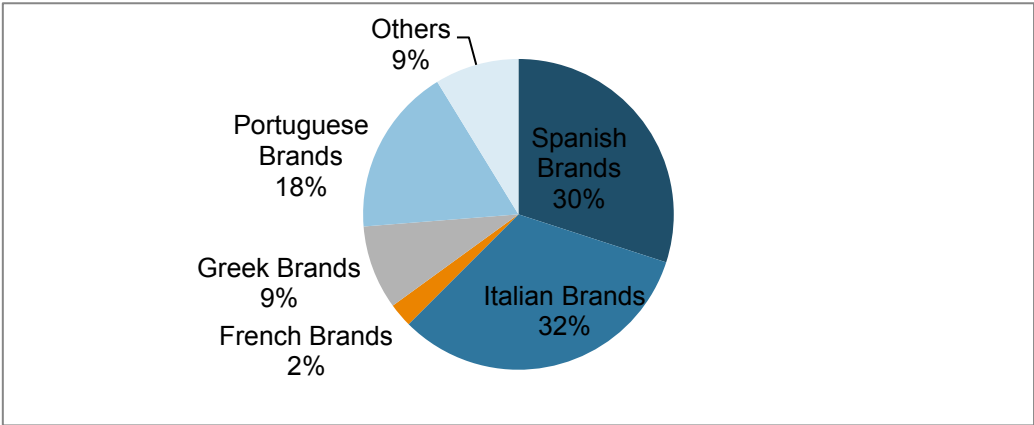
Kingdom, Australia and USA. The objective of the analysis is to count the different international brands existing in each supermarket (see Appendix 11 for more details).

As it is normal for each country to sell more national brands than foreign ones, only foreign brands were counted in each retailer. Giving an example, by considering the olive oil brands in Mercadona, only non-Spanish brands are mentioned and listed.

Country	Retail Channels	Number of internacional brands	Number of Portuguese brands
Spain	Dia, Carrefour, Mercadona	1	0
Italy	Coop, Il Gigante	4	0
France	Carrefour	1	0
Brazil	Walmart, Pão de Açúcar, Carrefour	41	12
United Kingdom	Sainsbury's, Tesco	11	1
USA	Walmart, Aldi, Costco, Sam's club	19	1
Australia	Wollworths, Coles	4	1
Total	17	81	15

Figure 2: Number of international and Portuguese brands present in supermarkets

Including repeated brands, we find 81 international brands in these 17 supermarkets, 15 of them Portuguese. What means that if the consumer looks for a Portuguese brand, amongst all the foreign brands, they have an 18% chance of finding it in these 17 supermarkets, highlighting the fact that Brazilian supermarkets are where they are easier to find.



Graphic 4: Nationality of brands present in supermarkets

If we count only once each brand, one can find 55 different foreign olive oil brands on the 17 mentioned supermarkets, 12 of them being Portuguese brands: Herdade do Esporão, Andorinha (brand developed by Sovena group for the Brazilian market), Oliveira da Serra, Olivari, Gallo, Portucale, Tejo, Serrata, Vilaflor, TAEQ, Parus.

Naturally, it is in non-producing countries that international brands are easier to find, as there are fewer barriers to entry, while Spain and Italy are the countries with the greatest barriers to overcome for the marketing of international olive brands.

4.4.4 Product promotion. Participation in contests

Participating in a recognized olive oil contest is a good way to promote an olive oil brand.

The winners of the contests increase their reputation on the market, among customers and importers, by displaying the medals and diplomas received. These contests have many guests who are opinion leaders on the international arena. For example, Los Angeles Extra Virgin Olive Oil Awards has about 1.3 million guests annually.

To evaluate the participation of Portuguese brands, 12 competitions (some of them organized by the same entity but with different prizes) were considered.

Country	Contest	Characteristics
USA	New York international olive oil competition	Annual competition of extra virgin olive oil considered the largest international competition in the world. The winners' results are posted on the Olive Oil Times page, the industry's publication of record and the world's most widely read source for olive oil. (NYIOOC)
Argentina	VII <i>Concurso Internacional de Aceite de Oliva Virgen Extra</i>	Organized by the Ministry of Production and Economic Development and awards the best extra virgin olive oils (ArgOliva).
United Kingdom	London Quality awards of Extra Virgin Olive Oi	The goal of these competitions is to promote quality olive oil and knowledge about nutritional/health advantages. In general, olive oils are evaluated for their chemical and organoleptic properties (London IOOC).
United Kingdom	London health claim	
China	China international olive oil competition	Is only 12 years old. Selection of the best olive oil. It gives visibility to importers, agents, etc. (Oil China Competition)
Israel	Terraolivo 2016- top 10 awards	It is characterized by the large number of participants and by the demanding jury (Terra Olivo).
Israel	Terraolivo <i>Especiales</i> 2016	

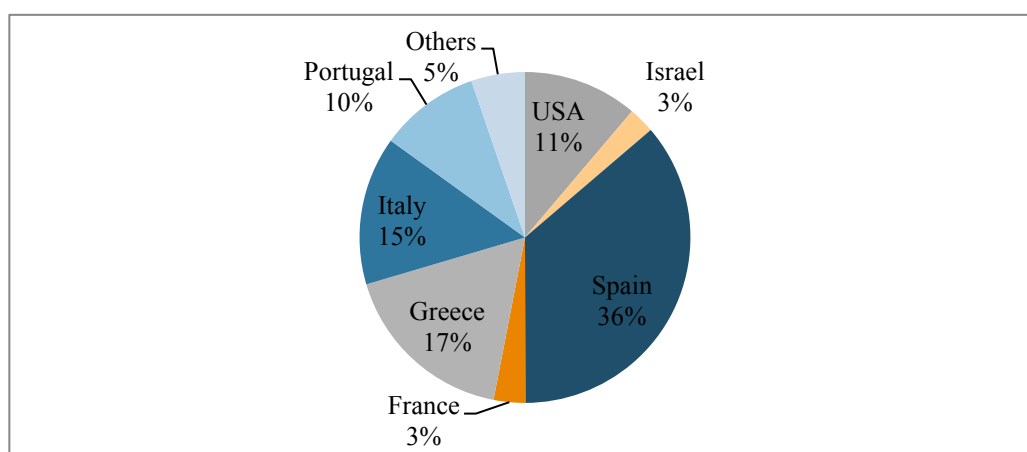
Israel	Terraolivo best packaging design	
Israel	Terraolivo <i>gran prestigio oro 2016</i>	
Spain	Mario Solinas quality award	The competition is organized by the IOC (International Olive Council)
Greece	Athena international olive oil competition	The competition is organised in a different olive oil-producing region in Greece each year and brings together extra virgin olive oils from around the world.
USA	Los angeles international extra virgin olive oil competition	The competition has two categories – domestic and international – separated according to regional designations and fruitiness intensity levels.

Figure 3: Description of international competitions analyzed

All the participants of these 12 competitions were listed (see Appendix 12), paying attention to their nationality. In a total of 1292 participants, Portuguese brands represent 10% of the sample.

As expected, Spain is the country with the highest presence in international competitions, followed by Greece and Italy.

Herdade do Sobrado, Olival da Risca, Oliveira da Serra, Picoto, Rosmaninho Gourmet, Gallo and Casa de Santo Amaro are some of the Portuguese award-winning brands.



Graphic 5: Distribution of participants in contests by country

4.4.5 Entities with ties to Portuguese olive oil

*Agência para o Investimento e Comércio Externo de Portugal (AICEP)*⁵ is an export promotion agency entrusted with helping Portuguese companies in the internationalization process. It supports the exportation activity of companies, seizes external investment and promotes the Portuguese image abroad. AICEP provides a wide range of services like funding support, assistance during the exportation process, networking programs and other EPP like trade missions, trade shows, information programs, etc. (Aicep)

Casa do Azeite – Associação do Azeite de Portugal, is a private association with a national scope. Their main goal is to provide help to olive oil producers and fillers in promoting branded olive oil. As for their activities, it takes part in various debates with the national, European and international public entities.

Olive oil consumption can be promoted by developing potential customers. *Casa do Azeite* does this through education in schools, training professionals from HORECA channel and others that can spread the product, as dieticians and journalists. These training sessions mention the olive oil characteristics, health benefits and how it can be used in a healthy way of living, with workshops and tasting courses being offered too. At the same time, backup formation in exportation is also available including, but not limited to, workshops about specific markets, consumption habits and evolution, diverse cultures, and others.

Casa do Azeite provides these services by organizing events, workshops, contests and fairs participations.

Internationally, they develop several campaigns to raise awareness on the national olive oil. In 2000, a communication campaign was made with the following signature: “*Azeite Português – Há 500 anos no Brasil*”. The action consisted in the invitation of ten Brazilian journalists (resulting in great quality reports about the national product and its connection to the Portuguese gastronomy and culture), the participation in Expo Gourmet in São Paulo and the exclusive sponsorship of the Cruise commemorative of the 500 anniversary of Brazil’s discovery. Apart from these activities, an institutional publicity campaign was published in top-notch selective magazines.

In other occasions, *Casa do Azeite* arranged tasting sessions with Portuguese olive oil and showcooking with the participation of Chef José Avillez⁶, inviting journalist and opinion makers. Beside all this, an institutional book was published, “*Azeite Português. Legítima*

⁵ Portugal’s investment and external trade agency

⁶ Distinguished in 2018 by the International Academy of Gastronomy with the Prize Grand Prix de l’Art de la Cuisine (José Avillez)

Mesa”, about the national product, including some gastronomic recipes developed by Chef Avillez.

Actions are sometimes made in selling point, in supermarkets and gourmet shops. The Pão de Açúcar group, in Brazil, threw a tasting session in 30 stores for two weeks, with publicity to this action being made simultaneously in the Brazilian newspaper “*O Estado de S. Paulo*”. By the end of this time, sales value raised by 242%. Brazilian journalists make frequent press-tours during the Portuguese campaign in the mills.

From 2009 to 2011, *Casa do Azeite* developed an umbrella brand to promote the product in the Chinese and the Brazilian markets named “*Azeite Portugal*” and with the signature “Feel Authentic”.

The strategy was different in China. Since there were no exports of olive oil *Casa do Azeite* participated in a tradeshow, associating itself to Portuguese wine. They promoted showrooms and tasting sessions of olive oil and wine in Shanghai and Hong Kong. These events had opinion makers, traders, local chefs, media and often the Portuguese Minister of Agriculture, as well as the consul.

A big step for the penetration of the Portuguese olive oil in the Chinese market was the understanding agreement that seeks to ease the entry of Portuguese food items in China.

In Portugal there are several other entities that seek to support the production of national olive oil. They act locally, like the *Centro de Estudos e Promoção do Azeite do Alentejo* and *Associação de Produtores de Azeite da Beira Interior*, these entities support the interest of the region’s producers, foster higher quality olive oil and promote it.

4.5 Product knowledge

Although olive oil has been an important product in the Mediterranean countries’ gastronomy for a long time, studies show that knowledge about the product, its varieties, qualities and benefits, does not keep up with the increase in its consumption.

Unaprol, one of the largest organizations of Italian producers, carried out a study on olive oil consumers in several countries. According to the report, 86% of respondents from different countries know, or at least have heard of, extra virgin olive oil (Unaprol). The product is recognized. However most of the time, the quality is not recognized. This is because many are not familiar with the categories of olive oil (extra virgin, virgin, olive, refined, etc.) nor its benefits, or when it should be used, which means that consumers do not choose olive oil based in quality.

According to the same Italian study, extra virgin olive oil is mostly used for seasoning, especially vegetables (87%), then meat, fish and pasta (67%) and 40% of consumers use it to cook or fry. Only 17% use the product as an ingredient for cakes or bread (17%). However, not many customers know which olive oil is the ideal for each occasion.

5. Findings

Portugal has competitive advantages which are decisive in the success of its exportation of olive oil. The country has excellent soil and climatic conditions as well as advanced production systems which allow for the production of high quality olive oil. This quality has been recognized internationally through numerous awards: from the 12 international competitions studied, the Portuguese brands represent 10% of the oils running in the competition.

Despite these competitive advantages, the sector also has some weaknesses. According to *Casa do Azeite*, domestic consumption has been declining. Thus, it is natural for firms in the sector to seek to internationalize their product. While this is a positive motivator for export, there are other weaknesses that constitute export barriers. The sector in Portugal, and in other countries, is still poorly structured (Gabinete de Planeamento, Políticas e Administração Geral, 2017). As seen in the literature and through meetings with *Casa do Azeite* and Dr. José Lobão, Portugal has high costs of entering and selling the product in certain markets. Particularly in producing countries, bargaining power with large retailers is still weak, reducing producer incomes (discouraging exports) and the presence of the Portuguese product on foreign supermarkets. In the 17 supermarkets studied there is an 18% probability of finding a Portuguese olive oil. In this research, no Portuguese olive oil was found in the producing countries studied (Spain and Italy).

Continuing with distribution channels, the lack of knowledge of Portuguese gastronomy and the scarcity of Portuguese restaurants worldwide is also an external factor that affects the distribution of the product abroad. As shown in the context chapter, Portuguese olive oil exporters have a limited number of possible channels compared to other exporters of the product. For example, exporters of Italian olive oil benefit from 51% of Italian restaurants in the 5 analyzed countries to which they may sell their product whereas Portuguese exporters have only 2%.

Poor knowledge of the benefits and properties of olive oil by the average consumer is also a weakness: Portuguese olive oil is of great quality but, consumers do not recognize this quality and thus are not willing to pay a premium, opting for cheaper and lower quality olive oils.

Accordingly, in order to mitigate the weaknesses of the sector and the barriers to export and to enhance the Portuguese competitive advantages, it is advantageous to use an EPA that

helps the sector in the export activity. The existence of an EPA in the industry has short and long-term benefits. In the short term, companies are more motivated and informed to export the product; the success of companies in the process of internationalization increases: as they have more support, export sales and profitability of the companies increase. In the long-term there is foreign market growth and expansion, improvement of the competitiveness of Portuguese companies, greater awareness of the product, of Portuguese brands and improvement of the country's image.

Let us first start by studying how *Casa do Azeite* can be considered an approximation of an EPA. This happens if it offers programs (EPPs) that support export and meets the goals of an EPA.

5.1 Approaching *Casa do Azeite* as an EPA

5.1.1 An association that fights export barriers through EPPs

According to Leonidou, high impact export barriers include: limited information about destination markets, contacts with local customers, differences in habits and customs, difficulty in meeting local competitors' prices, and high transport costs. (Leonidou L. C., 2004) Looking at these export barriers, we find that *Casa do Azeite* (CdA) participates or promotes some EPPs to fight these hurdles.

Currently, the only EPPs organized by the association are Information Programs. In addition, *Casa do Azeite* participates in some EPPs organized by other EPAs (or other entities), as trade shows that we will mention later, which is already a first step in supporting Portuguese exports of branded olive oil. As EPA, *Casa do Azeite* is expected to, in the future, in addition to participating in these programs, hold their own EPPs.

For the first barrier, limited information about target markets, CdA develops Information Programs. These programs are suitable for companies in the first two stages of the export process. Through these programs, firms receive information about new markets or practical information on exporting. These programs aim to combat the lack of knowledge about the export process overall and about the import markets as well as to provide theoretical tools for the resolution of operational problems and marketing, procedural, and task barriers.

Casa do Azeite organizes occasional lectures, conferences, round tables or workshops on concrete markets, consumer behaviors, packaging information, etc. It is noteworthy that some of these formations are transmitted on the Youtube channel "*Casa do Azeite TV*". In

addition, CdA provides online and on-demand industry information via email or telephone contact. The association has at its members' disposal "Export Dossiers" and "Export Files" with which, through secondary sources, the members have access to information about various markets as well as the major export chains, market developments, local consumers peculiarities, etc. They also present the respective export standards by target market.

Besides helping the combat on this barrier, Information Programs also help fighting the barrier that comes from the differences in cultures and eating habits. For example, in Shanghai (China), CdA organized an Information Program where several local chefs explained consumer behaviors and other information relevant to the export of the product to this specific market.

Another way to reduce the barrier of cultural differences is through consumer education. As seen earlier, the lack of knowledge about the properties and benefits of olive oil makes consumers satisfied with low quality olive oils, which is not favorable to exports of Portuguese olive oil, exported at the price of quality olive oil. *Casa do Azeite* has played a key role in making this quality visible through the education of current and potential customers, encouraging consumption through education.

As discussed in the context chapter, the targets of these formations are professionals of the HORECA sector, journalists who advertise the product, dieticians, clients, and potential clients (such as school education). These educations occur in a room, at points of sale (where the customer can sometimes try the product), or through the organization of events. For example, the "Heart Challenge", an event organized by the Portuguese Cardiology Foundation, which consisted of a walk guided by health professionals. *Casa do Azeite* participated by having a stand where the participants tasted olive oil and listened about its benefits to the heart. In addition to the Programs, CdA provides information on their website useful to the consumer, with relevant information such as how olive oil is produced, what characteristics define a quality olive oil, how to choose the right olive oil, the different denominations of origin, etc.

Another high impact barrier is the difficulty of contacting local customers. Programs such as trade missions, trade shows, and programs identifying agents & distributors may be used.

Casa do Azeite participates in several of trade shows, often in partnership with other organizations such as AICEP or *ViniPortugal*. In May 2000, they participated in the Good Table/Expo Gourmet in the city of São Paulo. In 2009, they were at the annual oil fair, Oil

China, in Beijing for a public trade, and in 2011, CdA participated in the Olive Experience organized by EXPOVINIS⁷.

In Portugal, CdA collaborates in the organization of international competitions (such as the International Extra Virgin Olive Oil Contest - *CA Ovibeja* Prize) that can open doors to exports.

When *Casa do Azeite* participates in one of these international fairs, it conducts trade missions. As mentioned above, trade missions are international trips organized by the EPAs with the aim of exploring business opportunities (Jaramillo, 1992). For example, in Shanghai, China, a trade mission was made that allowed firms to meet several traders and Chinese opinion makers, as well as making contacts with social media. This trip translated into business opportunities and promotion of Portuguese olive oils.

Programs related to the identification of agents and distributors do not seem to be offered enough by *Casa do Azeite*. However, as we have seen, an export barrier felt by branded olive oil is the difficulty in penetrating the distribution channels. This program was applied by CdA only in the Chinese market. CdA implemented this program because the market in China is recent for Portuguese olive oil companies (some companies started exporting in 2010) and it is necessary to identify agents and distributors in this market. These programs can tackle two more export barriers with major impact: excessive transport costs and difficulty in reaching competitors' prices. Although not properly a Program, the association has a list of olive oil importers available to its associates (and non-associates with additional cost). Sometimes it is also contacted by importers interested in importing Portuguese olive oil and provides a list of members interested in exporting.

Casa do Azeite also has other programs that support the export of public relations and marketing programs.

Casa do Azeite has organized press tours in the past with the goal of making Portuguese olive oil known to the press to increase the visibility of the national product.

Regarding the Marketing Programs, we can divide them into show-cooking, actions at points of sale and institutional advertising (See Appendix 2 for more information).

Show-cooking is about cooking in front of the diners and are used to demonstrate how olive oil should be used and in which menus. *Casa do Azeite* has appealed to the notoriety of Chef José Aviliez to promote the consumption of Portuguese olive oil abroad. When using Portuguese products, the Chef makes the quality of the national olive oil more noticeable. In

⁷ Main wine fair in Latin America

Brazil, in 2006/2007, CdA organized a Portuguese olive oil tasting event, where there was a show-cooking of Chef Avillez. On other occasions, during the dinners of the press tours or the trade missions there were exhibitions of dishes where Portuguese olive oil was used. Some of these events were attended by journalists.

As previously mentioned, institutional advertising campaigns are sometimes carried out. In Brazil, one of the media plans resulted in 70 advertising inserts in Brazilian magazines of high circulation. Other times, advertising is done at the point of sale. In Grupo *Pão de Açúcar* in the state of São Paulo, for example, after two weeks of tasting actions in hypermarkets and gourmet stores, sales increased by 242% in value.

Another way *Casa do Azeite* advertised Portuguese olive oil was through the exclusive sponsorship of the 500th Anniversary of the Discovery of Brazil Commemorative Cruise and the launch of the book "*Azeite Português. Legítima Mesa*".

We conclude that these actions are a seed of an EPA, so it is concluded that *Casa do Azeite* approaches one of these agencies.

5.1.2 Fulfilling the four main goals of an EPA

As we have seen, *Casa do Azeite* already offers some EPPs. The question is whether its goals match the goals of an EPA.

As seen previously, the four main goals of these agencies are to help build country image; provide export support services; marketing; and market research and publications (Lederman, Olarreaga, & Payton, 2009).

The institutional promotion carried out in several countries and participation in international events are just some of *Casa do Azeite*'s contributions to the construction (or improvement) of the country's image abroad. These activities increase awareness of Portuguese branded olive oil, thus making the association the Portuguese olive oil ambassador.

Lederman, Olarreaga and Payton give several examples of export support services such as exporter training, technical assistance, capacity building, including regulatory compliance, information on trade finance, logistics, customs, packaging, pricing (Lederman, Olarreaga, & Payton, 2009). CdA gives exporters training through workshops and sporadic conferences and via the before mentioned Youtube channel.

In terms of technical support and regulatory compliance, *Casa do Azeite* provides legislative services to exporting companies as well as support for product labeling.

Regarding the third objective, marketing, CdA frequently participates in trade missions, trade shows, and organized multiple promotional actions at sale points. Also, it uses social networks, a website and occasionally publishes in several magazines to advertise.

Finally, in the market research & publications field, *Casa do Azeite* provides its members with statistical information and data about various markets and also publishes a magazine for its members.

For these reasons, in Portugal, the association that currently best meets these four objectives is *Casa do Azeite*. Taking this into account, with the work already developed by CdA and with the weight of its associates in the sector, one concludes that if there is to be an EPA for the olive oil sector, it would be advantageous to be this association, which would take advantage of its current efforts and maintain unity in the sector. In addition, *Casa do Azeite* defines itself as "the face of quality olive oil guaranteed by the consumer" (*Casa do Azeite*). Some suggestions are given to *Casa do Azeite* to achieve this end.

5.2 Suggestions given to *Casa do Azeite* in order to be considered an Export Promotion Agency

In this chapter we give some suggestions to help *Casa do Azeite* fulfill its function of as an EPA. We will give one main suggestion and then some secondary ones.

5.2.1 Main suggestion

The main suggestion would be the activation and greater investment of the umbrella brand *Azeites Portugal* (Olive Oils Portugal), similar to what was done by *ViniPortugal* when the Wines of Portugal brand was created. The brand was created in 2008 with the aim of promoting Portuguese wines in various international markets by increasing its distribution, the renown of Portuguese wines and providing economic agents with information about markets and consumers (*Vini Portugal*).

Casa do Azeite created, in 2009, an umbrella brand "*Azeites Portugal*" with the objective of promoting Portuguese olive oil but this brand was active only in Brazil and China and only in some actions. In China, it was exhibited at an annual exclusive oil fair held alternately in Beijing and Shanghai (in 2010) and in a showroom in Hong Kong (in 2010). In Brazil, an institutional advertisement was inserted, it was announced at a fair (Olive Experience in 2011) and at several shopping centers in S. Paulo (in 2011). The brand had only the disclosure described above and has never been placed on any label of olive oil, nor carried out publicity

in the media, among other forms of disclosure (see Appendix 2 for more details about this umbrella brand). Currently this brand is inactive. In the following paragraphs we present arguments in favor of greater concern and greater investment in this umbrella brand.

The activation of the umbrella brand would help achieve at least two of the four main objectives of the EPAs: country image building and marketing. The brand is a means to spread Portugal abroad, contributing to the increase of the reputation of the country and its gastronomy, as well as boosting the purchase of other products of Portuguese origin and making it a destination of choice for tourism and possible investments. But mainly the brand is a means to create a strong image for Portuguese olive oils. As a result, higher prices can be charged (increased exports in value), it is easier to penetrate the distribution channels and there is an incentive for companies to export branded rather than bulk product.

Through a collective effort, as in the case of *ViniPortugal*, the promotion of Portuguese olive oils would be easier through the creation of this umbrella brand. Again, it would be a matter of joining forces and supporting under-resourced companies to publicize their brands. As seen in the literature review, umbrella brand creates advertising efficiencies and allows saving on marketing costs. (Tauber, 1981)

ViniPortugal is an example of advertising efficiencies and marketing savings. The entity organizes the following activities: events (annual events, trade fairs, roadshows, Find Importer day, social solidarity events), training activities, promotional activities (in restaurants, online channels, etc.) and communication (in the media, website, social networks, public relations, etc.). It should be noted that several smaller companies would have a much slower growth if *ViniPortugal* did not organize these activities, as they would be forced to make a very large investment that would not be suitable for them. The same happens for small olive oil producers for whom this brand would be a clear asset.

This brand is also advantageous for the customer since the quality of the olive oil is expected to increase if we consider the signaling and feedback effect (Miklós-Thal, 2010). As seen in the review of the literature chapter, umbrella brand is effective when products (old and newly introduced) are of good quality (Wernerfelt, 1988). Thus, it would be necessary to ensure that only olive oils with high quality standard and premium positioning could use the umbrella, so as not to damage the remaining brands. This ensures that the signaling and feedback effect are positive. This caution not to harm the umbrella brand would have as consequence the general improvement of the quality of the oils.

It is for this reason that the Wines of Portugal brand also positions in the premium segment. This brand is targeted at specific consumer segments that value the quality of the

product and are willing to pay for it (Vini Portugal). With this position, products under this brand privilege distribution channels where quality is valued. The same positioning would be advised to the umbrella brand *Azeites Portugal*.

As we have seen, a brand is always a differentiating factor of a product (Levitt, 1980; Mudambi, 2002). For most Portuguese brands with still little brand awareness, it would be advantageous to be associated with a stronger brand.

The country of origin of the product can also be perceived as a differentiating factor (Hsieh, Pan, & Setiono, 2004) so it is concluded that it is advantageous for the sales of the product in question to be associated with a trade mark bearing the name of the country. Another argument in favor of including the name of the country in the mark is the fact that olive oil is a hedonic product.

As seen earlier, when it comes to hedonic products, studies further underline the importance of extrinsic factors (the brand or the country of origin), since consumers use these factors to predict product quality (Steenkamp, 1990).

By entering the name of Portugal in the brand, customers may automatically associate the product with the country and this can be a deciding factor in the purchase decision (Lans, Ittersum, Cicco, & Loseby, 2001). In fact, one should harness one of the advantages of the current time, that is the increased awareness and reputation of Portugal. Hence, it is important that Portuguese olive oils are associated with strong extrinsic factors such as a strong brand and also associated with a country.

As in the case of Wines of Portugal, it is suggested to place the logo and brand name on product labels in order to facilitate these brand associations and so that the customer knows what olive oils are under the umbrella brand.

5.2.2 Secondary suggestions

The secondary suggestions are related to the structure of the EPA and the conditions that the literature points to the success of the EPPs.

A. EPA

Ownership and funding

As seen in the literature review, an EPA is more effective if its management is private and if it obtains public funds (Lederman, Olarreaga, & Payton, 2009). *Casa do Azeite* is a totally private association. The activity is funded by own funds and funds from the State and the EU, in particular by the Rural Development Program 2014-2020, Portugal2020, Prime Partnerships and Public Initiatives in partnership with AICEP and the European Agricultural Fund for Rural Development. As mentioned in the interviews carried out with CdA (see Appendix 2), the organization tends to be more effective if this type of community support increases.

Sector focus

In Portugal, *Casa do Azeite* is the only association in the olive oil sector that resembles an EPA. As Lederman, Olarreaga and Payton point out, this is a very positive factor for the efficiency of olive oil exports since it increases if there is only one export support agency and if it is strong (Lederman, Olarreaga, & Payton, 2009).

Casa do Azeite supports its associates who are totally related to the olive oil market: producers, packers and exporters. That is, the studied EPA focuses only on a specific product. As we find in the literature, EPAs become more effective when they are sector focus and not product focus (Lederman, Olarreaga, & Payton, 2009), ie, in this particular case, a suggestion would be to create an EPA for wine and olive oil as a whole, or even for the agricultural sector in general, just as there is an EPA for tourism in Portugal.

Target of *Casa do Azeite* as EPA

According to the literature, EPAs should reserve a large part of their budget to support large firms that are not yet exporters, rather than supporting established exporters (Lederman, Olarreaga, & Payton, 2009).

Casa do Azeite supports both small and large companies, exporters or not. As EPA, in providing export support services, it should allocate a larger share of the budget to large companies that want to start the internationalization process.

Recommendations on the objectives

Concerning the goal of creating a country image, this is achieved through the institutional promotion already made, international events and the umbrella brand suggested above. We suggest *Casa do Azeite* to invest more in the umbrella brand. Regarding export support services, in the short term, we suggest creating a general export support department where technical assistance is provided, information on trade finance, logistical support, packaging, pricing, branding and other services. In the long term, according to needs, these services must become autonomous.

In terms of marketing, this is achieved through the advertising already done, actions at points of sale, and the EPPs themselves. This objective will be improved upon activation of the umbrella brand.

So far, *Casa do Azeite* transmits to its associates data obtained through secondary sources (such as the International Olive Council). It is suggested that CdA produce its own reports and with primary sources, through market surveys for example, with topics of interest to Portuguese exporting companies.

B. EPPs

High impact barriers

We suggest that EPPs could be offered to help combat high impact barriers. *Casa do Azeite* already has Information Programs that help combat some high impact barriers. The remaining programs should be created or, if they already exist, be improved. In the following table suggestions of EPPs by export barriers that companies face is made.

Export Barriers	EPPs
Limited information on destination markets	Information Programs
Contacting local customers	Trade Missions Trade shows Programs identifying agents & distributors
Different habits and customs	Information Programs Consultancy Programs
Difficulty in reaching competitors' prices	Consultancy Programs Programs identifying agents & distributors
Excessive transport costs	Programs identifying agents & distributors

Figure 4: Export Promotion Programs recommended in accordance with export barriers

In the long term, the EPA should develop overseas offices that would be in charge of gathering information about the market, creating a network of distributors, and also promoting the Portuguese brand.

Business Segmentation

The EPA should target the companies according to the stage of export development and then develop EPPs accordingly.

As mentioned earlier, in the first stage of internationalization (or even before in the pre-export stage) companies have a strong need for export training services, information programs, need to know the market, clients, suppliers, etc. (Leonidou L. , 1995) (Freixanet, 2011).

In a more advanced state, companies need help related to sales support, promotional activities, logistics, and may need more information if they want to diversify the business or enter another market (Leonidou L. , 1995). At these stages, in addition to the EPPs used in the initial stages, the consulting programs and programs to support the creation of production subsidiaries should be added.

In the following scheme we present the programs that we suggest creating due to the export barriers and the degree of internationalization of the company.

High Impact Barriers	Stage of export				
	Starting /Passive	Regular Exporter (RE)	RE with a complete structure	Consolidated Exporter	Multinational Company
Different habits and customs	1 3	1			1 3
Excessive transport costs	1 4	4			
Difficulty in reaching competitors' prices	4	4	3		
Little contact network (with clients)	2	3			2
Information Barriers	1	1			

1	Information Programs
2	Direct Promotion Programs
3	Consultancy Programs
4	Programs Identifying Agents & Distributers

Figure 5: Export Promotion Programs due to the high impact barriers and the export stage

6. Conclusion

As Portuguese olive oil consumption tends to decrease, Portuguese companies see export as a business opportunity. It is concluded that the creation of an EPA and the activation of an umbrella brand *Azeites Portugal* are two necessary measures to increase exports of Portuguese brand olive oil.

The increase in the recognition of the quality of Portuguese olive oil is a favorable factor for Portuguese exports, but this must become visible to the final consumer. It was concluded that when dealing with hedonic products, consumers use extrinsic factors to predict the quality, as is the case of the brand and the country of origin. In this sense, it is suggested the creation of an umbrella brand that encompasses Portuguese olive oils that reach a certain quality value and wish to position as premium abroad. This umbrella brand is mainly advantageous for brands with little brand awareness or recent in the market. The sale of these brands will be pulled by the older or stronger brands under the same umbrella since the consumer feels that the risk of opting for a new product under the umbrella is lower than it would feel before a new brand (or unknown, with little brand awareness) outside the umbrella brand. It is also concluded that the introduction of the brand results in a general increase in the dissemination of Portuguese olive oil and encourages an increase in the quality of the olive oil under the umbrella brand.

It has been concluded that the creation of an EPA is advantageous as it can tackle export barriers. As a matter of cost savings, since *Casa do Azeite* is an entity that brings together 95% of the entities of the sector, participates and organizes some EPPs already and that respects some of the objectives of the EPAs, it is concluded that the Association shall assume the role of EPA for the branded olive oil sector. Creating a Portuguese olive oil umbrella brand would be a concrete step in helping *Casa do Azeite* achieve its goals as EPA.

For the success of this EPA it is further suggested that different EPPs are offered, according to the internationalization stage of the company.

There are some limitations to this dissertation that pave the way for further investigation. For example, it is important to quantify the impact of EPA on export as well as the impact of using an umbrella brand on sales. Another relevant research is to study the impact on sales, reputation and quality of Portuguese wine using the umbrella brand Wines of Portugal, since one of the recommendations given is to use the same strategy. The recommendations were made based on the literature, but it would be important to have impact studies.

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Appendix 1: Summary of the interview made to the owner of *Herdade Maria da Guarda*

Topics covered in the interview with Dr. José Cortez Lobão

Overview of the product internationalization process
Competitive advantage of Portugal compared to other producing countries
Main difficulties of export as a producer. Most noticeable export barriers
Advantages of exporting in bulk over exporting the product under the Lagaretta brand

Summary of the interview

Portugal currently has the most productive olive groves and wineries in Europe. Spain first introduced the intensive and super-intensive olive harvesting mechanisms and thus greatly increased its production. In Portugal the intensive and super intensive olive groves emerged later, and the mills installed were built with the most advanced technologies of the time. In *Herdade Maria da Guarda*, for example, almost no work is done by hand.

The advantage of Portugal is the process of picking and treating the olive, resulting in high quality olive oil. The owner of *Herdade Maria da Guarda* believes that about 80% of the oil sold is top of the range and that Portugal has the best olive oil in the world. He says that the experts in olive oil know that it is in Portugal that the best olive oil is consumed. However, consumers in countries called "new consumers" still do not know how to distinguish between good olive oil and very good olive oil. For China for example, the important thing is to sell olive oil (of any kind) and cheap. For the olive oils of better quality, as is the case of Portuguese olive oils, it is advantageous for consumers to know the product better to be willing to pay a higher price.

Currently the estate produces almost 2 million kilos of oil per year and a large part is produced for export. Almost 95% of the oil is exported to Italy where it is then bottled and sold worldwide. The same happens with other countries: it is exported in bulk and then the product is sold under the brand of several international brands. In Portugal, besides selling the product

in bulk to the leading companies of the market, the estate also has the brand Lagaretta, of gourmet oil, produced and sold in very limited edition.

When asked about the reason for exporting in bulk rather than exporting under the Lagaretta brand, Dr. José Lobão admitted that it would be ideal to sell the packaged product under his brand but did not do so for the sake of profit margin. He also said it was frustrating to see his olive oil with a "label of olive oil of great Italian notoriety that is sold five times more expensive than we sell." But exporting and selling the packaged and branded product in Portugal is complicated, he said, underlining the difficulty of creating a brand that has strength and entering the foreign distribution channels with acceptable prices. To do so, it would be necessary to have a marketing team and a different structure of the company and Portugal must have notoriety abroad as a producer of quality olive oil. Distribution channels are a major hindrance. They are different from country to country, which requires a great organization and study of each case. In addition, there is a lot of opportunism and the product is very price sensitive. Currently it is more profitable to export the product in bulk. One of the advantages is that Portugal is the first country in Europe to start picking up olives, and therefore it is possible to sell in bulk earlier and at a higher price than international competitors. If we sold the packaged and branded product, the process would be more time consuming and would lose that competitive advantage.

Appendix 2: Summary of the meetings with *Casa do Azeite*

Three informal interviews were conducted at *Casa do Azeite* where the following subjects were summarized in the table. In the first phase, we sought to know better the sector and the main difficulties of the companies when exporting. The hypothesis of being *Casa do Azeite* to play the role of EPA as well as the elaborate suggestions were tested with *Casa do Azeite* in a second phase.

Stage 1: Identification of the problem	General knowledge about the Association	Structure of the association, mission, objectives, target, financing, etc.
		Different roles of <i>Casa do Azeite</i>
		Required industry improvements
	Export process	Throughout the export process, what support can companies count on?
		Most frequent export barriers. Solutions presented by <i>Casa do Azeite</i> .
	Existing export support programs	Export support programs (trade missions, trade fairs, consultancy services, identification of agents and distributors in the recipient country, etc.)
Stage 2: Validation of hypotheses	Objectives	Objectives coincident or convergent with the main objectives of the EPAs?
	Export support programs	Target of programs offered; Ability to organize other Export Promotion Programs
	Activation of the <i>Azeites Portugal</i> brand	Can we apply the strategy of ViniPortugal under the Wines of Portugal brand to the olive oil sector?
		<i>Marca Azeites Portugal</i> : would or would not be advantageous for the sector to have an umbrella brand similar to the Wines of Portugal
		Advantages and disadvantages of brand activation

Stage 1: Identification of the problem

Difficulties in exporting the Portuguese product

Casa do Azeite said that the sector is still poorly organized and poorly structured. The main difficulties encountered when exporting the product are the lack of awareness of Portuguese olive oil and the difficulty of accessing the distribution channels as a result of competition with the major world players: Spain and Italy.

We began by studying the markets to which Portugal exports. For Spain the product is exported mainly in bulk and later sold under a Spanish brand. For non-producing countries, the product is exported with a Portuguese mark. Portugal is the market leader in one of the main non-olive oil producing markets: Brazil.

The difficulty of putting products on the shelves of foreign super markets comes from the fact that the market is competitive, and Portugal is competing with the most notorious countries (Italy and Spain). There are no legal or trade barriers, as high customs fees.

As for the lack of awareness of the Portuguese olive oil, *Casa do Azeite* tries to reverse this trend when carrying out promotional actions but is aware that it does not yet do what is necessary.

General knowledge about the Association

The main functions of *Casa do Azeite* are to defend its members, to promote packaged olive oil, to study issues related to the sector, giving opinions and proposing measures to the Government and to higher-level associative bodies. Also, it represents the industry, participates in collective bargaining and collaborates with organizations with similar ends. In the last decade the association has helped more companies in the export process, which is due to the evolution of the sector that has been turning abroad. It was seen that without this help from *Casa do Azeite*, micro and small companies had no opportunity to do external promotion or to enter the foreign market. Then came the need to do some campaigns together as well as work together to increase exports of the Portuguese product. *Casa do Azeite* started to apply for community sources in the projects of the Rural Development Program, Compete, etc. to do these collective actions.

Although this is one of the main functions, to be included in the association's statutes, the association admitted in the interview that the dissemination of packaged olive oil, institutional advertising and other promotional activities have not been carried out due to lack of resources. The association views these activities as a priority for the industry, underlining the current urgency of supporting small businesses in the marketing field as they do not have

the resources to do so. More important than this, *Casa do Azeite* points out, is to work on the image of Portugal and Portuguese olive oil abroad, as main players like Spain and Italy do. Due to a lack of resources (human and financial), *Casa do Azeite* suggests the creation of an interbranch organization similar to *ViniPortugal* (in the wine sector) that is in charge of marketing the olive oil. This type of organization has tax advantages and can get more community support.

Support from the association to companies starting the export:

- *Casa do Azeite* considers itself the best source of information about the sector in Portugal, providing its members with all statistical and non-statistical information about the target market, information about the labeling and specifics of the target market;
- Produces and makes available the export and market Sheets that contain summarized information about each market, market evolution in recent years, main export barriers, relevant contacts, etc. All the information is produced by other entities and collected and synthesized by *Casa do Azeite*;
- When participating in fairs, *Casa do Azeite* sometimes has meetings with possible distributors and partners of the national product. They also have a list of distributors in some markets that is also available to members. The association admits playing an intermediary role even though this is not enough;
- Provides a list of trades (importers) and is often contacted by companies (importers) to whom they send the list of members;
- Participation in fairs where, although communication is always institutional, companies can expose their brands to possible importers.

Export Promotion Programs

Regarding the Export Promotion Programs, it was verified that *Casa do Azeite* participates in Programs organized by other organizations. Only the Information Programs are already organized by *Casa do Azeite*.

Several lectures are organized about export-related topics, concrete markets, and specific export regulations in some markets. It was also mentioned the existence of a Youtube channel as well as some awareness campaigns among consumers. As already noted, they also provide various information about the market and the export process.

The Association seeks to participate in other programs such as: international competitions, trade missions and trade shows (e.g. participation in "Boa Mesa / Expo Gourmet" and olive experience), among others.

In the interviews we also discussed several institutional promotion actions such as: press tours of Brazilian journalists to Portugal, exclusive sponsorship of a cruise commemorating the 500 years of the discovery of Brazil, magazine advertisements, Portuguese olive tasting events, showcooking of Chef José Avillez, actions in points of sale, publication of institutional books, among others. These and other actions have been presented in some detail.

Regarding the brand *Azeites Portugal* it was verified that it was already created by *Casa do Azeite* in 2009 for the promotion of Portuguese olive oil in Brazil.

€ 350,000 were financed at 70% by Incentive System for Collective Actions from National Strategy Reference Frame.



This brand was released in China and Brazil. In China, it was exhibited at an annual exclusive oil fair held alternately in Beijing and Shanghai (in 2010) and a showroom in Hong Kong (in 2010). In Brazil, an institutional advertisement was inserted, it was announced at a fair (Olive Experience in 2011) and several shopping centers in S. Paulo (in 2011).

The brand had only the disclosure described above and has never been placed on any label of olive oil, nor carried out publicity in the media, among other forms of disclosure. *Casa do Azeite* justifies this because of lack of financial resources and because it believes that there is need for more support from the entire sector so that it can do the same as Wines of Portugal.

Participation in the actions organized by *Casa do Azeite*

When it comes to organizing a promotional action, all members are invited to attend a meeting where export managers meet and discuss general needs, which markets are of interest to companies, among other issues. The actions are then handled internally by *Casa do Azeite* and the projects are prepared based on the needs identified at the meeting. *Casa do Azeite* then presents the projects drafted to the entities from which it expects to obtain financing, such as:

Incentives Program for the Modernization of the Economy, Incentive System for Collective Actions, Rural Development Program, among others. The companies that want to join the actions register and share what is not financed by the community project. If the project is financed 50% by the European Union, for example, the value of the companies' registration in the programs corresponds to the remaining 50%. Only interested companies participate, being that advertising is always institutional, although afterwards in fairs and actions, the brands are exported, which turns out to be an incentive to participation.

Stage 2: Validation of hypotheses

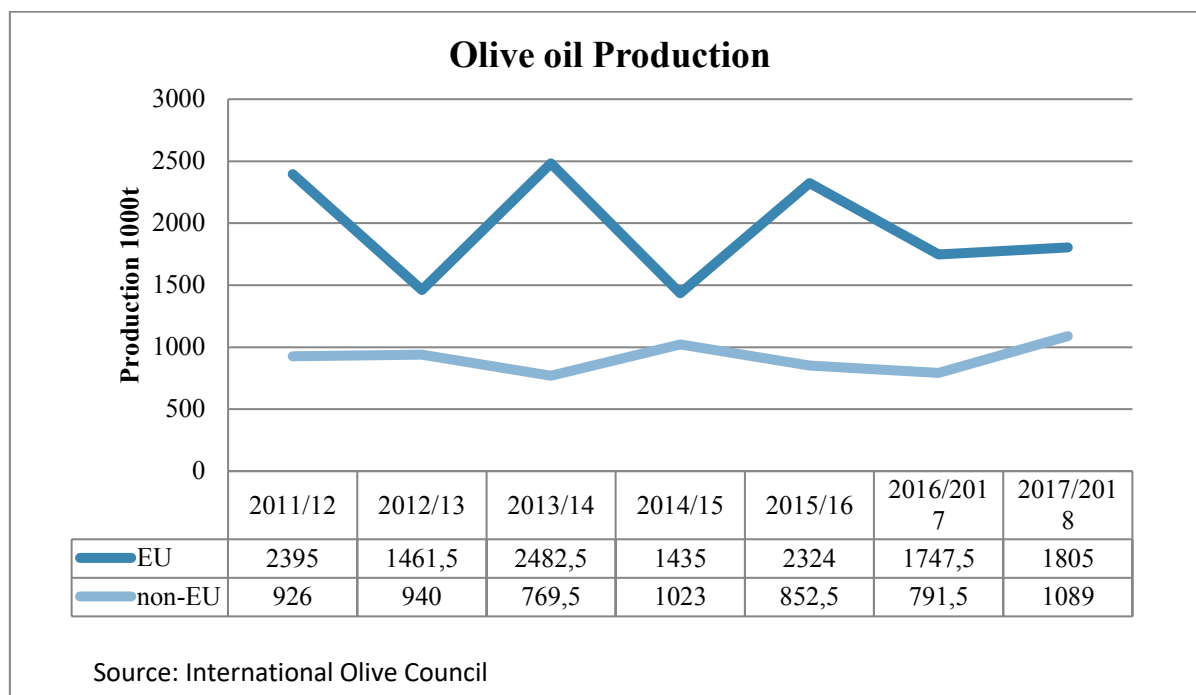
In explaining the role of the EPA, *Casa do Azeite* stated that assuming this role is quite necessary and an advantage for the sector. They referred that the association has the capacity to do it, with regard to similarity of objectives, common interests, the fact that its members are already 95% of the sector, among other factors.

As for the lack of awareness of Portuguese olive oil, the association stated that it would be advantageous to create an interbranch organization, like *ViniPortugal* (for the wine sector) and the Interbranch of Olive Oil in Spain, so that it can promote the most adequate Portuguese olive oil. This organization would have more tax advantages and more support from current associates. While this interbranch organization does not exist, *Casa do Azeite* is in charge of supporting exporting companies, despite admitting scarce resources and the need to receive more community support.

Regarding the organization of Export Promotion Programs, *Casa do Azeite* stated that more financial support is needed for the association to organize and promote this type of program alone. It would be easy to organize the Programs according to the degree of export of each company.

Regarding the umbrella brand, *Casa do Azeite* plans to activate the brand if the interbranch association is not created in the near future. When it was suggested to place the brand on the product labels the reaction was positive although one has to study how this insertion is made and also the way to select the brands that may be under the umbrella. Regarding the need to ensure the quality of the products under umbrella, *Casa do Azeite* says that there are already data that allow to classify the quality of the olive oil of its associates and that this data could be used for the selection of the products under the umbrella.

Appendix 3: International Production of European Union and non-European Union countries

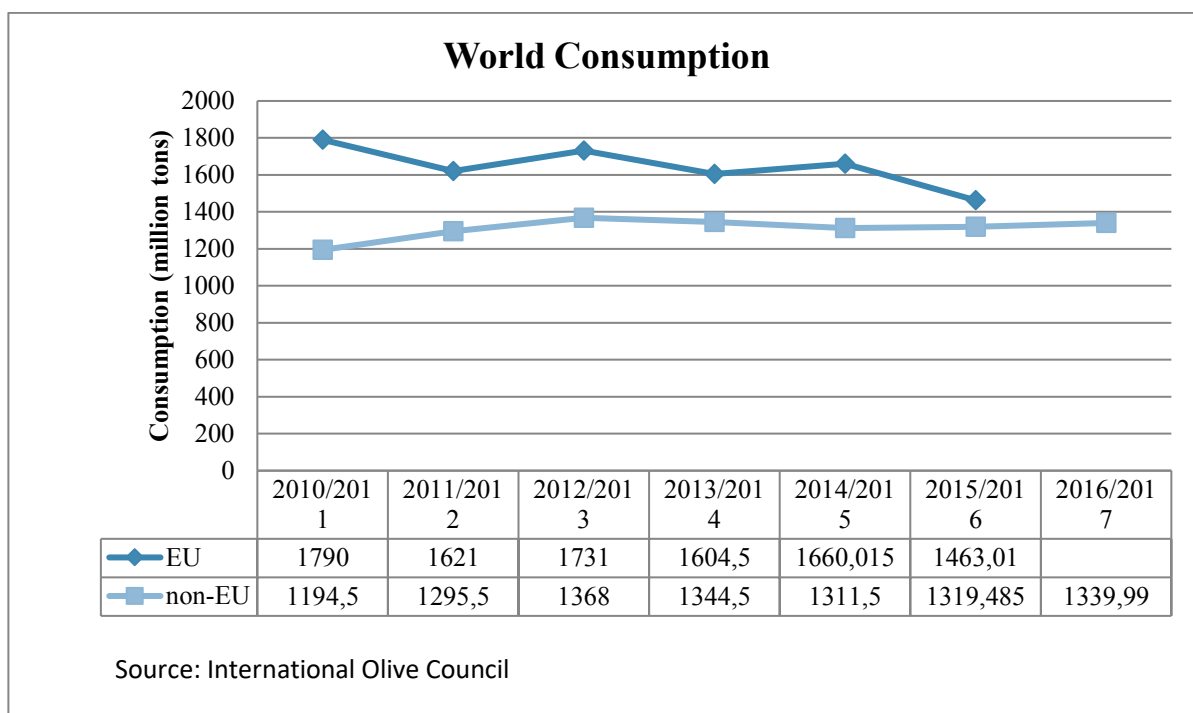


Appendix 4: International Production by country

Country	Production (1000t)	% of World production	% of EU production
Cyprus	6	0,2%	0,3%
Croatia	5	0,2%	0,3%
Spain	1090,5	37,7%	60,4%
France	4,5	0,2%	0,2%
Greece	300	10,4%	16,6%
Italy	320	11,1%	17,7%
Malta	0,04	0,0%	0,0%
Portugal	78,8	2,7%	4,4%
Slovenia	0,4	0,0%	0,0%
EU	1805,24	62%	100%
Turkey	287	9,9%	
Tunisia	220	7,6%	
Marocco	140	4,8%	
World	2894	100%	

Source: International Olive Council

Appendix 5: International Consumption of European Union and non-European Union countries

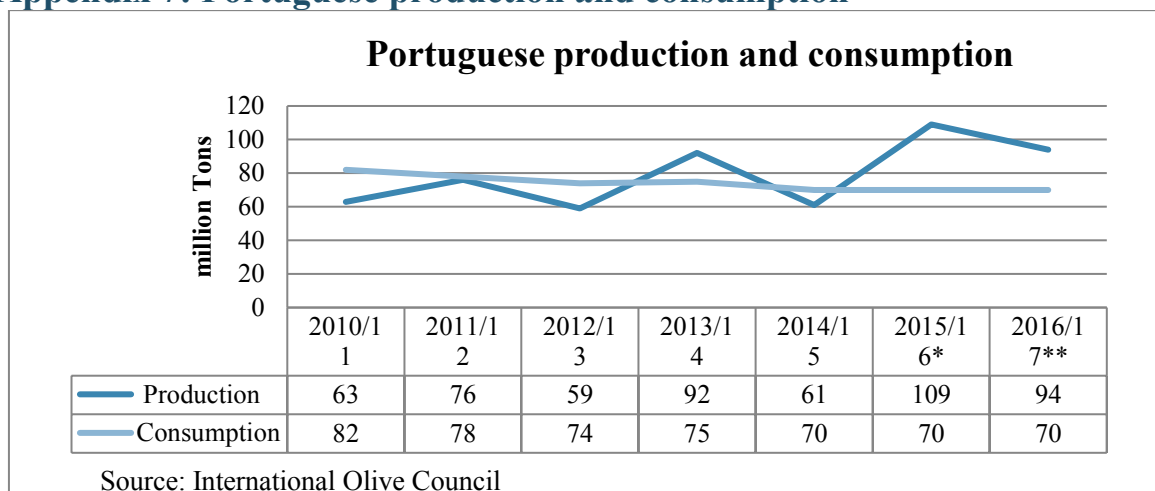


Appendix 6: International Consumption by country

Country	Consumption	% of World consumption	% of EU consumption
Cyprus	6,3	0,2%	0,4%
Croatia	8,7	0,3%	0,6%
Spain	470	15,9%	30,3%
France	111	3,8%	7,2%
Greece	120	4,1%	7,7%
Italy	557	18,9%	36,0%
Malta	1	0,0%	0,1%
Portugal	70	2,4%	4,5%
Slovenia	2	0,1%	0,1%
UK	48,8	1,7%	3,2%
Germany	61,6	2,1%	4,0%
EU	1549,02	52%	100%
Algeria	85	2,9%	
Turkey	170	5,8%	
Tunisia	35	1,2%	
USA	315	10,7%	
Syria	100	3,4%	
Marocco	120	4,1%	
World	2954	100%	

Source: International Olive Council

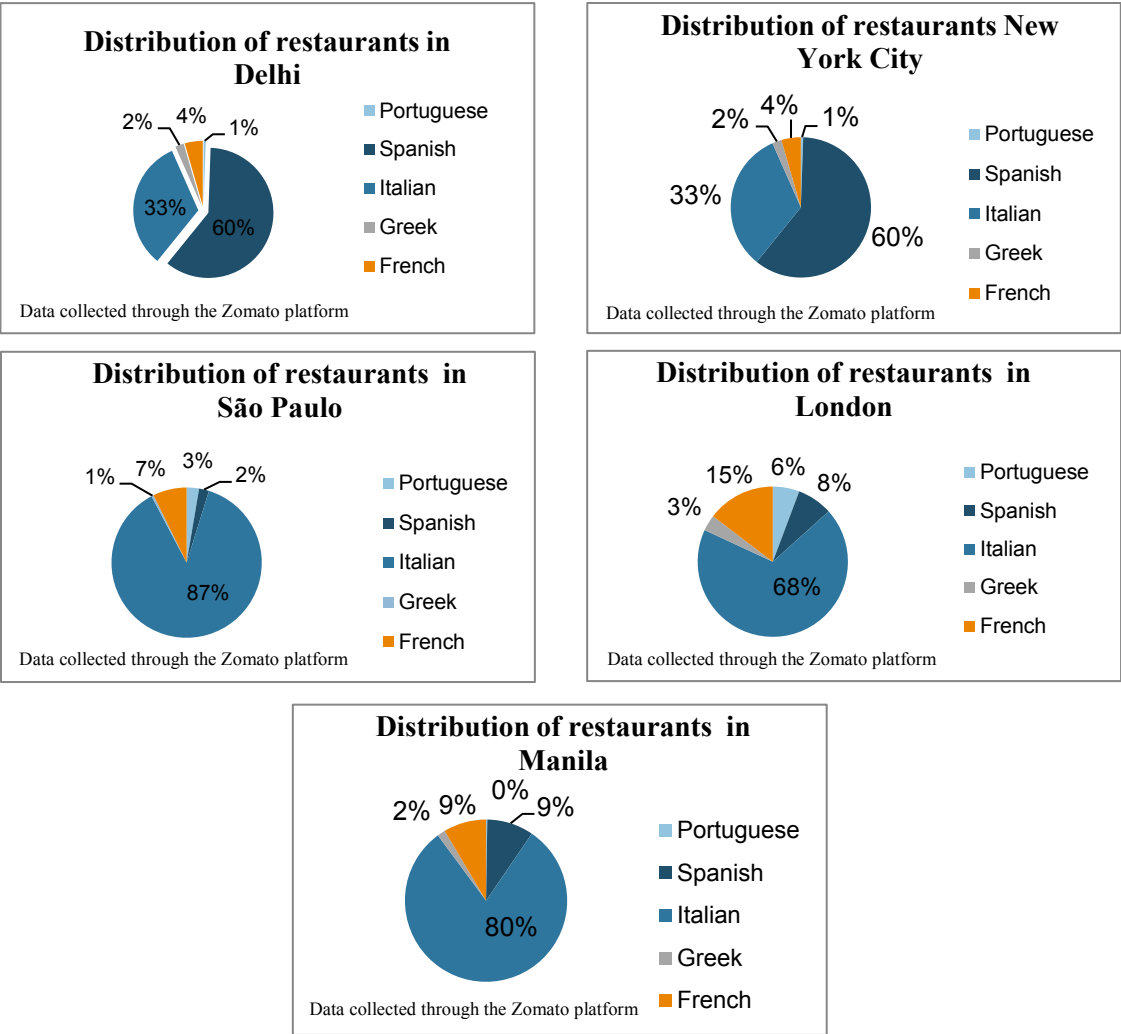
Appendix 7: Portuguese production and consumption



Appendix 8: Distribution channels. Number of international restaurants by location

Location of restaurant	Nationality	Number of restaurants
London	Portuguese	221
London	Spanish	294
London	Italian	2650
London	Greek	133
London	French	566
New York City	Portuguese	60
New York City	Spanish	6633
New York City	Italian	3580
New York City	Greek	237
New York City	French	493
Delhi NCR	Portuguese	7
Delhi NCR	Spanish	9
Delhi NCR	Italian	1727
Delhi NCR	Greek	1146
Delhi NCR	French	6
Manila	Portuguese	4
Manila	Spanish	146
Manila	Italian	1263
Manila	Greek	25
Manila	French	134
São Paulo	Portuguese	51
São Paulo	Spanish	41
São Paulo	Italian	1672
São Paulo	Greek	9
São Paulo	French	139
Total		21246

Appendix 9: Distribution channels. Distribution of international restaurants by location



Appendix 10: Distribution channels. Distribution of restaurants counted by nationality

Nationality of restaurants counted	Number of restaurants	Percentage
Portuguese	343	2%
Spanish	7123	34%
Italian	10892	51%
Greek	1550	7%
French	1338	6%
Total	21246	100%

Appendix 11: Distribution channels. International olive brands counted in each supermarket

Legend			
Es	Spain	Fr	France
Pt	Portugal	UK	United Kingdom
It	Italy	Gr	Greece
Tn	Tunisian	Ch	Chile
Au	Australian	USA	United States of America

1- Olive oil brands counted in the French supermarket, Carrefour

France	
Carrefour	
Carapelli	It
Carrefour	Fr
Lesieur	Fr
Puget	Fr
Soléou	Fr
Terra Delyssa	Fr
Toscoro	Fr
Tramier	Fr

2- Olive oil brands counted in the UK supermarkets, Tesco and Sainsbury's

UK			
Tesco		Sainsbury's	
Farchioni	It	Equal Exchange	UK
Filippo Berio	It	Farchioni	It
Fry Light	UK	Filippo Berio	It
KTC	UK	Fry Light	UK
La Española	Es	Iliada	Gr
Napolina	It	La Española	Es
Olivio Oil	UK	Napolina	It
Tesco	UK	Oliveira da Serra	Pt
		Olivio Oil	UK
		Sainsbury's	UK
		San Leandro	Es

3- Olive oil brands counted in the Italians supermarkets, Coop and Il Gigante

Italy			
Coop		Il Gigante	
Coop	It	Spanish	Es
FiorFiore	It	Other Italians	It
Origine	It		
Viviverdi	It		

4- Olive oil brands counted in Spanish supermarkets, Dia, Mercadona and Carrefour

Spain							
Dia		Mercadona		Carrefour			
Abril	Es	Nat sanno	Es	5Elementos	Es	La Española	Es
Borges	Es	Hacendado	Es	Alberto Chicote	Es	La Laguna de Fuente de Piedra	Es
Capricho Andaluz	Es	Merry	Es	Alhema de Queiles	Es	La Maísa	Es
Carbonell	Es			Capricho Andaluz	Es	LA Organic	Es
Coosur	Es			Carbonell	Es	Maeva	Es
Dia	Es			Carrefour	Fr	Marqués de Griñón	Es
Hojiblanca	Es			Casa de Alba	Es	Marqués de Valdeuzza	Es
Iznaoliva	Es			Casa del Agua	Es	Merula	Es
Jaencoop	Es			Conde de Benalúa	Es	Nuñez de Prado	Es
Koipe	Es			Coosol	Es	Oleoestepa	Es
La Almazara	Es			Coreysa	Es	Olv	Es
La Española	Es			Cortijo La Torre	Es	Oro Bailén	Es
La Olivera	Es			Dcoop	Es	Oro de Genave	Es
Pago de los Centenarios	Es			De Nuestra Tierra	Es	Pago de Los Baldios San Carlos	Es
Valderrama	Es			Dehesa El Molinillo	Es	Sabor d'Oro	Es
				Dieca	Es	San Francisco	Es
				Escornalbou	Es	Saqura	Es
				Fuenroble	Es	Señorio de Seguro	Es
				Hojiblanca	Es	Solar Romero	Es
				K-Arginãno	Es	Soleada	Es
				Koipe	Es	Tierras de Tavara	Es
				La Boella	Es	Tuccioliva	Es
				La Cuisine	Es	Valderrama	Es
				Valroble	Es	Valdezarza	Es
						Ybarra	Es

5- Olive oil brands counted in Brazilian supermarkets, Carrefour, Pão de Açúcar and Walmart

Brasil									
Carrefour		Pão de Açúcar					Walmart		
Andorinha	Pt	Borges	ES	Native	Ch	Colevita	It	Asaro	It
Carrefour	Fr	Ybarra	ES	Deleyda	Ch	Filippo Berio	It	Deleyda	It
De Rossetti	Ch	Carbonell	ES	Gallo	PT	Dececco	It	Iliada	Gr
Herdade do Esporão	Pt	Laespañola	ES	Portugale	PT	Olitalia	It	Montosco	It
Olitalia	It	Pons	ES	Esporão	PT	Rahma	Tn	Mykonos	Gr
Tradição	Br	La rambla	ES	Tejo	PT	TAEQ	PT	Paganini	It
		Qualitá	ES	Vilafior	PT	Parus	PT	Partanna	It
		Ondoliva	ES	Andorinha	PT	Native	Ch		
		Apollo	Gr	Serrata	PT	Deleyda	Ch		
		Cremonini	It	Oliveira da Serra	PT	Gallo	PT		
		O-live	Ch	Portugale	PT				

6- Olive oil brands counted in US supermarkets, Walmart, Aldi, Costco and Sam's club

EUA						
Walmart		Aldi	Costco		Sam's club	
Great Value	USA	zero brands of olive oil	Kirkland Signature	USA	Member's Mark	It
Bertolli	Es		La Civetta	It	Daily Chef	It
California Olive Ranch	USA		Myrto	Gr	Bertolli	Es
Filippo Berio	It				Pompeian	USA
Pompeian	USA				Lonely Olive Tree Organics	Gr
Colavita	It					
Olivari	Pt					
Iberia	Es					
Pam	USA					
Star	USA					
Carbonell	ES					
Zoe	Es					
Lucini Italia	It					
Carapelli	It					
TERRA	Tn					
DELYSSA						
Badia	Es					
Gem	USA					
Bragg	Gr					
Crisco	Au					

Appendix 12: Presence of national brands in olive oil competitions

Origin of olive oil	Olive Oil Competitions												Total	% of competing olive oils
	New York International Olive Oil Competition	Concurso Internacional de Aceite de Oliva Virgen Extra	London QUALITY awards of Extra Virgin Olive Oil	London HEALTH CLAIM	China International Olive Oil Competition	Terraolivo TOP 10 Awards	Terraolivo Especiales 206	Terraolivo Best Packaging Design	Terraolivo Gran Prestigio Oro 2016	Mario Solinas Quality Award	Athena International Olive Oil Competition	Los Angeles Extra Virgin Olive Oil Awards		
	USA	Argentina	UK	UK	China	Israel	Israel	Israel	Israel	Spain	Greece	USA		
Portugal	2	2	7	0	6	4	1	5	12	44	17	31	131	10%
Spain	27	7	37	4	51	0	5	26	65	93	49	102	466	36%
Italy	33	1	11	1	14	4	2	1	26	5	21	69	188	15%
Greece	5	0	87	17	5	0	3	15	3	2	74	14	225	17%
France	35	0	0	0	0	0	0	0	0	0	3	1	39	3%
Argentina	0	11	0	0	0	1	1	0	0	0	0	2	15	1%
Israel	0	0	0	0	0	0	13	3	10	0	7	0	33	3%
USA	0	0	0	0	0	0	2	0	4	0	0	139	145	11%
Other	0	3	0	0	5	1	0	0	10	4	4	23	50	4%
Total	102	24	142	22	81	10	27	50	130	148	175	381	1292	100%

