



WINE MARKET IN COLOMBIA: AN OPPORTUNITY FOR PORTUGUESE
WINE PRODUCERS/EXPORTERS

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ABSTRACT

The main propose of this dissertation is to analyze the attractiveness of the Colombian market for Portuguese wine producers/exporters as well as the main challenges they face when entering in a different market where the consumption of wine is low. This study confronts two different cultures and histories in order to create a link between them with the purpose of performing their business relationship.

On one side we have Portugal, a country with a close relationship with the wine industry and history, which is recognized for the production of unique wines (just produced in Portugal land), such as Porto wine and Green wine or Vinho Verde. It is one of the most important wine producer countries in the world. However, today the consumption of wine in Portugal is decreasing considerably, and experts suggest that the best alternative for Portuguese wine producers is to export their products and explore new markets.

On the other side we have Colombia, a country that, time ago, was recognized for its problems with violence and drug trafficking. However, today Colombia is recognized for its Nobel Prize for Literature, Gabriel Garcia Marques; its excellent football players, James Rodriguez, Jackson Martinez and Radamel Falcao; its beautiful and talented women, Shakira and Sofia Vergara; its excellent coffee (considered the best coffee in the world); and also its multiple opportunities for investment. Without any doubt, Colombia is becoming an attractive market to invest in, because its political and economical situation is stable. It is considered the door of Latin American market and one of the most stable markets there. Since recently the Colombian market has become an attractive market for traders and exporters of wine from around the world due to some years ago the wine industry in Colombia is growing stronger and consumption of wine is increasing. Consequently, the Colombian market has become a market opportunity for producers and exporters of Portuguese wines that want to expand their business in Colombia.

The Methodology of data collection used in this study is through in-depth interviews to wine producers in Portugal, wine traders in Colombia and different agencies involved in wine industry as well as agencies involved in the bilateral trade relationship between Portugal and Colombia. Subsequently, the interviews were confronted to the propositions developed according to the literature review.

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Keywords: International Market Selection, Colombia, Portugal, Wine Industry, Motivations to internationalize.

JEL Classification System:

- M16 – International Business Administration
- M31 - Marketing

RESUMO

O principal objetivo deste trabalho é analisar a atratividade do mercado Colombiano para os produtores portugueses de vinho e quais são os principais desafios que eles afrontam na hora de entrar num diferente mercado onde o consumo do vinho é relativamente baixo. Este estudo confronta duas culturas e histórias diferentes, a fim de criar uma ligação entre eles com o objetivo de melhorar sua relação comercial.

De um lado temos Portugal, um país com uma relação estreita com a indústria do vinho e da história, que é reconhecida pela produção de vinhos exclusivos (apenas produzidos em Portugal), como o vinho do Porto e Vinho Verde. É um dos países produtores de vinhos mais importantes no mundo. No entanto, hoje o consumo de vinho em Portugal está a diminuir consideravelmente. Os especialistas sugerem que a melhor alternativa para os produtores de vinho portugueses é exportar seus produtos e explorar novos mercados.

Por outro lado, temos a Colômbia, um país que, outrora, foi conhecida por seus problemas com a violência e o tráfico de drogas. No entanto, hoje, a Colômbia é reconhecida por seu Prêmio Nobel de Literatura, Gabriel Garcia Marques; seus excelentes jogadores de futebol, como James Rodriguez, Jackson Martinez e Radamel Falcao; suas belas e talentosas mulheres, Shakira e Sofia Vergara; seu excelente café (considerado um dos melhores do mundo); e também suas múltiplas oportunidades de investimento. Sem dúvida alguma, a Colômbia está a tornar-se num mercado atraente para investir, devido à sua situação política e econômica se encontrar cada vez mais estável. Neste momento a Colômbia é considerada a porta de entrada da América Latina.

No que à indústria do vinho na Colômbia, concerne, verificamos um grande aumento no consumo, de à uns anos para cá. O mercado Colombiano está a tornar-se num mercado de investimento para os comerciantes de vinho e exportadores em todo o mundo e, conseqüentemente, um mercado oportunista para produtores e exportadores de vinhos portugueses, que querem expandir seus negócios para este país.

A metodologia de coleta de dados baseou-se na elaboração de entrevistas em profundidade a produtores portugueses e comerciantes da Colômbia, bem como a diferentes agências envolvidas na indústria do vinho e na relação comercial bilateral entre Portugal e Colômbia. Posteriormente, o resultado das mesmas foram cruzados com as proposições desenvolvidas neste estudo, a fim de verificar a aceitação das mesmas.

Palavras-chave: Seleção de Mercados Internacionais, Colômbia, Portugal, Indústria do Vinho, Motivações para a internacionalização.

JEL Classification System:

- M16 - Administração de Negócios Internacionais
- M31 - Marketing

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EXECUTIVE SUMMARY

The present dissertation aims to analyze the wine market in Colombia and identify opportunities for Portuguese wine producers in that market. From one part Portuguese wine producers need to export part of their production as a strategy to counteract the decline in wine consumption in the local market. From other part, entering in a new market is motivated by the increase of wine consumption in the Colombian market. Colombians used to consume 0.9 liters of wine per year in 2007, whereas they consumed 2.4 liters in 2012, representing an increase in wine consumption of 61% (Perez, 2013). In addition, the trade relationship between these two countries, Portugal and Colombia, has been improving during the years. Colombia shows a positive trade balance with Portugal during the first four months of 2014 (EFE, 2014). As for Portugal, more than 50 Portuguese companies are established in the Colombian market (Lusa, 2013). However, the wine industry affronts some challenges in the Colombian market: The lack of information about wine history and wine consumption culture, as well as the bureaucracy and entry restrictions of the market.

Linking this context and opportunity, we defined the research questions: *Is Colombia an attractive market for Portuguese wine producers/exporters? Are Portuguese wine producers able to supply the needs of the Colombian market? Is the Portuguese wine competitive in the Colombian market?*

Regarding the research proposition set out in this study, some interviews were conducted with different market players involved with the wine industry and the bilateral relationship between Portugal and Colombia. In total, nine (9) were identified: three (3) wine importers located in Colombia, three (3) Portuguese producers and exporters of wine located in Portugal, and other three (3) investment promotion agencies between Portugal and Colombia located in Portugal. Some of the interviews were done via Skype, phone and e-mails, while two of them (2) were done personally. According to the information collected, Colombia is an attractive market for the wine industry. Likewise, Portuguese wine producers are able and prepared to enter the Colombian market, despite two major challenges that they are faced with: the lack of wine culture and the bureaucracy of the market. Some of the strategies used by the companies interviewed in this study are: Partnerships with Portuguese companies in Colombia, creating events where consumers can

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experience the Portuguese wines, participation in international events taking place in Colombia for exhibition of wines from around the world and the invitation to potential buyers to know Portuguese wine producing estates. The perception of exclusivity of Portuguese wine, such as Porto wine and Green wine (Vinho Verde), results in being an advantage in the Colombian market against strong competitors, such as Chilean wine and Argentinian wine, which represent more than 70% of wine imports in Colombia (Lozano, 2012). In addition, the most used entry mode by the Portuguese wine producers interviewed in this study is *Direct Export*. However, we could not conclude that it is the most appropriate entry mode for wine export to Colombia.

Methodologically, the first step was to understand the theory of international market selection, the motivations to go abroad and the entry modes. The second step was to analyze the wine industry in the chosen markets, Portuguese market and Colombian market, as well as the economic relationship between them. And the third step consisted in performing interviews with agents involved in this case and obtaining vital information to resolve the case.

At the end of this study we can conclude that having a deficit in wine consumption in the Portuguese market and the export being a tool to counteract this problem, it is essential to consider countries like Colombia, who show an increase in wine consumption and is expected to maintain a growing trend in coming years. In addition, the sudden interest of Portuguese companies from different industry sectors such as Jerónimo Martins, Hotel Pestana or Prebuild in the Colombian market in recent years allows an easier connection between the two markets and increases the interest of Portuguese wine producers to enter this market, as some companies mentioned could be wine distribution channels in the Colombian market. Also, the Portuguese wine producers must consider the challenges present in the Colombian market, in order to develop strategies to cope with these challenges and to achieve a good performance in the Colombian market.

1. INTRODUCTION

To explore and enter a new market is a quite complex decision, even for companies that have a mature experience in the international trade. The trade-off between costs and benefits is more difficult when a company is entering a country offering a product that is not commonly consumed, and instead this product is seen as a luxury product in that new market. The same applies to Portuguese wine producers exporting to the Colombia market. In the absence of a cultural role associated with the consumption of this product, managers of the new product and brand entering this new market, need to develop their communication campaigns to address not only the awareness but also to “educate” and sensitize the potential consumer in order to consume this product. Some factors concerning consumer behavior are quite important, including the eventual barriers in terms of competition intensity, as well as the distribution and governmental regulations.

Colombia is becoming an attractive market for producers’ wine in the world due to the continued growth of consumption of this product (Portafolio, 2012a). Its economic indicators (such as GDP per capital), the evolution of the market and its multiple international trade (Free Trade Agreements) are contributing to Colombia’s image of an established market, making it one of the safest markets to invest in Latin-America (ProColombia, 2014). Furthermore, Portuguese Wine is being recognized internationally (Wine of Portugal, 2014) and it could be a good time to enter and explore new markets. In addition, the consumption of wine in Portugal is going through a crisis, and one of the alternatives to counterbalance the crisis is to expand the market by exporting the product (Brito, 2013). Actually, some Portuguese companies are investing in Colombia in several industries, including wine industry; however, Portuguese wine recognition and market share is relatively low on this market, comparing with its competitors (AICEP, 2013a).

The empirical part of this dissertation will be conducted by analyzing the role of different players in the wine trade: (1) The entities that promote the investment in both countries (AICEP, Portugal; PROCOLOMBIA, Colombia; Luso-Colombian Chamber); (2) The producers of Portuguese wine that currently export in the Colombian market; (3) And the third one are the companies that import wine and are located in Colombia. The in-depth interviews will support the conceptual model designed from the previous literature review.

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Taking advantage of my personal and professional experience with Colombia and Portugal, this Master thesis aims to contribute to strengthening of commercial ties between the two countries. In the end, some suggestions are made to producers and dealers of Portuguese wine to enter Colombian market, analyzing Colombian market opportunities and characteristics that are beneficial to Portuguese exporters, and facilitate the distribution of Portuguese wine into that market. The feasibility to export Portuguese wine from Portugal to Colombia will be analyzed. Also potential advantages and disadvantages of the product on Colombian market will be identified, while determining the entry modes used by other importers of wine in Colombia.

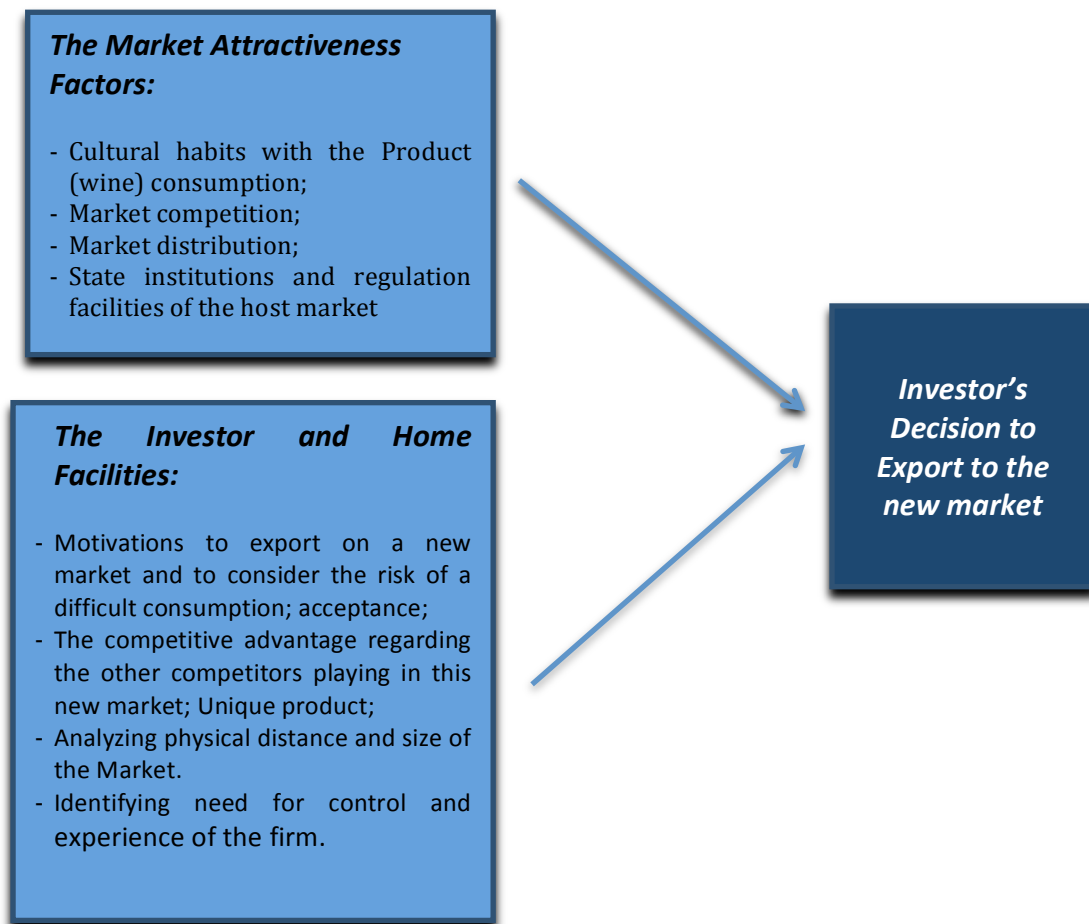
2. OBJECTIVE AND CONCEPTUAL FRAMEWORK

The Objective of this dissertation is to analyze whether the Colombian market is attractive to the commercialization of Portuguese wine, identifying the key success factors that determinate whether the market is reliable in terms of wine industry or not. In order to identify those factors, the cases of some wine importers located in Colombia will be studied. As well as Portuguese wine producers located in Portugal that are currently exporting their products to Colombian market, and understanding the role of entities that support the process of internationalization of companies in both markets, Colombia and Portugal.

In the international trade context, the exporter and the importer face risks against the consumer, even more when the product is not part of the main consumption habits of the population. So, this study will try to identify the risks and find ways to manage them. The international trade literature establishes the influence of several factors to the investor's decision. In one hand there is the host market attractiveness, whether on the offer side (lack of competitors, facilities in the supply chain and regulators) or on the demand expectations. In the other hand the investor company's strengths, motivation and facilities of the home regulations. These external and internal factors will influence investors' decision of entering a new market, as well as their enter mode strategy.

The Conceptual model (**Figure 1**) proposed in this dissertation is based on the previous literature review of the international trade and supports our research question of what are the key success factors to sell Portuguese wine in the Colombian market, where the consumption of this product is very low and the Portuguese brands do not have a high awareness. In order to identify the *Market Attractiveness Factors* it was necessary to study the Opportunistic Approach concept and its evolution to Systematic Approach concept developed by Bradley (2004). Likewise, it is important to analyze the investors, their motivations and home facilities, therefore, it was necessary to study the Proactive and Reactive Motivations Concept developed by Czinkota (2004) and other concepts related to investor motivations developed by Pervez and Philip (2006). Finally, the entry strategies in foreign markets are based on the concept of Lambin (2007), who explained the direct exportation and a number of ways to implement this strategy.

Figure 1: *The Conceptual Model*



It can be a success, but also a great challenge, for those wine-producing companies to invest in a new market where the product plays a completely different role compared to the home market. Under this main proposition, the empirical study was applied to the context of the Colombian and Portuguese trade relationships and markets, focusing on the wine product.

Under the framework explained above (**Figure 1**), the purpose of this study is to analyze the wine trade opportunities in the Colombian market, considering the managers' perspectives of both sides – the demand and the offer.

This study is composed from three parts:

- The first part aims to analyze the host market, Colombia, in order to highlight its attributes. Here the attractiveness of Colombian market balancing the opportunities and threats of the wine trade will be analyzed. Also, Colombia's economic factors, buying trends, consumer behavior and facilities of the market based on others investors'

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experiences and other secondary data relevant to this case will be studied. All the above-mentioned will be analyzed in order to create a connection with the Portuguese investor.

The proposition in this stage is:

P1: Colombia is an attractive market for wine industry

- The second part aims to get to know the investor, its product, its home market and its characteristics. Also its motivations to enter a new international market will be analyzed, and thus, a link between the host market and the investors will be identified. Furthermore, it is necessary to identify the facilities in the investors' market that help investors to export their products.

The appropriate proposition in this stage is:

P2: Portuguese wine producers have the ability to invest in a foreign market like Colombia, where the wine consumption is very low

- The Third part is focusing on the analysis of the investor's final decision and the entry strategy in a foreign market. The wine producer's decision to export to the new market is influenced by the two previous stages, and by this trade-off the investor should decide: **1.** To enter or not the Colombian market, **2.** To choose the way to export the product (if the decision was to enter) to the Colombian market. Forms of export wines to Colombia used by companies studied in this thesis will be analyzed.

The appropriate proposition in this stage is:

P3: Portuguese wines producers decide to export wines to the Colombian market despite the challenges these companies face in this market.

3. LITERATURE REVIEW

It is important to understand the key concepts of international market selection process in order to analyze the attractiveness of the Colombian market to producers/exporters of Portuguese wine. The literature review is focused on the international market selection process and all other concepts related to this process. The concepts discussed in this literature review were chosen based on their proximity to the reality of this dissertation. While Colombia was not considered an attractive country for foreign investment in the past due to internal conflicts during 50 years, the promoters of Colombia and increased foreign investment show the other side of the country, offering new investment opportunities in this market. For that reason, this study considers Colombia as an opportunistic market. Bradley (2005) develops two important approaches (Opportunistic and Systematic approach) that influence the international market selection process. The approaches are supported by other scientific studies such as *“The International Market Selection Behavior of Thai Rice Exporters”* (Chaiwun, 2003) and *“Systematic Selection Of International Market – Way To Increase The Firms’ Performances”* (Ciochina and Decuseara, 2007). Furthermore, the motivations to internationalize and the market entry mode were reviewed in order to understand the producers’ and exporters’ perspectives.

3.1 International Market Selection

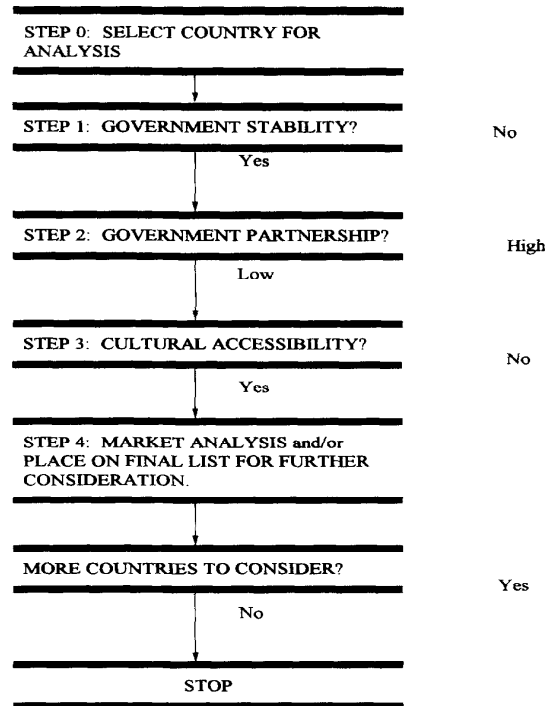
According to Bradley (2005), the International market selecting process must be carefully done, because this process influences the success (or not) of the company in the chosen market. The wrong choice of market causes two types of costs: The cost of unsuccessful attempt to enter the wrong market and the cost of losing the opportunity to enter the right one where the product might have been successful. So that’s why some authors such as Root (cited by Chaiwun, 2003) considered this process as the most important and significant step in an export strategy.

According to Manifie and West (1998), several studies confirm that many firms have experienced difficulties entering foreign markets due to difference in culture, laws/regulations, spoken languages, and organizational structure. Also they identified some

of the factors that influence accessibility, such as political stability, governmental control and cultural differences. Based on that, the authors developed a model, whose main propose is to assist the small businesses in focusing on the best opportunities. The Decision Support System (DSS) model for international market selection includes the factors identified above.

(Figure 2)

Figure 2: *International Market Entry model*



Source: Manifie and West (1998), *A small Business international market selection model*, pp. 455.

According to the Nordic School (cited in Sakarya, 2006), there are two key concepts that influence and limit the market selection process: Psychic distance - which represents the lack of knowledge and information that increases the uncertainty of undertaking overseas business and the costs of coordination - and Experiential learning - It refers to learning through experience, doing and actions - Therefore, companies are influenced to prefer new markets with similar economic, culture and political systems. However, this trend is decreasing due to the development in service, technology and human resources with international experience. However, those are not the only concepts developed in term of market selection (Sakarya, 2006). In consequence, few studies prefer to integrate different works and suggest: “*product-specific market size and growth, availability and cost of factors of production, level of economic development (Russow and Okoroafo, 1996), and the country environment, psychic distance, market-based factors, competition, information and*

market knowledge (Whitelock, 2004)”, as sets of concepts for market selection (Sakarya 2006).

However, other researches (Pervez and Philip, 2006) argued that the evaluation of concepts and factors that must be analyzed in order to choose the foreign market are depending on the main objective of the company. Pervez and Philip (2006) developed a list of some factors that organizations/firms can analyze and classify by priorities, assigning numbers from 0 to 10, being 10 the most compatible between the factor and country and 0 the opposite. (See the example of **Table 1**)

Table 1: Important factors in country selection for Japanese entry into Europe

Aspect	UK	Germany	France	Netherlands
Labour availability	8	7	7	7
Wage level	9	6	8	6
Labour unions	8	8	8	8
Supporting industries	9	8	6	7
Support of Development Agency	10	7	4	7
Investment incentives	6	9	8	8
Language	10	7	4	8
Feelings against Japanese	8	7	3	7
Presence of other Japanese manufacturers	8	7	4	4
Total score	76	66	52	62

Source: Pervez and Philip (2006), International Market Entry Strategy.

Back to Bradley (2005), he affirms that successful organizations tend to create a portfolio of markets, grouping markets according to their similarity. And, in order to create it, a multicriteria approach to screening, identifying and selecting potential international markets may be necessary. Following the Bradley ideas (2005), let's analyze the two mechanics used in selecting the international market and identify its proximity with this dissertation.

3.1.1 Mechanics of International Market Selection

The most adequate system applied in this thesis is to use two mechanics in order to select an international market. This two mechanics permit to identify opportunities in the market but in two different ways. The first way consists in a casual situation and it is called opportunistic selection of international market. This approach stimulates firms to enter the market, showing that by doing so the firm can obtain the maximum revenue. The second way consists in identifying the opportunities through a systematic comparison of prospective markets. This approach is called Systematic Selection of International market. However, Bradley (2005) affirms that companies frequently decide to use opportunistic system, which involves some systematic factors and evaluations.

In this section, the Opportunistic and Systematic approach are explained in more detail, stressing out their importance and the factors that influence the market selection.

3.1.1.1 Opportunistic Selection

In order to explain this approach, Bradley (2005) mentions some situations where investors can identify a potential market. One of them is when a potential foreign customer is motivated, by a product or service; to make an unsolicited order without any knowledge about the company's activity. The author calls this situation "*Unsolicited request for company products*". Another situation is a result of casual discovery, when the manager visits the foreign market for some other reason such as holidays, conference or business meetings. Agencies promoting foreign investment or another source of information are also a situation where firms can identify the opportunities into the market. The author called this situation "*Third-party information*". And the last situation is called "*Trade mission and trade fair participation*" where most companies with low experience find leverage market opportunities. However, the firm's response is depending on several factors such as foreign country legislation, tariff and non-tariff barriers, health regulations or industrial standards. The product adaptation and distribution also makes the selection of the market easier. When there is a better product adaptation, the cost of the distribution within the foreign market will be low (Bradley, 2005). However, the author also mentioned some costs related with this approach. So the author generally advises to avoid it on the international market selection strategy. Some of the costs identified by Bradley are:

- *Providing excessive production capacity for opportunistic business;*
- *Agreeing upon initial design and engineering costs to obtain the first order;*

- *The additional costs stemming for low initial production efficiency, and repeated orders, which do not materialize;*
- *The cost of unsuccessful bidding for opportunistic business, and*
- *The dissipation of the company's efforts that may result from constantly pursuing opportunistic business abroad. (Bradley, 2005)*

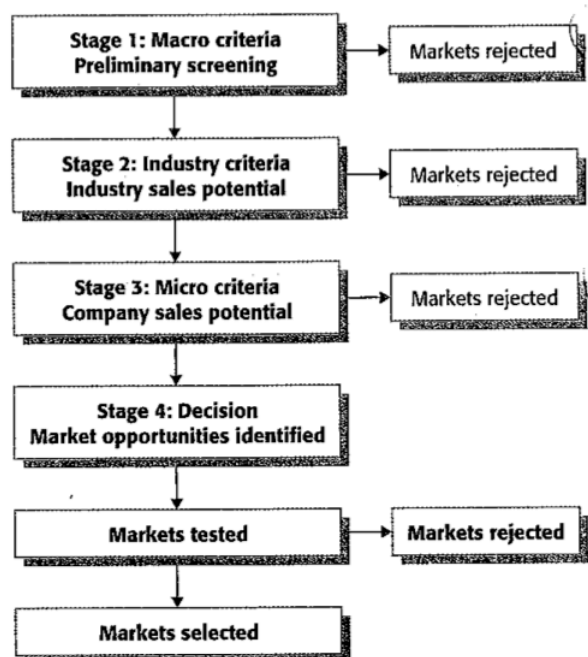
Nevertheless, Walter's 1985 and 1993 studies (Cited by T. Chaiwun, 2003) sustain that exports in general are a non-planned activity, which means that no company can ensure a successful performance in the foreign market even if the export strategy is well planned.

3.1.1.2 Systematic Selection

The systematic selection follows some logical stages to understand and select an international market. Following that, Bradley (2005) designed a model of systematic approach to international market selection (**Figure 3**)

This system consists in defining some criteria, selecting a group of countries according to the criteria and doing a thorough analysis of the international markets in order to select the most suitable market to invest in.

Figure 3: ***Systematic approach to international market selection***



Source: Bradley (2005). *Selecting international markets*, pp. 214.

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In the first Stage, the author suggests doing a preliminary screening based on three major factors. One is to analyze the physical distance from the home country, geographical features of the market, such as climate, and also economical and social statistics, including GNP, consumption and similar measures. The other one is to research about the population statistics, including geographical concentration and distribution by age group, determining the number of males and females, and the level of literacy. And the last one is to investigate local economic conditions, which include purchasing power and also analyze income per capita compared to the population size. The main purpose in this stage is to have an overview of the markets and select the most suitable ones.

In the second stage, the author recommends to measure the industry market potential on each market selected in the first stage. The main objective in this stage is to know the reality of the industry of those markets, evaluate whether the investor company can supply the market and obtain good revenues or not, and reject the less suitable markets. Some of the factors that the investor company needs to take into account in order to understand the industry are the statistics of imports of the product, the consumption of the product, the product sales forecasts and consumer trends, social habits and preferences.

During the third stage, it's convenient to evaluate competitors, local market structures, legislations, distribution channels structure, language, culture and even physical distance again. By this stage, the investor can have an idea about its sales potential and can organize the most favoured markets by priority.

Bradley (2005) considers that the systematic approach can reduce risk and cost, and the investor will be prepared to face the foreign market conflicts.

This approach is supported by some articles, such as one wrote by Ciochina and Decuseara (2007), where they argue that many authors present the international market selection as a gradual and sequential process. Their article is based on Bradley's systematic selection concept and they apply this approach to the Romanian companies when entering Western Europe market. Also Musso and Francioni (2012) mention two well-known models of IMS¹, one developed by Root in 1998 and another by Johansson in 1997 (Cited on Musso and Francioni, 2012), which are composed by three and four steps respectively.

¹ International Market Selection

² Psychic distance is defined as the distance between the home market and a foreign market, resulting from the

However, he also developed a combination or evolution of the opportunistic to the systematic approach, that this dissertation considered an appropriated concept to the case of Colombian market.

3.1.1.3 Evolution from Opportunistic to Systematic market selection

Even though most of the companies are involved in an opportunistic approach in the market selection process; some of the systematic evaluation procedures are implemented as well (Bradley, 2005). In order to set international market development priorities, the author identified two factors that influence this analysis – The Company’s competitive position and the Market attractiveness (**Figure 4**).

Figure 4: Setting International Market Development Priorities

Company Competitive Position		Market Attractiveness		
		Low	Medium	High
Above critical mass			Core Markets	
Within reach of critical mass			Star Markets	
Bellow critical mass	Opportunistic Markets			

Source: Bradley (2005), *Selecting international markets*, pp. 217.

The model above suggests that companies below critical mass over its competitors should be located in opportunistic markets, no matter the level of attractiveness of the market. Markets that are considered core or star markets should be treated in a systematic and strategic way. In this case, core markets are considered markets with expansion opportunities, while Star markets are candidates for development markets.

The author also mentions the role of information as an important factor in the evaluative process of this evolution. He suggests that firms should have a deep knowledge about themselves and their capacity (Internal knowledge), based on company data and experience, As well as Market knowledge based on reports, books, journals, government or industry advisers, and other similar sources (External Knowledge).

Once the company realizes that a demand for its offer exists (Product), and the company can deal with the competitive conditions in the market, the next step is an “on-the-spot” survey in order to understand the market reaction. Based on that idea, Bradley (2005) suggests four different approaches used to obtain information:

- *Measuring responses to exhibitions at local trade fairs, professional meetings and world trade centers*
- *Sampling of customer response by questioning (mailed, telephoned or face to face)*
- *Pre-testing the market via free samples*
- *Consulting local anthropologists and sociologists (Bradley, 2005)*

To conclude the international market selection section of this dissertation, the market attractiveness factors, mentioned on the conceptual model of this study can be identified and analyzed. However, the reasons why companies want to internationalize are still unknown.

3.2 Motivations to Internationalize

There are multiple reasons that influence the decision to invest in a foreign market. On one side, the main driver of the internationalization is the growth of the firm (Pervez and Philip, 2006). On the other side, motivations are perceived as a commitment to success of any company. This motivation should be realistic and have the responsibility to take in another level the performance of the company (Czinkota, 2004). As the decision of any company to go abroad should be influenced by a mix of reasons, Czinkota (2004) identifies some proactive and reactive motivations to go international (**Figure 5**). *Proactive* motivations are the internal reasons that make the company desires to invest in a foreign market. That means that proactive companies decide to go international because they want to.

Figure 5: ***Why firms go International***

PROACTIVE MOTIVATIONS

- Profit advantage
- Unique products
- Technological advantage
- Exclusive information
- Managerial urge
- Tax benefit
- Economies of scale

REACTIVE MOTIVATIONS

- Competitive pressures
 - Overproduction
 - Declining domestic sales
 - Excess capacity
 - Saturated domestic markets
 - Proximity to customers and ports
-

Source: Czinkota (2004), *The Drive to Internationalize*, pp. 4.

According to Czinkota (2004), the possibility to *increase revenues and profit of a company* is undoubtedly one of the most important reasons and motivations to go international. The author affirms that the perception of international sales is to increase profit margins or added-on profits, but at the same time clarify that “*the perception and the reality can differ significantly*”. In this category, we can also talk about the competitive advantage of the company in the market. *Unique products or Technological advantage* make the company to be in advantageous position compared to its competitors. But also in this case, the author suggests taking into account the perception and the reality, and identifying if there is a match between them. In addition, companies should ask themselves for how long will such competitive advantages last. Even though in the past one company could dominate the market for many years, nowadays the reality is different, either because of innovation in both products and technologies or due to the lack of intellectual property rights protection.

Another motivation included into the proactive motivations is the *exclusive market information*. In this case companies have knowledge about the market and its trends, and this special knowledge may be provided from different company’s researches, contacts, or even “*being in the right place at the right time*”. However, the author affirms that this should be an initial and not prolonged stimulus, such as the facility to get essential information by the competitors. Also, the desire and enthusiasm of management toward global business activities are included in the proactive motivations mentioned by the author – Managerial urge.

Czinkota (2004) considered also *Tax benefits* to be a major motivating role. International market activities become more profitable due to tax exclusion generating certain tax deferrals. However, the author warns about World Trade Organization (WTO) prohibiting

the subsidy of exports by all countries (not including poorest countries), so tax benefits play a decreasing role in future motivations to go international.

Finally, Czinkota (2004) talks about *Economies of scale* that is part of proactive motivations where companies are motivated, in this case, to increase market share.

In the other hand, there are the *Reactive* Motivations where the company perceives that it has to become international. In the first case, mentioned by Czinkota (2004) (**Figure 5**), companies may be *pressured by competitors* who are gaining market share because of the exporting activities. Once companies realize that their competitors are becoming international, they take a quick decision to enter exporting. However, that decision can become a disaster when the company is not entirely prepared. The author also identified the *overproduction* as a major motivation. In this case, companies with an overproduction usually use foreign markets to sell the entire excess inventory but just on a short-term basis. The company leaves the foreign market when it's recovered on domestic one. This phenomenon is called 'dumping' and the author affirms that companies have much more difficulties when they try to execute it the second time. So, this motivation is decreasing in its importance over time.

Moreover when the *domestic sales are declining* or the *domestic markets are saturated*, companies go abroad in order to expand the market and prolong the life of the product instead of reducing it. Furthermore, the lag time of product innovations in some markets makes the success more reachable for companies who decide to expand their business internationally (Czinkota, 2004). The author also identifies the *excess capacity* as a powerful motivation for companies to enter a new market. In this case, companies see the expansion as an opportunity to reach a larger distribution of fixed costs, as well as to focuses on variable costs when fixed costs are assigned to domestic production.

Finally, the *proximity to customers and ports* push companies to be multinationals. Companies that are located on the borders of their home country have the facilities to go abroad without complications. However, in some cases companies do not consider their market activities in the neighboring countries as exporting. Some of those cases we can find in Europe as well as on the border between Canada and United States. Thus, Czinkota (2004) shows that physical distance is considered an important factor that forces companies to be international.

However, the most popular motivations to go international were identified by the economics Dunning and Lundan (2008) who mentioned four reasons why companies decide to go abroad:

- Market seeking: Companies go overseas in order to find new customers. This decision is taken because the company believes that its products are competitive in the other markets, also because its own market can be saturated, or even because it believes that their products are unique.
- Natural - Resource seeking: This occurs when the raw materials of the company are located in other countries, so, in order to reduce cost in the access process, the company may decide to go there.
- Strategic asset seeking: Companies may decide to invest in companies abroad in order to build strategic assets. This may create partnerships with other existing foreign companies that are specialized in certain aspects of production.
- Efficiency seeking: this one exists when there are some trade agreements between countries that facilitate the access to new markets with the lower tariff rate.

However, the authors also suggest that motivations can change. As a company becomes a multinational, its motivations may be the positioning of the company in the global market by improving the efficiency of the company or access to new sources of competitive advantage. Other researches (Franco, et al. 2008) support the idea that motivations change as time passes due to the structure of the firm and the characteristics of the home market where the company invests.

To conclude, whatever the reason for a company decides to internationalize, motivations are the core of the decision of any company to be international and foreign investment is just one of many alternatives to capitalize the opportunities offered by a foreign market (Franco, et al. 2008).

3.3 Market Entry Mode

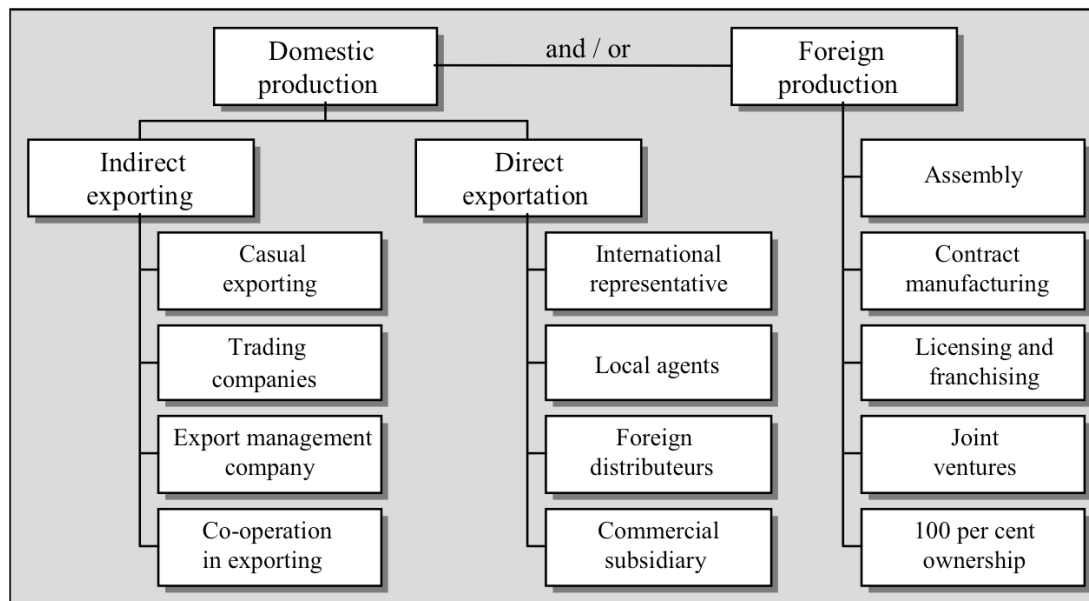
Before choosing the right entry mode in a foreign market it is necessary to identify some factors that influence this decision. According to a study from Couturier and Sola (2010), the external factors such as market growth, market consolidation and value chain fragmentation, play an important role in this decision. Furthermore, Pervez and Philip (2006) affirm that entry mode choice depends on the psychic distance², size of the market and the need of control, and sustain that the more experience a firm gets on the market, the more knowledge it acquires and the more it is willing to commit. The authors additionally suggest that firms have to choose an entry mode reflecting analysis of market potential, firm's capability and the degree of marketing involvement.

Nowadays there are a number of entry mode strategies (Couturier and Sola 2010; Pervez and Philip 2006; Lambin 2007), such as Exporting, Piggybacking, Licensing, Franchising, Joint Ventures, Acquisition, Greenfield investment, etc. But many of them have the same meaning and propose, with a different name.

One of the critical success factors in an international strategy of any company is to select the right entry mode as well as the right distribution channel on the new market (Lambin, 2007). Thus, depending from the base of production (Domestic or Foreign production), there are different forms to enter a foreign market. In this case, this thesis will just consider Domestic production because all the companies under this study are producers of Portuguese wine and it is impossible to produce this product in a different country with the same quality and characteristics (**Figure 6**).

² Psychic distance is defined as the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences. Jody Evans 2010.

Figure 6: **Entry Strategies in Foreign Markets**



Source: Lambin (2007), Market-Driven management: Supplementary web source material.

There are two ways to invest in a foreign market based on domestic production, *Indirect exporting and Direct exportation*, where each of them present different methods of exporting products. Defining *Indirect exporting*, it is the technique that offers the lowest level of risk, due to the product being carried abroad by others. However, *Direct exportation* consists in direct company's involvement in the marketing process of the product in the foreign market (Lambin, 2007).

Some of the methods used by indirect exporting are:

- Casual Exporting: When the firm receives an unsolicited order from other firm in a foreign market and responds to the request.
- Trading Companies: Occurs when the firm uses international trading companies with local offices all over the world.
- Export Management Company: Occurs when the firm sales its product to an export management company which plays the role of an export department.

In the other hand, direct exportation requires an export department of the firm responsible for tasks such as market contact, market research, physical distribution, export documentations and pricing. This strategy brings more risk but also great benefits such as

increased sales, greater control, better market information and performance in the international marketing.

The methods used by direct exportation strategy are:

- Sending an international sales representative into the foreign market in order to establish contact with the potential customers.
- Selecting local agents to analyze the market establishing the first contact and negotiate with the interested firms.
- Using independent local distributions located in the foreign market who will buy the product and resell them.
- Creating a commercial subsidiary in order to have a better control over the foreign market. In most of these cases, firm prefers to create a joint venture with a local firm in order to have a direct access to local relationships.

Taking into account the concepts developed above, International market selection, Motivations to internationalize and Market entry mode, it has been concluded in this thesis that the Colombian market can be perceived as an opportunistic market due to the opportunities that the market offers to the wine industry at this moment. Furthermore, the Colombian market is not recognized as a market that consumes wine, and as such, cannot claim to be an attractive market for this industry. However, the positive changes that the wine industry had in that country in recent years make it an attractive opportunity of investment for wine producers in the world.

Analyzing the reason why a company decides to invest in a foreign market, this study found that Proactive Motivations are more related with Portuguese wine producers/exporters. One of the motivations mentioned by Czinkota (2004) in this literature review, Unique Products, may be one reason why the Portuguese wine should be in the Colombian market. Unlike Red and White Wine, Wine of Porto and the Vinho Verde is produced only and exclusively in Portuguese territory, due to their traditional way of production. However this is not the only reason. The decision to invest in a foreign market can be influenced by the needs of the company at that time and the objectives that the company wants to achieve.

The method of entry of a company to a foreign market depends on the chosen market and motivations that the company has had to invest in this market. This includes the capabilities

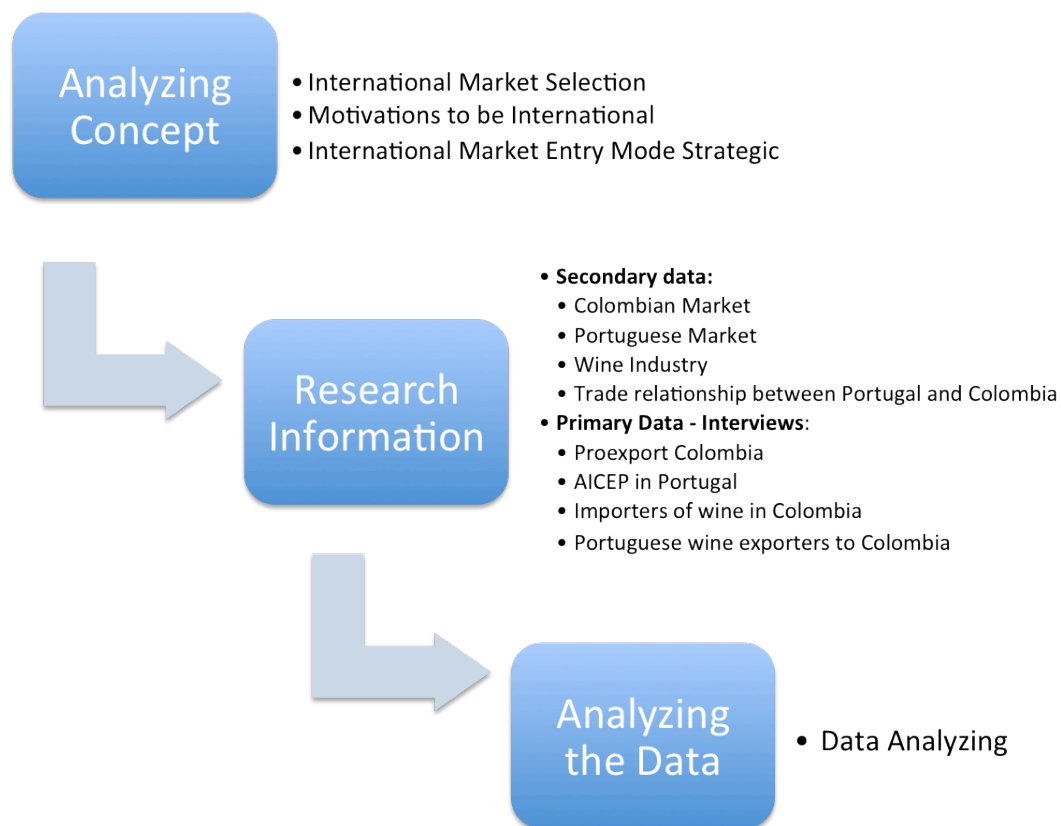
of the company and its competitiveness in that foreign market. In this case, the literature suggests that for companies with a domestic production, in the case of Portuguese wine producers, there are two options, *Indirect and Direct exportation*. Both of them are a method of entering a new market. In the case of Colombian market, due to the complexity of the market, it is important to reduce risks, however, in a market where the wine industry is growing rapidly, it is important to have a medium-high degree of control within the market. The decision to export Portuguese wine to the Colombian market is a challenge that many Portuguese wine producers/exporters took.

Through in-depth interviews conducted in this thesis, it will be analyzed the case of Importers and Exporters of wine to the Colombian market, their motivations and the ways they do it.

4. METHODOLOGY

As the study includes gathering information from companies of Colombia and Portugal (respectively the host and the investor's market), primary and secondary data were used, but in different stages. The **Figure 7** identifies the sequence of the empirical stages.

Figure 7: *The Methodology*



Source: By the author

With the intention to support this study, it will be necessary to analyze prior studies (Secondary data) related to the topic and obtain official information from relevant entities. Furthermore, it is important to analyze the experience of companies (Primary data) that are involved in the wine industry in order to understand the market, the consumer and its advantage. According to McDaniel and Gates, (2013) the Secondary data consist in

information previously collected, while Primary data, consist in collecting new information about a specific problem/goal, by survey, personal interviews, observation or experiments in order to solve the particular problem under investigation. Balancing the importance of the different methods of collecting data, these authors consider as advantageous to use Secondary data, due to the cost, time and inconvenience associated with Primary data. As disadvantages they appoint the lack of availability, lack of relevance, inaccuracy and insufficiency. On the other hand, Primary data are well-focused and exclusive support for any research (Malhotra and Briks, 2006).

In order to get deep and reliable information about wine industry in Colombia and Portugal, it is appropriate to use a Qualitative research technique, which consists in conducting in-depth individual interviews with a small number of respondents, who will offer valuable and specific inputs about this particular subject. A convenient sample of companies involved in the wine industry (Private companies and governmental institutions) was selected, according to their availability and the suitability for this case. Using in-depth interview as a technique to collect information helps to the interviewer to answer **Why** and **How** are certain decision made, as well as to obtain a complete point of view of the topic from the respondents. One of the most important advantages of this technique is the opportunity to collect deeper information (Malhotra and Briks, 2006), and it is known that this technique is the second most popular form of qualitative research (McDaniel and Gates, 2013). In addition, according to the study developed by Malhotra and Brisk (2006), Qualitative research plays an important role in supporting marketing decision-making, because of its exploratory and descriptive design.

4.1 Data Collection – Primary data

As the international wine trade is not possible without the role of several players, three different guides of interviews were prepared considering the kind of company to interview. One kind of interviews was addressed to the specific entities that help the investment in both countries, Colombia and Portugal. The second one was designed for wine specific trade /retail companies (National and International companies) located in Colombia. And the third one was designed for Portuguese wine producers, who export their products to Colombia. The interview guides were designed to cover the main information that help to understand the market, consumer behavior and the wine industry in these two countries. Regarding the

type of questions for the respondents, the most appropriate type was open questions. The interview guides may be found in the Annex no. 1.

Regarding the facilitators to the trade the interviews were addressed to *ProColombia* (Governmental entity in charge of the investment in Colombia), *AICEP* (Agency for investment and International trade in Portugal) and *The Luso-Colombian Chamber* (Private agency in charge to help the bilateral relationship between Portugal and Colombia). The main objective of the interview with *ProColombia* was to know what is the business relationship between Portugal and Colombia like, the viability to do business in the Colombian market, the principal sectors of investment and the level of Portuguese companies' interest to invest in Colombia nowadays. Also, the goal was to identify the opportunities that Colombia offers to foreign investors and understand how *ProColombia* helps in the relationship between these two countries. Concerning the Portuguese side, the *AICEP* interview aimed to identify how this institution helps Portuguese companies to perform their business, the number of Portuguese companies in Colombia nowadays and their main activities there. In the case of the interview addressed to *The Luso-Colombian Chamber*, the objective was to understand the relationship between these two countries during the last two (2) years. Furthermore, it helped to identify the rate of growth of the number of Portuguese investors in Colombia over the last 5 years.

The second interview is aimed to companies located in Colombia with a commercial activity of distribution, selling, and importing of wine. The main purpose of this interview was to understand the factors that influence and support the decision to invest in Colombia with products such as wine, their experience in the market and identify the level of product acceptance by the consumer. In order to choose companies to analyze, the origin of the owners of the company was taken into consideration as the main factor: Companies located in the Colombian market where their owners are Colombian; Where their owners are Portuguese; And where the owners are of any wine producing country in the world. So, the companies chosen were: Dislicores (Colombian owners), Luso – Colombiana S.A. (Portuguese owners) and Italian Collection (Italian owners). Only managed to choose these three companies because of the limitation of the communication with other companies and their availability of for this study.

Finally, the third interview was addressed to Portuguese producers, which currently export wine to Colombia. The main objective of this interview was to know the reason of the decision to invest in the Colombian market with this product, the level of satisfaction in

this market and their expectations of this business in Colombia. The criteria to choose companies to examine were the time length of their wine export activity in Colombia. So, the companies chosen were: Quinta do Crasto (Since 2012), Quinta do Vallado (Since 2012) and Quinta da Lixa (Since 2013). The number of Portuguese companies currently exporting Portuguese wine to Colombia is low and access to contact information of these companies is limited. Because of this, it was only possible to contact the above mentioned firms.

4.2 Data Collection – Secondary data

In order to analyze the market, it is necessary to analyze different secondary data and sources of information, such as books, newsletters, official websites, articles and official reports. Different studies, whose concepts have been proved, will be used. Also this study will use data from governmental websites in order to obtain vital information about the markets and the industry. So in order to understand this type of data collection, let's classify them by three major objectives:

4.2.1 Data Collection of the relationship between Colombia and Portugal

This study will analyze the market behavior in the wine industry, economic indicators and statistics, which will allow the investor to analyze the market. Not just the Host market (Colombian Market), but also the Home market (Portuguese Market) will be analyzed. In order to collect truthful information about statistics and economic indicators, this study will use, as an information source, official and governmental websites of both markets, Colombia and Portugal. Internal secondary data such as www.procolombia.co and www.portugalglobal.pt will be used.

4.2.2 Data Collection of the Investor

In order to understand the investor market and analyze its possibilities to become international, this study will use the Proactive and Reactive motivations concept and create a connection with the case Colombia - Portugal. Thus, it will be easier to determine the opportunities that already exist between these markets. Here, it is necessary to use external secondary data such as articles, newsletters and reports that show the current trade relationship between the two countries. Some of the articles that will be analyzed in this

Wine Market in Colombia: An Opportunity for Portuguese wine Producers/Exporters

study are “*La industria de Licores en Colombia*”, “*Entre pasado y modernidad*” and “*Vinos portugueses buscan espacio en mercado colombiano*”. Also, it will be necessary to review some websites of Portuguese companies already in Colombia in order to obtain information that show their current situation in that market, such as www.aratiendas.com, luso.co and www.pestana.com/es/pestana-bogota-hotel/pages/home.aspx.

4.2.3 Data Collection of the Industry – Wine Industry

Taking into account the subject of this dissertation it is also necessary to know the wine industry, its trends, its history and why the wine is an important product in the Portuguese market. In order to take truthful information about the industry, it will be necessary to use official websites, which provide statistical and economic indicators of the product. Some of those websites are winebusiness.com, viniportugal.pt, greatwinecapitals.com and other similar ones. Also, newsletters and scientific articles help to analyze the trends of the industry such as “*Statistical report on world vitiviniculture 2013*”.

5. Portugal and Colombia

5.1 *Wine Industry in Portugal and Colombia*

In reference to the global wine industry, some statistics show that the consumption of wine in the world is increasing, however, Europe is going through a crisis. According to International Organization of Vine and Wine (OIV), while the consumption of wine in all Europe is decreasing, markets such as USA, Russia, China and the rest of the world are constantly growing (Karlsson, 2013). Despite that, in terms of consumption per capita, traditional wine countries, including Portugal, lead the ranking. According to the OIV statistics, Portugal is positioned in the third place of the ranking (**Table 2**).

Table 2: **Ranking of per capital consumption of wine**

Ranking	Region	Liters wine per Capital year
1	Luxembourg	50.7 l/c
2	France	47.7 l/c
3	Portugal	42.5 l/c
4	Italy	37.1 l/c
5	Croatia	34.4 l/c
6	Slovenia	33.1 l/c
7	Denmark	32.6 l/c
8	Austria	29.7 l/c
9	Belgium	27.8 l/c
10	Greece	25.6 l/c

Source: Per Karlsson, 2013 by OIV statistics

And, in terms of production, Europe is in the first place with 66% of mhl³ of wine production in 2011 (Attachment no. 1). France was the biggest producer of wine in the world with 49633 Mhl⁴ produced in 2011, followed by Italy with a production of 41580 Mhl (Attachment no. 2) (IVV, I.P. 2012).

³ mhl: Thousand of Hectoliters

⁴ Mhl: Million of Hectoliters

Portugal Wine – Brief Overview



Portugal has an important relationship with the wine industry. The history of wine in this country dates back 2000 years BC, when Tartessos planted the vine for the first time in “Sado land” and “Vale do Tejo”. During the time, the Phoenicians, Greeks and Romans brought new breeds, helping to the development and performance of the wine. From the foundation of Portugal until our days, the wine retained its importance as a product daily consumption and as a symbol of culture, becoming nowadays Portugal’s most exported product (IVV, I.P. no date)

Portugal is one of the most important wine producing regions in the world, being located in the 11th position in the rankings of the world’s largest wine producers and the 10th position in the ranking of the world’s largest wine exporters (Attachment no. 2 and 3). Nowadays Portugal has thirteen (13) important wine regions, where Douro region leads the production (**Table 3**). In addition, the Portuguese wine represent 11% of Gross Value Added (GVA) of food and beverage industry (Brito, 2013). Nevertheless, the consumption of wine in all Europe, including Portugal, is decreasing (Attachment no. 4). A study conducted by Filomena Duarte, Joana Madeira and Ma. Madalena Barreira (2010) affirms that the age is a relevant differentiation factor of consumer’s choice, expected quality perception and motives/attitudes towards wine. They also said that the three most important attributes that influence the decision are price, region of origin and cork stopper.

In order to increase the consumption in Portugal, ViniPortugal⁵ implemented a market strategy called “A Copo” which consists of restaurants and bars that can sell a glass of wine to the consumer, allowing them to choose more than one kind of wine during one meal (Monteiro, 2013). On the other hand, producers and also ViniPortugal, suggest that the best alternative to offset the loss in the domestic market is the export (Brito, 2013).

⁵ ViniPortugal is the Inter-professional Association of the Portuguese Wine Industry and the entity managing the brand Wines of Portugal.

Table 3: Production of wine by regions 2012/2013 - Unit 1000hl

REGIÃO VITIVINÍCOLA	TOTAL	VINHO DOP	VINHO IGP	VINHO IND. ANO/CASTA	VINHO
Minho	653.013	616.740	32.006	0	4.268
Trás-os-Montes	108.495	13.387	18.315	470	76.323
Douro	1.339.057	1.094.167	14.484	33	230.373
Bairrada	283.501	73.432	22.577	7.968	179.524
Dão	354.130	226.730	29.541	6.790	1.068
Outras Regiões das Beiras	281.711	65.025	42.908	0	173.778
Tejo	640.381	63.864	185.966	5.584	384.967
Lisboa	1.096.394	58.334	393.707	1.658	642.695
Península de Setúbal	516.099	136.058	219.286	4.500	156.254
Alentejo	969.357	398.098	503.296	153	67.810
Algarve	12.338	3.240	7.086	0	2.013
Madeira	48.543	44.579	267	0	3.698
Açores	4.979	607	625	0	3.747
TOTAL GERAL	6.307.997	2.794.259	1.470.065	27.156	2.016.518

Source: IVV, I.P. and Wine of Portugal

An article written by Lusa (2013a) showed that according to studies, the consumption of wine in Portugal decreased from 62 to 42 liters in 20 years, and some of the factors involved in the reduction of consumption were the financial crisis and the maximum BAC⁶. The CVR Lisbon⁷ sustained that the radical change of lifestyle of Portuguese people also makes a big influence on the wine consumption. That's why producers, such as Adega de Borda⁸, believe that exportation is the future of Portuguese wine (Brito, 2013).

The countries that offer more opportunities for Portuguese wine exportation and have a major demand of the product are Brazil and Angola (Brito, 2013; AICEP, 2013b). The Magazine *Portugal global* (AICEP, 2013b) highlights the increase of exports of Portuguese wine and affirms that Portugal is the fourth supplier of wine in Brazil and the first in Angola. However, Wine of Portugal's statistics show Angola and France as the principal markets for exportation of Portuguese wine (**Figure 8**). Also, Portugal is located in the Top Ten of exporting countries to United States, one of the biggest consumers of wine in the

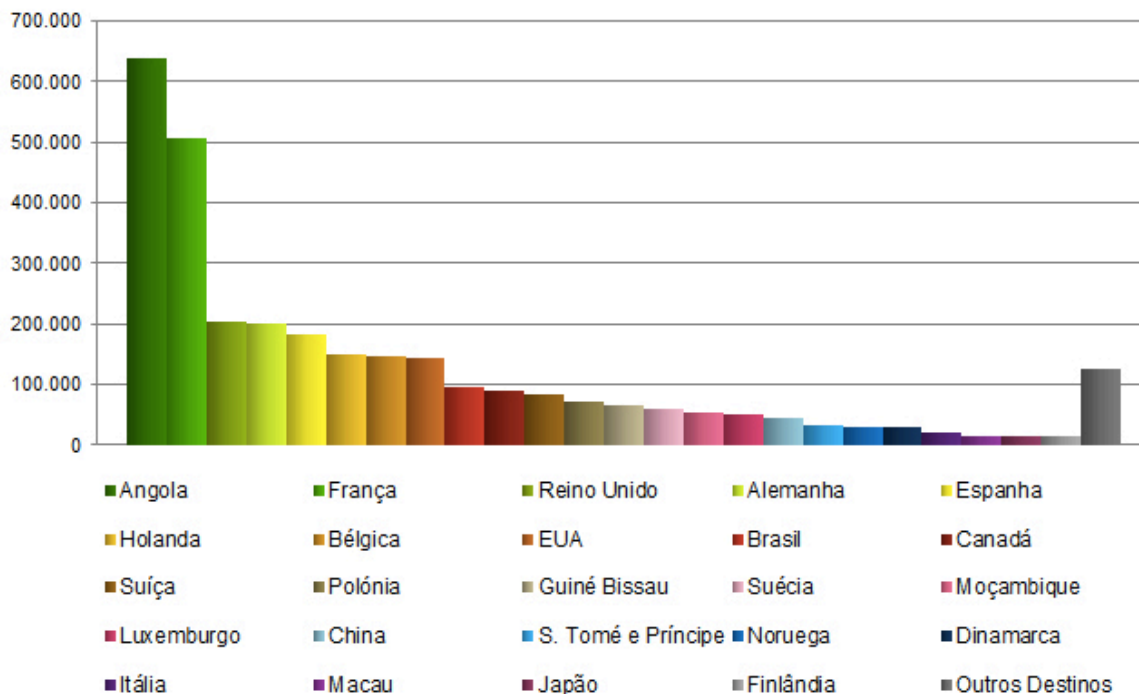
⁶ BAC: The maximum permitted blood-alcohol content.

⁷ CVR Lisbon: Lisbon Region Wine and Grape Commission (Comissão Vitivinícola da Região de Lisboa).

⁸ Adega de Borba is the first of a series of wineries settled in the Alentejo region.

world, and there is also a growing trend of wine exportation to this country. This means that Portuguese wine may be recognized in the USA market (Mundo Portugues, 2014).

Figure 8: Portuguese Wine exports by Countries 2013 (Unit: 1000 hl)



Source: Wine of Portugal – Estatísticas/Exportação

According to Rui Falcão (2013), professor and wine critic, one advantage of the Portuguese wine, comparing with other wine producing countries, is the original producing process of this product. The author affirms that this is an advantage because it makes the Portuguese wine unique and different to the others. However, it develops a disadvantage because of the need to explain the origins of this wine and its production process to consumers outside Portugal.

In the category of liqueur wines, the most exported Portuguese wine during the first quarter of this year (2014) was the Porto wine (**Table 4**). This wine is the most representative wine of Portugal, following by the Madeira wine.

Table 4: **Statistics of exports of Portuguese wine**

Extra UE	HL	
	Jan - Mar	
	2013	2014
Wine with DO	54 380	60 843
Wine with IG	50 848	47 588
Wine	179 351	181 898
Liqueur Wine	19 800	18 406
Port	17 674	16 448
Madeira	1 626	1 387
Others	500	571
Sparklin wine	3 069	2 422
Others Wine and Must	703	1 118
Total	308 152	312 275

Source: IVV I.P. Statistics (2014)

Porto Wine

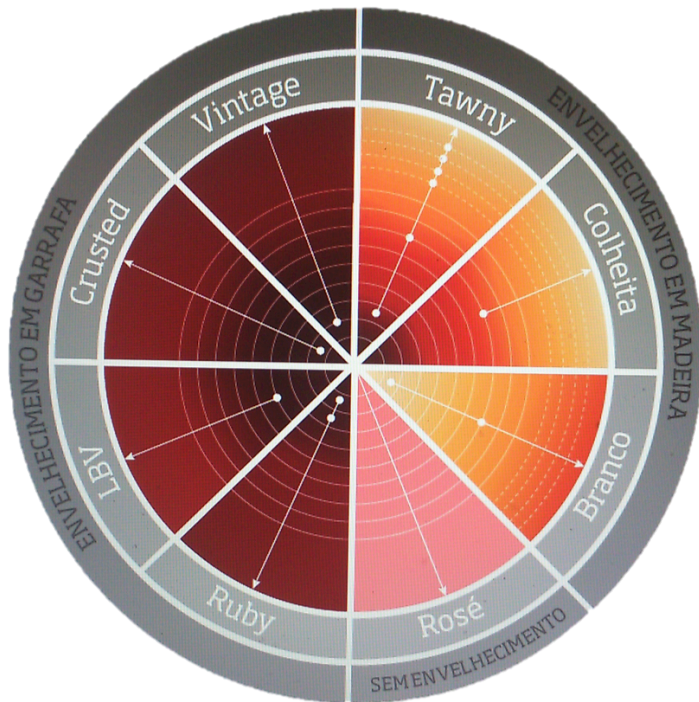
Talking about Porto wine it is necessary to talk about Douro region. This region is located between the border with Spain and around 90Km of distance from Porto city. It is divided in three sub-regions called baixo Corgo, Clima Corgo and Douro Superior with different types of climate,



which contribute to the quality of the wine produced in this land. Here, the ambassador of wines in Portugal, Porto Wine is produced. Its variety of products (**Figure 9**) makes the difference compared to other wines (Wine of Portugal, no data). Porto wine represented 69% of the total exportation of wine with DO⁹ in 2011 and in 2012 increased by 0,4% (Melo, 2013). In 2013, the special categories including the Vintage, Reserva, LBV, Tawnies envelhecidos e Colheitas represented 21,8% of the quantity of wine exported and 40,6% of the value of the exportations (Revista de Vinhos, 2014). In addition, Wine of Port represented 45% of the total exportation of Portuguese wine, cross-border in 2013 (Lusa, 2014a), and despite it was no the best year, the value of this wine increased for around 7%, while the revenues were higher (Sá, Rui et al. 2014).

⁹ DO: Designation of Origin; PDO: Protected Designation of Origin.

Figure 9: *Categories of Wine of Porto*



Source: Wine of Portugal

According to the statistics, France was the biggest importer of Porto wine in 2013 with more than 200,000 hl¹⁰, followed by Holland and UK (Attachment no. 5). This year (Jan – Jun 2014) France and Holland are still positioned in the same place with 33,6% and 15,9% of representation on the total markets (**Table 5**). All this makes the Porto wine the main and most representative product of Portugal (IVDP, 2014).

¹⁰ hl: Hectoliters

Table 5: *Commercialization of wine of Porto (Jan – Jun 2014)*

Quantidade (caixas de 9 litros)
Peso dos mercados no Total (%)
Variações em relação ao ano anterior (Δ%)

PRINCIPAIS MERCADOS	MERCADOS %	ENGARRAFADO		S/ DES. ESP.		CAT. ESPECIAIS		
		cxs 9 ℓ	Δ %	cxs 9 ℓ	Δ %	cxs 9 ℓ	Δ %	%
7º ALEMANHA	2,9	103.229	-28,5	88.837	-30,5	14.392	-12,8	13,9
19º AUSTRIA	0,2	7.399	3,0	6.177	0,9	1.222	15,4	16,5
4º BÉLGICA	12,4	444.716	12,3	417.171	12,2	27.544	13,8	6,2
11º BRASIL	1,2	41.378	-13,9	36.345	-13,8	5.034	-14,5	12,2
10º CANADÁ	1,4	51.737	-12,1	16.070	-16,0	35.667	-10,2	68,9
9º DINAMARCA	1,5	55.333	24,0	34.818	7,1	20.515	69,1	37,1
6º E.U.A.	4,6	166.741	5,2	77.549	0,3	89.192	9,8	53,5
8º ESPANHA	1,8	64.315	5,6	60.274	6,8	4.042	-9,6	6,3
21º FINLÂNDIA	0,2	5.919	21,8	2.888	12,0	3.031	32,9	51,2
1º FRANÇA	33,6	1.162.819	2,5	1.074.264	2,7	88.554	-0,2	7,3
2º HOLANDA	15,9	572.153	-0,7	524.859	-2,3	47.294	20,9	8,3
22º IRLANDA	0,2	5.469	-10,3	3.539	-24,7	1.930	37,9	35,3
13º ITÁLIA	0,7	26.964	-8,0	25.129	-10,2	1.835	36,8	6,8
18º JAPÃO	0,3	10.580	-2,2	10.122	-0,9	458	-23,9	4,3
16º LUXEMBURGO	0,3	12.422	-0,5	11.006	-0,2	1.416	-2,9	11,4
25º MÉXICO	0,1	4.294	-49,3	3.415	-55,3	879	5,6	20,5
20º NORUEGA	0,2	6.378	3,4	1.722	28,6	4.656	-3,6	73,0
23º NOVA ZELÂNDIA	0,1	5.165	11,3	3.510	93,9	1.655	-41,5	32,0
12º POLÓNIA	1,1	38.219	-0,9	37.365	8,2	854	-78,8	2,2
3º PORTUGAL	12,5	450.046	2,9	380.497	1,2	69.549	13,4	15,5
5º REINO UNIDO	5,3	191.224	-14,5	118.804	-19,3	72.420	-5,1	37,9
24º REP. CHECA	0,1	4.692	9,0	3.846	9,3	846	7,6	18,0
15º RÚSSIA	0,4	15.304	19,9	12.826	31,1	2.478	-16,8	16,2
17º SUÉCIA	0,3	12.220	-12,6	8.717	-15,4	3.503	-4,6	28,7
14º SUÍÇA	0,7	24.699	-20,0	22.242	-19,5	2.457	-24,0	9,9
RESTANTES	1,9	67.631	10,6	44.359	16,5	23.272	0,9	34,4
TOTAIS	100,0	3.551.046	0,5	3.026.350	-0,1	524.695	4,1	14,6

No período em análise foram também comercializados
400.083 litros de vinho modificado elaborado a partir de Vinho do Porto

Source: IVDP - the Douro and Port Wine Institute (Instituto dos Vinhos do Douro e Porto) 2014

There is no doubt that Europe is the principal market of this type of wine. However, it is also true that this wine is well-known in other continents, including Latin America. Brazil, for example, is the most important market in Latin America which represent 1,2% of the Porto Wine market (Table 5).

Nowadays, Latin America is becoming an interesting market for Portuguese investors, due to success of Portuguese companies who risked in this market. But it's not just Brazil who is considered as the market with the best relationship with Portugal, but also Colombia, Chile, Peru, Mexico and Venezuela. Cases such as Magalhães computers in Venezuela and Mexico, or Jeronimos Martins, Prebuild and Pestana group in Colombia have been very successful and recognized in these countries. That's why in 2012 the trade balance between Portugal and Latin America has experienced positive growth of €4,000 million, out of which €1,5 thousand million belong to n export and €2,5 thousand million to import (Marcelino and Carvalho 2013).

Colombia Wine – Brief Overview

Table 6: ***Colombian Economic Indicators***

Economic Indicators	2013
Population	48,32 Million
GDP	\$378,1 USD Billion
GDP Growth	4,3%
Inflation	2,0%

Source: The World Bank countries - 2014



Colombia was known for drug trafficking and internal conflicts over the last 50 years. News related to illegal drug trafficking, violence and Revolutionary Armed Forces of Colombia (FARC) have established a bad image about this country, creating the fear to visit it or even invest in it. However, over the years, its national government is trying to change that image, creating opportunities for investment and showing beautiful images of great environment through publicity campaigns around the world. Nowadays Colombia is known because of its great sportspeople, entertainment, biodiversity and producer of one of the best coffees in the world (ProColombia, no date(a)). This new image of Colombia has been attracting large international brands that are investing in different sectors such as retail and mining-commerce (GDA, 2013).

Taking into account this dissertation and its literature review, first it is necessary to analyze two important factors: Population Statistics and Local Economic Conditions.

The current population of Colombia (Official name: The Republic of Colombia) was about 48 million people in 2013, and it is estimated that, by 2014, it has around 49 million. Women make around 50,8% of the population, while other 49,2% are man. 90% of the total population in Colombia is located on the 30% of the territory. This means that there is a future of economic expansion in the country (Lehmann, 2014). Venezuela, Brazil, Peru, Ecuador and Panama, as well as the Caribbean Sea and the Pacific Ocean border Colombia. The country has three different climate zones: Tierra Caliente or Hot land, whose temperature varies between 24° and 28° C, Tierra Templada or temperate land, which is considered to be the most productive land and Tierra Fria or Cold land, whose temperature varies between 10° and 19° C. Its official language is Spanish and more than 99,2% of the population speaks it fluently. Despite the fact that there are a total of 101 languages listed in

the ethnologic database of Colombia; the best estimate for the number of languages spoken in Colombia is 68 (World Population Review, 2014). Consistent with previous studies (Trindade, 2002), it is important to highlight similarities between Spanish and Portuguese language. Being easier for a Portuguese speaking person to understand and learn Spanish than English or another different language.

The local economic conditions of Colombia show a positive environment. According to the World Bank (2014) Colombia's growth was 4,1% in 2013 and is expected to reach 4,5% in 2014. They affirm that this growth is accelerated by economic activities such as Construction, Agriculture and Extractive activities.

Furthermore, Colombia has endorsements by the three major global rating agencies, Standard and Poor's, Moody's and Fitch, which ensure that Colombia is a safe country to invest in. According to JP Morgan Colombia is the second most attractive country for investment in Latin America in the next three years. Likewise, Doing Business 2010 categorized Colombia as a country in Latin America that protects investors the most (ProColombia, 2012).

Currently Colombia has thirteen (13) Free Trade Agreements (FTA) and five (5) FTA signed with Panama, Costa Rica, South Korea, Israel and Pacific Alliance (MinCIT¹¹, no date). That represent 50 countries, which means 1,5 thousand millions consumers (Lehmann, 2014). The FTA with the European Union (EU) is the second most important agreement of Colombia – just after United States– with more than 500 million of potential consumers and it is estimated that this agreement will contribute 0,46% to the GDP of Colombia (Dinero, 2013).

According to DANE¹² (2014), Colombia ended 2013 with a positive commercial balance of 2,202 million dollars FOB.¹³ Despite the fact that during the first 6 months of the year (2014) the commercial balance presents a negative value (-1,189 million dollars FOB), experts affirm that exports to Colombia will increase by 8,5% by the end of the year (Bancolombia, 2013) (Attachment no. 6).

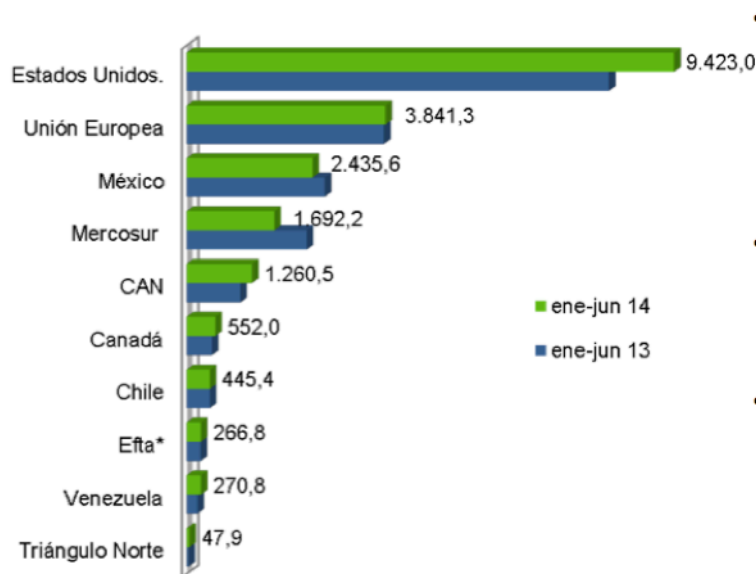
¹¹ MinCIT: Ministerio de Comercio, Industria y Turismo de Colombia (The Ministry of Commerce, Industry and Tourism of Colombia)

¹² DANE: The National Administrative Department of Statistics of Colombia.

¹³ FOB: Its is an incoterm referring to "Free on Board". This indicates that the cost of movement of goods on board of Airlines or on board of ship is borne by the seller. Rest of all expenses to arrive the goods at buyer's premise has to be met by the buyer (Anon, 2014).

In terms of imports, according to the report presented by DANE in the first semester of 2014 (DANE, 2014), the three principal sources of Colombian imports were United States, China and EU, representing more than 60% of the total imports in this country (Attachment no. 7). In addition, this report also presents the evolution of imports from markets that Colombia has trade agreements with, where United States and European Union lead the list (Figure 10).

Figure 10: *Colombian's imports from markets with existing trade agreement, Jan-Jun 2014 (Million USD)*



EFTA: *Switzerland and Liechtenstein
Source: DANE 2014

Classifying imports by CUODE economic groups¹⁴, there are three principal groups: Industrial goods and Construction material; Consumer goods; and Raw materials and Intermediate products. The DANE (2014) reports a growth on Consumer goods of 4,7% and Raw materials and Intermediate products of 13,1% comparing with the last year. However, on industrial goods and Construction material, the value of imports decreased by 1,8% (Attachment no. 8).

Because wine is part of the group of Consumer goods, and this product is important in this dissertation, it is necessary to know some relevant values of Consumer goods in the Colombian market. In this category *Consumer durable goods* increased by 7,4% (Jan – Jun 2014), comparing with the last years, while *Non-durable consumer goods* grew by 1,9%

¹⁴ CUODE Economic Groups: Economic groups divided by economic use or destination.

(DANE, 2014) (Attachment no. 9). Indeed, the principal origins of these products are China, USA and Mexico, however, countries such as USA, Mexico, Canada, Germany and France won participation in the market, while China, Brazil, South Korea, Ecuador, India, Chile and Peru lost it (Attachment no. 10).

Colombia has Free Trade Zones in charge to facilitate the international business and it is used as a way to do business in Colombia. There are three (3) type of Free Trade Zone: Permanent Zone, Special permanent Zone or “Uni-empresarial” and Transitory Free Zone. Currently Colombia has 60 Permanent Free Trade Zones and 30 Special Free Zone (Rivera, 2014). Likewise, any company located within any Free Trade Zone, are able to some benefits:

- A Unique Income Tax Rates of 15%
- 0% of Tariff and VAT
- 0% of VAT on products bough in the Colombian market

According to experts (Arciniegas, 2014), there are also three (3) ways to do business activities in the Colombian Market.

- Establish a subsidiary in Colombia of a foreign company;
- Create a new company in Colombia;
- Designates an authorized agent to conduct business in Colombia on behalf of the foreign company.

In Addition, Colombian has been a growing market for the past 10 years, and most important is that this growth has been taking place in the internal economy of the country. Furthermore, Colombia is working on generating more opportunities for foreign investment: First, Colombia is working on the redeveloped via infrastructure within the country. And Second, Colombia is in the middle of America. Its location makes easy to arrive to other American countries (Arciniegas, 2014).

In terms of wine, different to Portugal, Colombia does not have a wine culture. However, over last several years, the consumption of wine has been increasing in this country (Perez, 2013). The history of wine in Colombia dates back 400 years, when Spanish arrived to America. When the production of wine started in the Spanish colonies, the Spanish producers were afraid because of the production growth, which led to their protests and the Spanish government decided to ban the grape cultivation in the Spanish colonies. It was

only in 1982 that the production of wine restarted in Nobsa, Boyaca, due to Marcos Quijano project¹⁵ (Anon, no date(a)).

Due to its climate conditions, Colombia produces a variety of fruits, such as bananas, coffee, sugar cane and corn. However, the wine needs a very special climate and land that Colombia does not have. This type of climate can be found only in Boyacá department¹⁶ where currently there are 70 families with 250.000 vineyards (ICEX¹⁷, 2012). That's why the industry of wine in Colombia is relatively low and the wine that is consumed by Colombians is mostly imported. This market is led by Chile, followed by Argentina and Spain (Anon, no date(b)).

The wine in Colombia is identified with the tariff code ¹⁸number 22.04, and according to the agreement, there are different import tariffs for different countries. Chile, USA and Peru, for example, don't pay any tariff because of the FTA with Colombia. MERCOSUR¹⁹ countries, including Argentina and Uruguay, have free taxes just for some products. And the rest of the world pays 15% of tariff, including the EU (**Table 7**) (ProChile 2012). However it is expected that wines from Europe will have the same privileges as the others due to the FTA between Colombia and EU (LaBarra, 2010).

¹⁵ Marcos Quijano was the first producer of wine in Colombia in 1982. His vineyard is called Marques de Puntalarga.

¹⁶ Boyacá is one of the thirty-two departments of Colombia. It is centrally located within Colombia, almost entirely within the mountains of the Eastern Cordillera to the border with Venezuela, although the western end of the department extends to the Magdalena River at the town of Puerto Boyacá.

¹⁷ ICEX, Spain, Exports and Investment. Trade and economic office of the Embassy of Spain in Colombia.

¹⁸ Tariff Code is a product-specific code as documented in the Harmonized System (HS) maintained by the World Customs Organization (WCO.) Tariff codes exist for almost every product involved in global commerce. Required on official shipping documents for tax assessment purposes, a tariff code ensures uniformity of product classification worldwide (United Parcel Service (UPS) of America).

¹⁹ MERCOSUR: It is a FTA between Argentina, Uruguay, Paraguay, Brazil, Bolivia and Venezuela.

Table 7: Colombia: Import tariffs on Wine

COLOMBIA: ARANCELES DE IMPORTACIÓN APLICADOS AL VINO								
CÓDIGO	DESCRIPCIÓN	ARANCEL						
		GENERAL	PARA CHILE	PARA EE.UU	PARA ARGENTINA	PARA URUGUAY	PARA PERÚ	PARA EUROPA
2204.21.00.00	Vino de uvas frescas	15%	0% (ALC)	0% (TLC)	0% (Mercosur)	3% (Mercosur)	0% (CAN)	15% U.E
2204.29.90.00	Los demás	15%	0% (ALC)	0% (TLC)	0% (Mercosur)	0% (Mercosur)	0% (CAN)	15% U.E
2205.10.00.00	Vermut y demás vinos	15%	0% (ALC)	0% (TLC)	3.45% (Mercosur)	3% (Mercosur)	0% (CAN)	15% U.E
2205.90.00.00	Los demás	15%	0% (ALC)	0% (TLC)	3.45% (Mercosur)	0,9% (Mercosur)	0% (CAN)	15% U.E

Source: ProChile 2012. Estudio de Mercado del Vino en Colombia

For a European company to export wines to Colombia must meet certain requirements (ICEX, 2012):

- Pay 15% Tariff. (Once the free trade agreement between Colombian and US is in force, it will go to 0% tariff)
- Taxes on the consumption of liquors. (In 2012, the tax was \$272 COP²⁰, which means 0,10€²¹ approx. for each alcoholimetric degree for every bottle of 750 cc)²²
- Security Stamp. (With alphanumeric code located on the top of the bottle, which indicates the name of the department / city where it will be distribute the wine)
- Import requirements: National Tax and Customs Direction (DIAN) must authorize the importer for the importation of alcoholic beverages. The exporter must make health product registration, trademark registration, labeling wine standards of Colombia.
- Legislations. (The FTA between Colombia and EU)

A study realized by ProChile²³ (2012) about the wine market in Colombia, showed that, in 2011, wine of Chile represented the 52,6% of wine market in Colombia (**Table 8**). However, according Portafolio²⁴ (2012a), Chile represented the 59% of the wine market, followed by Argentina with a 25% and Spain with a 7%. This article affirms that the leadership of Chilean and Argentine wines in Colombia is not only because of their quality,

²⁰ COP: Colombian Pesos

²¹ Exchange rate issued by Oanda.com, November 21, 2014

²² If the alcoholimetric degree exceeds 35°, the tax will be \$446 COP

²³ ProChile, the Trade Commission of Chile, is part of the General Directorate of International Economic Affairs of Chile's Ministry of Foreign Affairs. <http://www.prochile.gob.cl/>

²⁴ Portafolio: Important and influence economic newsletter in Colombia

but also because of the absence of customs fees due to the free trade agreement between the countries. According to Jaime Zambrano²⁵ (Cited in LaBarra, 2010), European wines represent high costs because of the distance, logistics, transport and a tariff of 15% over this product at the moment to enter into the country. Because of this issue, Colombia and the European Union (EU) signed the Free Trade Agreement (FTA), facilitating the trade of alcoholic drinks such as Whisky, Wine and Vodka. When this Agreement starts to be implemented, European wines will enjoy the same tax privileges and could compete on equal terms with wines from Chile and Argentina (LaBarra, 2010).

Table 8: **Colombia: Wine import (cod. 2205.21.00.00)**

COLOMBIA: Importación de vino de uvas frescas (Código 2204.21.00.00)								
No.	PROVEEDOR	Dólar Estadounidense (US\$) - CIF			% PARTICIPACION			% CAMBIO
		AÑO 2009	AÑO 2010	AÑO 2011	AÑO 2009	AÑO 2010	AÑO 2011	2011/2010
1	CHILE	16.360.196	16.999.780	20.583.245	52,4	53,9	52,6	17,4%
2	ARGENTINA	7.805.672	8.290.977	10.127.991	25,0	26,3	25,9	18,1%
3	ESPANA	3.973.865	2.964.730	4.247.319	12,7	9,4	10,8	30,2%
4	FRANCIA	1.366.358	1.234.083	1.727.994	4,3	3,9	4,4	28,5%
5	ESTADOS UNIDOS	489.223	773.143	848.505	1,5	2,4	2,1	8,8%
6	OTROS PAISES	1.199.772	1.256.863	1.535.607	3,8	3,9	3,9	18,1%
7	TOTAL IMPORTACIONES	31.195.085	31.519.575	39.070.661	100	100	100	19,3%

Source: ProChile, 2012. Estudio del Mercado del vino en Colombia.

In 2011, a historic increase was recorded in the consumption of wine in Colombia. From 0.5 liters of wine consumed per person in Colombia in 2000, came to 1.5 liters in 2011 (Anon, 2011). It is estimated that the consumption of wine in 2012 increased by 61%, compared with the last 5 years, which means that one person consumes 2,4 liters of wine per year (Perez, 2013). Also, although wine in Colombia was considered to be a drink for the upper social class, today the situation is changing as it is becoming important in all social classes of the country. Emma Peterson²⁶ (Cited in Perez (2013)) affirms that low quality wines and the increase on the consumption of rosé and sparkling wines help the increase of consumption of wine in the country.

²⁵ Jaime Zambrano, importer of liqueur and wine in Colombia.

²⁶ Emma Peterson, research analyst at euromonitor international

According to ProChile (2012), wine consumption in Colombia is experiencing increase due to the income growth of Colombians, the increase of suppliers, the increase of sales points and greater knowledge and interest by consumers, among other things. However, Ariel Menniti, manager of “Wines of Argentina” in Latin America, said that wine producers have to concentrate efforts on quality, price and education to avoid reduction of consumption of the product (LaBarra, 2010).

The Colombians preferred wine is the red wine, followed by rosé and sparkling wines. However, the last two types of wine have experienced an incredible growth of interest by the Colombian consumer over several years (AmericaEconomia.com, 2013). In addition, the three cities with the biggest wine consumption are Bogota (66,2% of the national consumption), Cali (54,5%) and Medellin (46,9%). These three cities are the most developed cities in Colombia (Anon, 2011). In addition, Colombians can find a bottle of imported wine in the supermarkets at a price of 16€. In restaurants, this value is around 60€ per bottle (CirWorld, 2014).

Some of the strategies currently used in Colombia in order to promote consumption of wine are EXPOVINOS²⁷ and ALIMENTEC²⁸, both international fair of food and wine in Colombia. And one of the principal promoters of this culture is Exito group²⁹, supported and organized by EXPOVINOS. They also created a website exclusively for lovers of good wine in this country (vivevinos.exito.com). Also, there are websites such as www.guiadelvinocolombia.com, where the consumer can find all information related to wine, how to serve it, how to test it, and even how to preserve it.

Due to the lack of information about the wine industry and the difficulty to make agreements with supermarkets, it is necessary to introduce the product via distributor. Also, the transport costs are higher because of the high cost of air transport and the land infrastructure is inadequate (CirWorld, 2014). One of the obstacles with the distribution is the transportation of the product inside Colombia, as pointed out by the National Association of Exporters of Colombia (Cited in Economia, 2012). Nowadays, the cost of transportation between two different countries is less expensive than the transportation between two cities in Colombia, and this is due to failures in the national logistics system.

²⁷ EXPOVINOS is an international fair promoting wine in Colombia, which takes place in Bogota each year in the month of June. For more information visit <http://expovinos.exito.com/historia.html>

²⁸ ALIMENTEC is an international food fair, which takes place on 3 to 7 of June each year in Bogota. For more information visit <http://www.feriaalimentec.com>

²⁹ Exito Group is a supermarket chain positioned in Colombia. For more information visit <http://vida.exito.com>

Andres Santos - Director of Logistics and Production program at the University of Rosario, Colombia – affirms that in the distribution of a bottle of wine from Europe to Latin America, the logistic cost in countries such as Mexico, USA and Argentina increase the price of the bottle by around 1,3€. In Venezuela this increase could be up to around 7,4€. However, in Colombia the increase is around 20€ (Cited in *Economia*, 2012).

In terms of distribution of wine in Colombia, according to the study made by ProChile (2012) there are different forms to reach the consumer. One is through supermarkets, where they make the importation of the product directly and sometimes they have their own brand. Another can be mini-markets, hotels, restaurants and neighborhood shops. The study also affirms that the trade margin of supermarkets is between 20% and 25%, while one of restaurants is between 100% and 400% (ProChile, 2012).

In an interview made by *cocinasemana.com* (2011) Jose Maria Hajar, Manager of the wine distributor Enalia Ltda³⁰ and an importer of wine in Colombia, affirms that the most economic way to import wine is to import it in bulk and then bottle it in Colombia. The bottle is made in Colombia and the process of bottling is equal to the process of bottling in any country. After that, his company distributes the product to supermarkets and positions it according to the analysis of the competences, quality of the product and price from the country of origin (Spain or Chile). In addition, Hajar (Cited in *Cocinasemana.com*, 2011) aims to promote the culture of wine in all the country and to teach the market to consume wine.

Furthermore, in 2013, imports of wine decreased by 5,7%, comparing with the previous year. And according to experts (cited in Perez, 2014), the principal reasons were the Decree no. 1686 of INVIMA³¹ (Established new rules in terms of sanitary requirements on the process of commercialization of liquor's products) and the extension of the Law no. 1696 of 2013, which refers to drunk drivers. But Jean Louis de Bedout (Cited in Perez, 2014) affirms that the problem was not to establish new rules, but that nobody knew the new rules and how they work, (not even people who work in the Port area), which generated delays in product landing.

The second Law imposes a fine around 310€ for a drunk driver. Restaurants are exclusively affected here, because they cannot offer wine on lunches or dinners. Ivan

³⁰ Enalia Ltda, Colombian company in charge of the distribution of wine in Colombia (enalia.co/inicio/)

³¹ INVIMA: The Colombian food and drug regulation agency

Bohorquez (cited in Perez, 2014), President of ACODRES³², indicated that the wine sold in restaurants decreased from 15% to 25%, and there could be cases where the percent could be even higher. In addition, the president of ACODRES added that restaurants associated with them are making partnerships with parking and taxi companies in order to guarantee a safe service.

5.2 Economic Relationship between Colombia and Portugal - Overview

Colombia and Portugal are separated geographically by the North Atlantic Ocean, which corresponds to a distance of about 7640,53 Km (Attachment no. 11). But they appear to be closer nowadays, thanks to the direct flight between these two countries operated by TAP airlines (Lusa, 2014b).



Over the years, Colombia is becoming an attractive market for European companies and also it is considered to be one of the strongest emerging economies in Latin America (Economia, 2014). According to experts, Colombia is located on the 13th place of the ranking of emerging economies in the world, with expected economic growth of 4% in 2014. Since 2012, Portuguese companies, such as Jeronimos Matins, Pestana Hotels & Resorts and Prebuild, showed interest in this market and have found an explosive market opportunity (ProColombia, 2012). From there, the economic relationship between these two countries became stronger and in the same year, this fact raised the need for creating the Luso- Colombian Chamber of Commerce and Industry in order to intensify the economic, commercial, touristic and cultural connection between Portugal and Colombia.

The president of the agency PROCOLOMBIA in Colombia, Maria Claudia Lacouture, reported there were 50 Portuguese companies with a direct presence in Colombia and more than 200 companies interested in the Colombian market in 2013, especially in economic sectors such as industry, construction and agriculture (Lusa, 2013b). However, it is estimated that nowadays more than 200 Portuguese companies are exporting to Colombia directly (Costa, 2014). Without any doubt, Colombia is becoming the key to enter in other Latin America countries, due to the free agreements between them, which represent around

³² ACODRES: Colombian Association of Food Industry

700 million consumers in the world and this fact makes Colombia the door of Latin American market (ProColombia, 2013).

Currently, Colombia shows a positive trade balance with Portugal, exporting around 80 million dollars to this country (63 million Euros³³) during the first four months of 2014, and importing just 26,3 million dollars (20 million Euros³⁴). According to the Ministry of Trade in Colombia, Portugal became the seventh destination of EU countries for exports from Colombia, and the main product exported to this country is coal (95,5%), followed by bananas, including fresh plantains (1,2%), coffee (1%), fur and leather (0,9%), electronic batteries (0,3%) and maize meals (0,3%). The main product imported from Portugal is hydraulic cement with 36,8% of the total imports (EFE, 2014). However, in 2013, Portugal reported a 46% increase in exports to Colombia, compared to the previous year, and some of the products exported were machinery and appliances, base metals, minerals and metal ores (Costa, 2014).

In terms of wine industry, Portuguese wine has a low presence in the Colombian market. In 2012, the export of this product to Colombia achieved around 57.000€, representing just 0,01% of the total wine export of Portugal (Attachment no. 12). That year, Colombia's position was 79th in terms of importing of Portuguese wine. According to the study by the Portuguese Agency for Foreign Trade and Investment (AICEP) (2013a), the Portuguese wine is "unknown" in the Colombian market, except the Porto wine because of the global recognition, and even few people in Colombia know that Portugal is a potential producer of this product. However, the first nine months of 2013, the export of this product to Colombia increased by 184% compared to the previous year (AICEP, 2013a).

With the arrival of Jeronimos Martins (JM) to Colombia, some Portuguese producers of wine took advantage and used it as the distributor of their products (Marcelino and Carvalho 2013). It is the case of Quinta da Lixa and Vila Gale (Hipersuper, 2014a; Hipersuper, 2014b). However, this is not the first case of Portuguese wine in Colombia. In 2012, Quinta do Crasto exports its product to Colombia through the Luso-Colombiana Company, created by the Colombian sommelier Alejandra Naranjo and the Portuguese businessman Filipe Castro (Sabogal, 2012). Furthermore, the company "The wine Store" also distributes Portuguese wine from Douro and Lisbon region (The Wine Store, no data)

³³ Exchange rate issued by Oanda.com, November 21, 2014

³⁴ Exchange rate issued by Oanda.com, November 21, 2014

In this way, Colombia is becoming a great challenge for Portuguese wine producers, who see it as the second market of wine export in the Latin America region, just after Brazil (Portafolio, 2012b). In addition, the executive director of the Luso-Colombiana Chamber, Rosario Marques advice to Portuguese investors to have a local partner before entering the Colombian market, as well as to carefully prepare the entry strategies and study the market behavior, identifying its greatest difficulties and its greatest opportunities (Lusa, 2013c).

So, in order to maintain good business relationship between these two countries, there are some entities in charge of that, such as PROCOLOMBIA, AICEP and The Luso-Colombian Chamber of Commercial and Industry. Also, there are some organizations that promote the commercialization of Portuguese wine in the world. The most important are The Vine and Wine institute (IVV I.P.) and Wines of Portugal.

5.3 Promoters of Investment: Commercial and Wine Industry

Promoters

PROCOLOMBIA

Official Website: www.procolombia.co

PROCOLOMBIA, is the entity in charge of promoting international tourism, foreign investment and non-traditional exports in Colombia (ProColombia, no date(b)). It is located in strategic countries around the world, including Portugal, offering support and integral consultancy to clients and its principal function is to promote international negotiations through:

- Identification of market opportunities,
- Design of market penetration strategies,
- Company globalization,
- Action plans design coaching,
- Contact among entrepreneurs through commercial promotion, investment and international tourism activities,
- Specialized services to foreign entrepreneurs interested in acquiring Colombian goods and services or who wish to invest in Colombia,
- Alliances with national and international private and public entities that allow expanding the availability of resources to support different business initiatives and promoting development and growth of the service portfolio.

Wine Market in Colombia: An Opportunity for Portuguese wine Producers/Exporters

In 2012, PROCOLOMBIA decided to open an office in Lisbon because of the interest from Portuguese and Colombian companies to do business together. Its purpose in Portugal is to show to Portuguese investors the opportunities that Colombia offers for their business, as well as to identify the opportunities that Portugal offers to Colombian investors (Lusa, 2012). Likewise, this entity supports all bilateral agreements that permit a better performance of trade relations between Portugal and Colombia, such as the creation of a direct flight between these two countries operated by TAP airlines (Lusa, 2014b) and the free trade agreement between Colombia and the EU (Lusa, 2013d).

AICEP

Official Website: www.portugalglobal.pt

The Portuguese Agency for Foreign Trade and Investment (AICEP) is in charge of promoting the foreign investment and supporting Portuguese companies to go abroad. Its principal goal is to promote a competitive business environment, which stimulates the international expansion of the Portuguese economy.

AICEP Provide five (5) services:

- Information (Statistics, Sectorial information)
- Training/Knowledge (Seminaries)
- Promotion (Promote Portugal in the world)
- Personal service (Consulting)
- Projects (InovContact and Formexport)

The agency is present in Colombia since 2012 and its mission is to minimize some barrier between Colombia and Portugal, as well as to promote Portugal in Colombia (Tvi24, 2014). However, in 2011 AICEP and PROCOLOMBIA have already signed a Cooperation Protocol where both entities made a commitment to strengthen trade relations between the two countries, creating a network of corporate contacts in order to permit the exchange of business opportunities between both countries, together with promotional activities that allow a better understanding of both markets (ProColombia, 2011). Due the cooperation, in 2013 Portugal hosted the book fair in Bogota.

The Luso – Colombian Chamber of Commercial and Industry

Official Website: portugalcolombia.com

The Chamber is a Portuguese private association that promotes the good relationship between Portugal and Colombia. Its principal objective is to improve the commercial relationship and identify business opportunities, but also to promote tourism and multiculturalism between both countries. It was created in 2012 and, until now, the chamber has been involved in collaboration with multiples seminars and forums promoting Colombia in Portugal, associated with PROCOLOMBIA and AICEP.

According to Rosário Marques, the executive director of the chamber, in just one year, 90 companies made connection with them and a lot of companies were interested to invest in Colombia, asking for help (Lusa, 2013c). In addition, in one of the conference held this year (2014) by this institution aimed at Portuguese entrepreneurs, identify 5 reasons to invest in Colombia (Marques, 2014):

- Prime Location: Two (2) Oceans; Panama Canal; Access to 1,5 thousand million consumers.
- PIB – Macroeconomic: Stable economic
- Economic Credibility: Moody's, Fitch Rating and Standard & Poor support Colombia.
- FTAs
- Free Trade Zones

The Vine and wine Institute (IVV I.P.)

Official Website: www.ivv.min-agricultura.pt

IVV I.P. is the Portuguese institution created in 1986 with the main proposes to coordinate and control the institutional organization of the wine sector in Portugal. It is also in charge of auditing the quality certification system, monitoring EU policy, preparing the rules for the latter implementation and participating in coordination and supervision of wine promotion (Portal do Cidadão, 2011).

ViniPortugal – Wines of Portugal

Official Website: www.viniportugal.pt

The ViniPortugal is the organization in charge of promoting Portuguese wine around the world. On its website the client can find statistics, information about the wine regions, history of wine in Portugal, and all other information related to Portuguese wine. It is the promoter of Wines of Portugal brand for all Portuguese wines. ViniPortugal through wines

of Portugal brand is located in 11 strategic markets around the world, covering more than hundred activities of promoting Portuguese wine per year, associating domestic economic agencies.

Note: The above entities (*IVV I.P and ViniPortugal*) play an important role in the Portuguese wine industry promotion. The entities provide useful information of Portuguese wine as well as relevant statistics about the export and import of this product. That's why it is considered relevant for this dissertation to do a brief overview of them.

5.4 Portuguese Companies in Colombia

In this section it will be presented four important Portuguese companies positioned already in the Colombian market in different economic sectors of the country that can contribute to the distribution of Portuguese wine in the Colombian market.

Jerónimo Martins – Ara

Official Website: www.jeronimomartins.pt ; www.aratiendas.com

Jerónimo Martins (JM) is a Portuguese company, operating within commercial sector - food distribution and manufacturing. It is currently present in Colombia, with 36 stores called Ara, accumulating around 21 million euros in 2013 and offering a traditional spirit, environment and flavour (Jerónimo Martins Group, 2013a). It is also present in Poland under the name of Biedronka, which represent a large supermarket in that country, and in Portugal it is present with the supermarket Pingo Doce and the retail store Recheio (Jerónimo Martins Group, 2013b).



This year, Ara opened 42 stores around Colombia, located in four departments - Caldas, Quindío, Risaralda and Valle del Cauca (Portafolio, 2014). The Group JM is projected to open up to 200 stores in 2016 (EFE, 2013).

Additionally, it should be stressed out that JM has served as a vehicle of many Portuguese companies, including wine producers. That's why it plays an important role in the distribution of Portuguese wine in the Colombian market (Marcelino and Carvalho 2013).

Prebuild

Official Website: www1.prebuild.com

Since 2012 Prebuild is present in Colombia in sectors such as industry, construction and services. Currently, Prebuild is in charge of three important projects in this country. The first project is an industrial park where will be eleven (11) factories in the areas of ceramic, aluminum, wood, plastics and metal industry. This project costs around 150 million dollars (115,7 million euros) and it is expected to create 1.500 jobs. The second project arrived with the acquisition of the Colombian builder EKKO that is in charge of the construction of 1.079 apartments of the 100 thousand free houses led by the Ministry of Housing in Barrancabermeja. And the third project is the construction of W Hotel of the Terranum Hotels firm in Bogota. The Company was also in charge of the construction of a Clinic and 140 apartments in Yopal – Colombian city located in the center of the country – and it does not reject the idea to participate in the road infrastructure and transport development program that the country requires (Chacon, 2013).



The great success of the company in the country led to the creation of “Plenty”, a chain of stores of house decoration and design with the objective to extend it in other countries. Its investment amounted 600 million dollars (463 million euros) in two years (Prebuild, no date).

Pestana Hotel & Resort – Pestana Bogota 100

Official Website: www.pestana.com/es/pestana-bogota-hotel/pages/home.aspx

Pestana group arrived to Colombia in 2012 under the name of Pestana Bogota 100. The hotel has 82 rooms, Gym, restaurant, bar, workstations with Internet access, multifunctional events rooms and a fully equipped boardroom. The Pestana group invested 12 million dollars (Around 9 million euros) and its objective is to be in all capitals of South America and Europe (Emen, 2012). Currently it is present in Brazil, Argentina and Venezuela, and Pestana Bogota 100 is the number twelve (12) in the continent (Portafolio, 2012c).



The Hotel, being part of the services and touristic sector, offers to its visitors a variety of Portuguese gastronomic products, which include Porto wine (Correia, 2012). This

demonstrates that Pestana can also be a distribution channel of Portuguese wine in the Colombian market.

Luso-Colombiana Company

Official Website: luso.co

The Cia. Luso – Colombiana started in 2009 looking for suppliers and establishing the company in Colombia. In 2011, the company started importing wine from the vineyard Quinta do Crasto and, in 2012 it started the commercialization of wine in Colombia and the creation of “Cia. Luso-Colombiana” as a brand (Cia Luso-Colombiana, 2009)



The investors found Colombia to be the perfect market in order to position Portuguese wine and Douro region through this company. Quinta do Crasto is its principal supplier of the Portuguese wine, and it is located in the north of Portugal. This producer produces many different types of wine, however, few are introduced and welcomed by the Colombian market. Some of them are Flor de Crasto (Red and White), Quinta do Crasto Blanco, Quinta do Crasto Douro DOC, Quinta do Crasto Reserva Vinhas Velhas and the Oporto Quinta do Crasto LBV (Sabogal, 2012).

For the purpose of this thesis, this was the only company found that focuses exclusively on importing Portuguese wine. So, in the next chapter it will be developed an in-depth interview that will show more details on the experience of the company in the Colombian Market.

6. Data Analysis and Results

Following the chosen qualitative methodology approach in order to evaluate the propositions suggested by this thesis, the data collection was conducted by the realization of in-depth interviews with different expert entities. In this chapter, after a brief explanation of the interviews, the data obtained during the personal interviews was crossed and analyzed for each of the propositions previously mentioned in the *Objective and Conceptual Framework* and some individual aspects from the interviews will also be mentioned, which I consider to be relevant for each proposition. Instead of analyzing each interview, these will intersect with the above propositions established in order to understand whether or not the interviews support these proposals. Each analysis of the proposal will be developed based on the views of respondents on the situation raised in that proposition. Thus, if the degree of correlation between the opinion of the interviewees and the proposition raised by this study is high, it can be considered that the proposal is acceptable.

The interviews were held with different kind of companies that play a role in the wine industry, as well as in the relationship between Portugal and Colombia. As it was mentioned in the *Methodology*, the interviews are divided into three (3) groups. The first group are the *Importers*. The second are the *Producers/Exporters*. And the third group are the *investment promoters of both countries* (Table 9).

Table 9: **Groups of Interviewees**

<i>Importers (Colombia)</i>	<i>Producers/Exporters (Portugal)</i>	<i>Investment promoters (Portugal)</i>
Filipe Castro – Manager of Cia. Luso- Colombiana	Tomas Roquette – Manager of Quinta do Crasto	Diana Caicedo – Commercial Advisor of PROCOLOMBIA Portugal
Alfonso Fiorentino – Manager of Italian Connection SAS	Diogo Vieira – Sales & Marketing of Quinta da Lixa	AICEP
Jesus Antonio Giraldo Melendez – Winemaker of Dislicores	Quinta do Vallado	Luso-Colombian Chamber

Although AICEP is included in the table above and chosen for the interview, it was not possible because of the policy of the entity. Instead, they suggested to use the information and reports that they usually publish on their website about Colombia. In the case of Quinta do fenceng and Luso-Colombian Chamber was impossible to conduct the interview because, due to work commitments, they had no available time to attend the interview. Just Six (6) entities were interviewed, and because of their different location, it was necessary to use different communication channels, such as e-mail, Skype and phone in order to contact them. Only two (2) interviews (PROCOLOMBIA and Quinta do Crasto) were conducted personally. All the interviews are attached in the Annex no. 1

6.1 Colombia is an attractive market for wine industry

Most of the people interviewed mentioned that nowadays Colombia is an attractive market to invest in any industry, including wine industry. All of the companies interviewed that have business or are exporting to Colombia nowadays, show a positive balance on their business in Colombia and they have the objective to expand their business to different cities inside this country. Colombia is perceived as an interesting market to invest in, because of the stable political situation. Tomas Roquette considers that there are opportunities in the market as well as a tendency of economic growth. According to ProColombia, Colombia is considered to be an attractive business environment by the most recognized Credit Rating Agencies (Standard & Poor's, Fitch Ratings and Moody's), interconnected with the rest of the world, competitive in the global market. It is also believed to be one of the most economically and governmentally stable countries in Latin America. Diana Caicedo affirms that all this makes Colombia an attractive country for investors around the world. That's why Mr. Roquette said that this recognition permits wine producers to be confident of their decision to invest in Colombia. Likewise, Mr. Roquette and Mr. Vieira believe that the consumption of wine in Colombia is growing and it will continue to grow. That is the estimation of Dislicores, who, since 1976 is dedicated to wine import from all over the world, and it is recognized by themselves as number one wine importer in Colombia.

Alfonso Fiorentino, manager of Italian Connection, was motivated to invest in this market because of its multiple opportunities in the industry of food. The growth of the company Luso-Colombiana (CLC) and Italian Connection demonstrates that the consumption of wine has increased as well. CLC maintain an annual growth rate of 100%,

while Italian Connection is constantly growing. In the case of Quinta da Lixa, its growth is healthy and slowly.

Furthermore, the interviewed companies are so satisfied in this market that they would guarantee their stay in this market for few years more. In return, they plan to overtake other local markets in Colombia. So says Mr. Fiorentino, who believes that his biggest customers are foreigners, so his plan is to get to the tourist markets of Colombia such as Cartagena, Barranquilla and Santa Marta.

Although there is consensual opinion about Colombia as an interesting market to invest in the export/import of wine, the interviews emphasize two important challenges to be addressed in Colombian market, especially for Europeans. The first ones are bureaucratic and administrative barriers with higher cost of entry into the market and rates for European countries. The second is the education of the market regarding wine consumption.

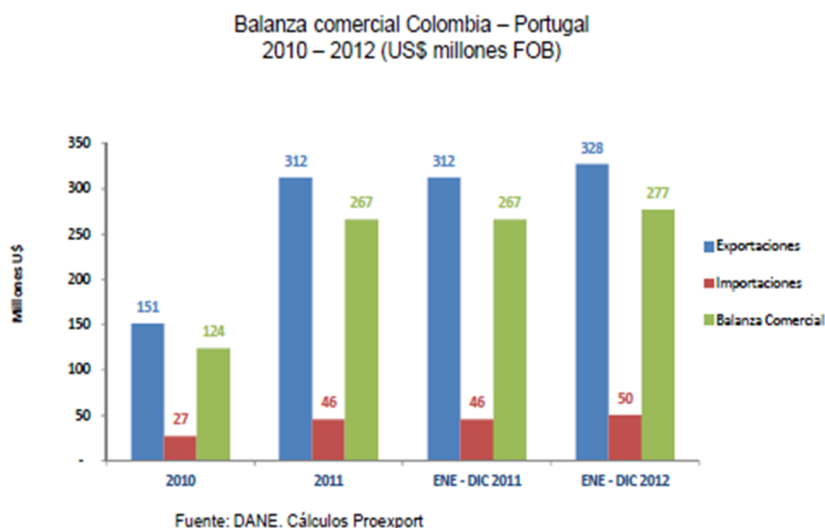
1. **Bureaucratic and Administrative barriers in Colombia:** In one hand, although the free trade agreement between Colombia and EU is already signed, there are some rates and restrictions applied to the entry of different products to the Colombian market from European countries. European wine exporters need to pay a tariff of 15% of the total imports, while wine from South American countries, such as Chile and Argentina, do not pay any tariff. As a result, European wine has a disadvantage against South American wine, in terms of price (Diogo Vieira). In the other hand, the registration process of wine in Colombia can last up to a year (Diogo Vieira). The distribution of wine in Colombia cannot be done before the registration of this product as a national product.
2. **The Culture of wine in Colombia:** The argument that some of the interviewed offered related to this topic was that Colombians are not used to consuming wine as in Colombia there is no wine production (Alfonso Fiorentino). To Tomas Roquette, it is no secret that Colombia does not produce wine. However this is not a problem for foreign wine producers, what is more, there is an opportunity. He affirms that the challenge in this case is the lack of knowledge about the culture of wine, so it means that the company has to devote extensive efforts to educate the market. In addition, Filipe Castro believes that since there is a lack of consumers' knowledge about this product, in most of the cases purchasing intentions of Colombian consumers are motivated by the price and brand recognition.

To conclude, the success of companies interviewed in this study engaged in exporting and distributing wine to Colombia and the desire to expand their business to different cities in Colombia, prove that Colombia is becoming an attractive market for investment in the wine industry. And despite challenges, the Colombian market offers a stable economic and political environment. And so there is a strong agreement by all of the interviews that Colombia is as interesting market to export wine to.

6.2 Portuguese wine producers have the ability to invest in a foreign market like Colombia, where the wine consumption is very low

The recent trade agreement between Colombia and EU has facilitated the growth of the bilateral economic relations between Portugal and Colombia. With time, Portugal is becoming one of European countries interested to invest in Colombian market. That's why the relationship between Colombia and Portugal is increasing gradually. During 2012, the trade balance between these two countries increased by 10 million dollars, compared with the previous year (**Figure 11**)

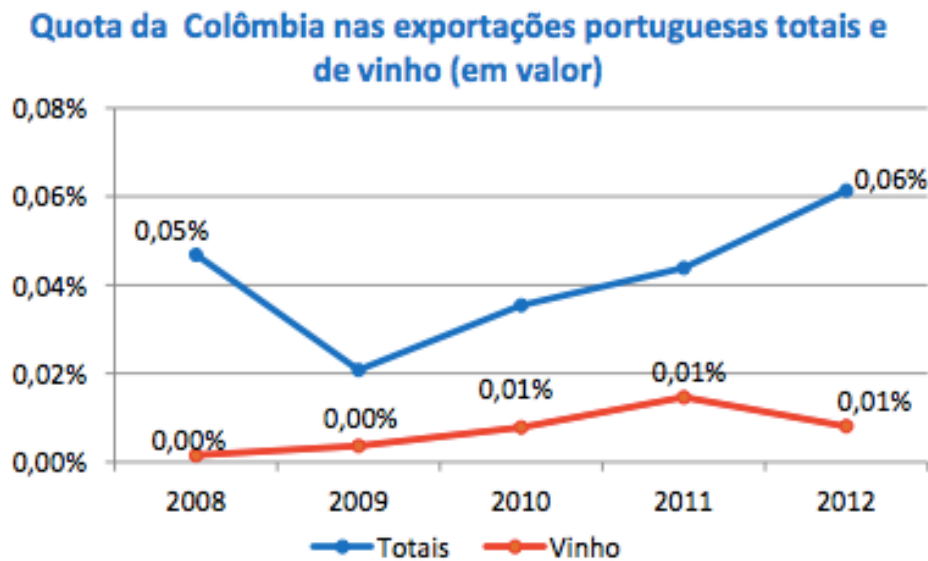
Figure 11: **Trade Balance Between Portugal and Colombia (2010-2012)**



Source: DANE – ProColombia Colombia

Data provided by AICEP (2013a) show that in the first 9 months of 2013 wine exports to the Colombian market increased to 125.000€, with a significant growth of 184% over the same period last year (**Figure 12**).

Figure 12: *Colombia share in total exports of Portuguese wine*



Source: AICEP - SSM Vinho Colombia 2013

According to the interviewees, the majority of their production can be exported. In one hand, in the case of *Quinta do Crasto*, at the beginning of its business, 100% of the production was exported. Few years later *Quinta do Crasto* entered the Portuguese market. Today *Quinta do Crasto* exports most of its wine production. In the other hand, *Quinta da Lixa* exports 51% of its production.

With the arrival of large Portuguese companies, such as the retail *Jeronimos Martins* (JM) and *Pestana Hotel*, the export of Portuguese wines to Colombia is easier. This is because supermarkets of JM and the *Pestana Hotel* act as distribution channels for this product. In the case of *Quinta da Lixa*, its main distribution channel in Colombia is the Supermarket ARA, a chain store founded by *Jerónimo Martins* group. Moreover, *Quinta do Crasto* made a partnership with a Colombian company founded by a Portuguese businessman, which is called *Cia. Luso-Colombiana*. This became *Quinta's* principal distribution channel in Colombian market. Likewise, *Quinta do Crasto* also organizes some wine testing events in the Colombian best-known restaurants, as well as hotels, with the help of the Portuguese community in Colombia. The development of companies such as *Quinta do Crasto* and *Quinta da Lixa* has been so positive that their expectations for growth in the market have been overcome. The expectations of *Quinta do Crasto* is to expand to different cities of Colombia through a partnership with local sub-distributors. The idea is to enter markets such as *Medellin* and the *Coffee belt* in Colombia. In this case, *Quinta da Lixa* hopes to start providing the HORECA (Hotels, Restaurants, Catering) channel in the

year 2015. Quinta da Lixa will be present at VINEXPO 2015 in Bogota to promote the Quinta and its wines and it hopes to create more and better partnerships at this event.

Both Portuguese producers interviewed emphasized their complete independence and no need from the intervention of government agencies. Although the government agencies offered their help to these wine producers, neither Quinta do Crasto nor Quinta da Lixa needed it, because they invest through companies that already had experience in Colombian market. It should be noted that government agencies are there to help entrepreneurs who have not had any contact with the Colombian market, but are interested in learning and/or investing in this market. However, the interviewees highlight the work of these agencies and assure that they are in contact with them in the Colombian market.

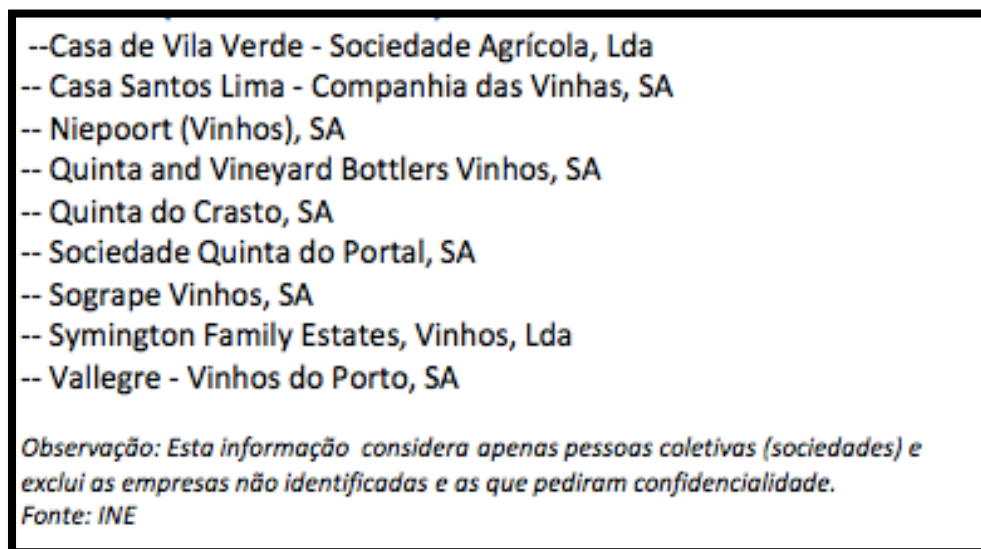
In terms of acceptance of the Portuguese brands in the Colombian market, respondents have a positive attitude as well. Quinta do Crasto affirms that the product reception by the consumer was perfect. Colombian consumers, after their first contact with the wine, are becoming lovers of the product so much that the consumer himself plays the role of promoter, inviting their network of contacts to consume it too. Flor de Crasto is the first product that consumers like and it is considered as the most accessible wine for consumers. Mr. Roquette also compared the Colombian market with the Brazilian one years before. He said that Brazilian market, especially Brazilian Northeast region, had a low consumption of wine and there was not culture of wine consumption either. However, with years, that region became the principal one of consumption of wine in Brazil. Nowadays, Brazil is the principal market for Portuguese wine in Latin America. Thus, Mr. Roquette believes that Colombia is the same case and affirms that the consumption of wine in Colombia is growing and it will continue to do so. As for Quinta da Lixa, Mr. Vieira assures that the interest for Portuguese wines has increased. However there is strong competition from Chilean and Argentinian wines, especially on red wine category. Being the only Vinho Verde in the world, it becomes easier to stand out in the market and the acceptance by the consumer has been positive because of the supplementary features of the Vinho Verde Region, and the wines of Quinta da Lixa.

Both Quinta da Lixa and Quinta do Crasto decided to invest in Colombia because they found the opportunity in the market. In the case of Quinta da Lixa, Colombia emerged due to the good relations with Jerónimo Martins that trust Quinta da Lixa's supplying the Ara (Jerónimo Martins chain stores located in Colombia). After this partnership, the ambition to cover the remaining Colombian market has grown and consolidated itself in their planning.

Meanwhile, Mr. Roquette, manager of Quinta do Crasto decided to invest in Colombia because he saw the opportunity to create a Portuguese store with traditional Portuguese products produced by Quinta do Crasto. So, Mr. Castro (A Portuguese businessman in Colombia) created the company Cia. Luso-Colombia (CLC) and Mr. Roquette provided the products from Quinta do Crasto. It can be said that it is a partnership between these two companies.

However these two Quintas, they are not the only companies that export Portuguese wine to Colombia. According to the data given by AICEP (2013a), there is a list of the largest exporters of Portuguese wines to Colombia in 2012, without unidentified companies and those who requested confidentiality (**Figure 13**).

Figure 13: Largest exporters of Portuguese wine to Colombia in 2012



Source: AICEP – SSM Vinho Colombia 2013

To conclude this proposition, we can say that Portuguese wine producers have the ability to export their products to Colombian market, even if the consumption of this product is relatively low. According to ProColombia, the interest of Portuguese investors for the Colombian market is evident and there is an increased number of Portuguese companies entering this market. In the interview, Mr. Roquette, based on his networking, believes that all Portuguese companies are interested to enter the Colombian market, however few of them have succeeded. Also we can conclude that entering the Colombian market is possible, but it is important to implement strong strategies in order to overcome the challenges. Therefore, P2 is acceptable as some Portuguese companies are exporting Portuguese wine to Colombia.

6.3 Portuguese wines producers decide to export wines to the Colombian market despite the challenges these companies face in this market.

Despite the fact that all the wine companies interviewed use direct exportation as the entry mode in the Colombian market, it is not true to assume that this entry mode is the most appropriate. Instead, it showed that the Portuguese investors interviewed in this study mostly use Direct Exportation as entry mode in the Colombian Market.

Some of the methods used by the Portuguese wine producers interviewed are:

1. Create a joint venture with a local firm in order to have a direct access to local relationships. This is the case of Quinta do Crasto with Cia. Luso-Colombiana, as well as Quinta da Lixa with Ara (Jerónimo Martins in Colombia). PROCOLOMBIA also affirms that the most common entry method used by Portuguese companies is direct export by doing joint venture. This is because investors believe that associating with an expert for Colombian market can reduce risks. But this decision doesn't need to be relevant always.
2. Using independent local distributors located in the foreign market who will buy the product and resell them. This is the case of Dislicores and Italian Connection, who play the role of local distributors located in Colombia, who buy and resell the product in the Colombian market.

To conclude the third proposition, there is not one appropriate entry mode used to enter the Colombian market. However, the use of a local partnership is recommended in order to reduce risk, especially in a complex market like Colombia. This is because of the challenges that the wine industry imposes in that market. Therefore this entry mode cannot be considered as the most important, despite the assumption taken on the P3, based in the literature review.

In conclusion of the whole secondary and primary data collected, it will be used the international market selection model of Bradley (2005) - mentioned in the literature review of this study - where six (6) stages are indicated. Each stage has some indicators, with their corresponding conclusions, based on the secondary and primary data collected. At the end of each stage development, Colombian market shall be placed in the matrix proposed by Bradley (2005) where there are two factors that influence the selection of an international market: The Company's competitive position and the Market attractiveness – *Evolution from Opportunistic to Systematic market selection.*

Stage 1: MACRO CRITERIA – COLOMBIA

INDICATORS	CONCLUSIONS
<p>Physical Distance and Geographical features of the market</p>	<ul style="list-style-type: none"> • Colombia and Portugal are separated geographically by the North Atlantic Ocean, which corresponds to a distance of about 7640,53 Km. • Direct flight from Lisbon to Bogota operated by TAP Airline. • The country has three different climate zones, Hot land, Temperate land and Cold land. • Colombia is a multicultural country.
<p>Population Statistics</p>	<ul style="list-style-type: none"> • Colombian Population: around 48 million people, and it is estimated that, by 2014, it will have around 49 million. • The 90% of the total population is located on the 30% of the territory, which means that there is an opportunity for economic expansion in the country. • Women make the majority of the population (50,8%).
<p>Local Economic Conditions</p>	<ul style="list-style-type: none"> • Colombian GDP of \$378,1 USD Billion, which represent a GDP growth of 4,3%. • This growth is accelerated by economic activities such as Construction, Agriculture and Extractive activities. • Colombia has a positive economic environment.

Stage 2: INDUSTRY MARKET POTENTIAL – POTENTIAL FOR THE WINE INDUSTRY IN COLOMBIA

INDICATORS	CONCLUSIONS
<p>Imports of wine</p>	<ul style="list-style-type: none"> • The last indicators of wine imports in Colombia represented around \$39 Million dollars. • Chilean wine represents 59% of wine market in Colombia.

	<ul style="list-style-type: none"> • Portuguese wine has a low presence in Colombia. In 2012, the export of this product to Colombia achieved around 57.000€, representing just 0,01% of the total wine export of Portugal, located it on the 79th position in terms of importing Portuguese wine. • The first nine months of 2013, the export of wine to Colombia increased by 184% compared to the previous year.
<p>Consumption/Sales of wine</p>	<ul style="list-style-type: none"> • In 2012, the consumption of wine increased by 61%, compared with the last 5 years, which means that one person consumes 2,4 liters of wine per year. • The three cities with the biggest wine consumption are Bogota (66,2% of the national consumption), Cali (54,5%) and Medellin (46,9%).
<p>Wine sale forecasts</p>	<ul style="list-style-type: none"> • Low quality wines and the increase on the consumption of rosé and sparkling wines help the increase of consumption of wine in the country. • Wine consumption in Colombia is experiencing increase due to the income growth of Colombians, the increase of number of suppliers, the increase of sales points and greater knowledge and interest by consumers, among other things. • Experts affirm that wine producers have to concentrate efforts on quality, price and education to avoid reduction of consumption of the product.
<p>Consumer trends</p>	<p>Although wine in Colombia was considered to be a drink for the upper social class, today the situation is changing as it is becoming important in all social classes of the country. The Colombians prefer the red wine, followed by rosé and sparkling wines. However, the last two types of wine have experienced an incredible growth of interest by the Colombian consumers over several years. Some of the strategies currently used in Colombia in order to promote</p>

consumption of wine are EXPOVINOS³⁵ and ALIMENTEC³⁶, both international fair of food and wine in Colombia. And one of the principal promoters of this culture is Exito group³⁷, which supports and organizes EXPOVINOS.

Stage 3: COMPANY SALES POTENTIAL – POTENTIAL FOR PORTUGUESE WINE PRODUCERS

INDICATORS	CONCLUSIONS
Local import legislations	<ul style="list-style-type: none"> • Pay 15% Tariff. (Once the free trade agreement between Colombian and US is in force, it will go to 0% tariff) • Taxes on the consumption of liquors. (In 2012, the tax was \$272 COP³⁸, which means 0,10€ approx. for each alcoholimetric degree for every bottle of 750 cc)³⁹ • Security Stamp. (With alphanumeric code located on the top of the bottle, which indicates the name of the department / city where it will be distribute the wine) • Import requirements: National Tax and Customs Direction (DIAN) must authorize the importer for the importation of alcoholic beverages. The exporter has to make health product registration, trademark registration, labeling wine standards of Colombia. • Legislations. (The FTA between Colombia and EU)
Competition in the market	<ul style="list-style-type: none"> • Chilean and Argentinian Wine.
Local market structure –	Chile represented 59% of the wine market, followed by

³⁵ EXPOVINOS is an international fair promoting wine in Colombia, which takes place in Bogota each year in the month of June. For more information visit <http://expovinos.exito.com/historia.html>

³⁶ ALIMENTEC is an international food fair, which takes place on 3 to 7 of June each year in Bogota. For more information visit <http://www.feriaalimentec.com>

³⁷ Exito Group is a supermarket chain positioned in Colombia. For more information visit <http://vida.exito.com>

³⁸ COP: Colombian Pesos

³⁹ If the alcoholimetric degree exceeds 35°, the tax will be \$446 COP

Competitive intensity	Argentina with 25% and Spain with 7%. Chilean and Argentine wines are leaders in Colombia not only because of their quality, but also because of the absence of customs fees due to the free trade agreement between the countries.
Distribution Channel	Due to the lack of information about the wine industry and the difficulty to make agreements with supermarkets, it is necessary to introduce the product via distributor. One of the obstacles with the distribution is the transportation of the product inside Colombia, as pointed out by the National Association of Exporters of Colombia. Nowadays, the cost of transportation between two different countries is less expensive than the transportation between two cities in Colombia, and this is due to failures in the national logistics system. Andres Santos - Director of Logistics and Production program at the University of Rosario, Colombia – affirms that in the distribution of a bottle of wine from Europe to Latin America, the logistic cost in countries such as Mexico, USA and Argentina increase the price of the bottle by around 1,3€. In Venezuela this increase could be up to around 7,4€. However, in Colombia the increase is around 20€. In terms of distribution of wine in Colombia, according to the study made by ProChile (2012) there are different forms to reach the consumer. One is through supermarkets, where they make the importation of the product directly and sometimes they have their own brand. Another can be mini-markets, hotels, restaurants and neighborhood shops. The study also affirms that the trade margin of supermarkets is between 20% and 25%, while one of restaurants is between 100% and 400%. With the arrival of Jeronimos Martins (JM) to Colombia, some Portuguese producers of wine took advantage and used it as the distributor of their products.
Physical Distance	<ul style="list-style-type: none">• European wines represent high costs because of the

	<p>distance, logistics and transport, and in addition to that, a tariff of 15% exists.</p> <ul style="list-style-type: none"> • Colombia and Portugal are separated geographically by the North Atlantic Ocean, which corresponds to a distance of about 7640,53 Km. • Direct flight between these two countries operated by TAP airlines.
<p>Language and Culture differences</p>	<ul style="list-style-type: none"> • Colombia's official language is Spanish and more than 99,2% of the population speaks it fluently. • Consistent with previous studies (Trindade, 2002), it is important to highlight similarities between Spanish and Portuguese language. Being easier for a Portuguese speaking person to understand and learn Spanish than English or another language. • Both countries have Latin Culture. • In terms of wine, different to Portugal, Colombia does not have a wine culture.

Stage 4: DECISION – INVEST OR NOT TO INVEST

INDICATORS	CONCLUSION
<p>Compatibility of the market</p>	<p>This decision is based on the priorities and criteria of each company, as well as the above description. At this stage it is determined whether the Colombian market is compatible or not with the priorities and objectives set by the producer / exporter of Portuguese wine.</p>

Stage 5: MARKET TESTED – COLOMBIAN MARKET TESTED

INDICATORS	CONCLUSION
<p>Facilities and Events in the Colombian Market</p>	<p>Participations on international events (EXPOVINOS or ALIMENTEC) and develop Wine Testing events in the principal cities of Colombia with the help of Portuguese and Colombian companies, Embassies, Restaurants, Hotels, businesses, etc.</p>

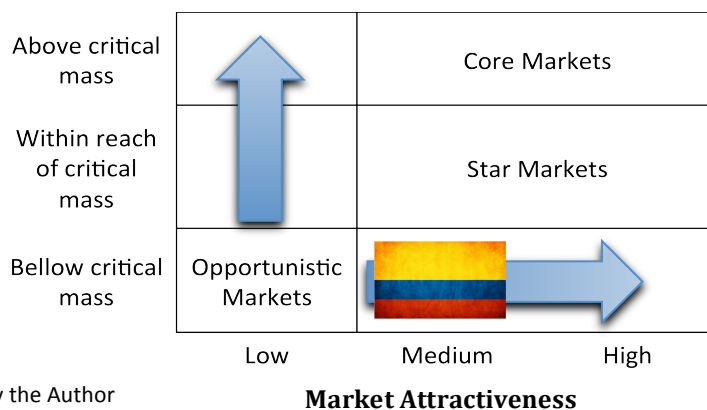
Stage 6: MARKET SELECTED - COLOMBIA

INDICATORS	CONCLUSION
Acceptation of the product into Colombian market	After having tested the Colombian market, the degree of acceptance of the product (in this case would be the Portuguese wine) is analyzed and it is determined whether or not it's worth investing in this market.

In order to identify which kind of market in the Colombian market based on the matrix developed by Bradley (2005), this research determine that it should be located in the Opportunistic market (**Figure 14**)

Figure 14: *Location of Colombia-based prioritization of international market development*

Company Competitive Position



Source: By the Author

This study shows that, in one hand, Colombia is an attractive market for wine industry, however this market has some difficulties, which makes it a complex market for Portuguese wine producers. So, this study concluded that Colombia is a market with a medium degree of attractiveness. In the other hand, Portuguese wine producers have strong competitors in the Colombian market. Its competitors managed more than 80% of wine market in Colombia and the tariff restriction with the Portuguese wine to enter the Colombian market puts them at a disadvantage against their larger competitors (Chilean and Argentinian wine), as they have no such restriction. So, this study positioned Portuguese wine producers bellow critical mass, based on the competitiveness of the company against its competitors in the Colombian market.

7. CONCLUSION

This dissertation shows an interesting image of the Colombian market in relation to the wine industry. Colombia is a dynamic market with a sudden interest in wine, which is not part of the culture. It is one of the safest markets in Latin America for investors, providing many opportunities for the development of new ideas and productive business. It is a market to be entered carefully with unique strategies to engage the consumer. In addition, large Portuguese companies are betting on Colombia, reflecting a healthy family environment for Portuguese who want to invest in this country. I can say that TODAY, Colombia and Portugal are in the best moment of their bilateral relations, so it is a valuable opportunity to analyze more thoroughly these two markets and their bilateral contributions.

After this research, I dare to point out some suggestions for better entry to the Colombian market:

- Identify the final consumer. Answer the questions: *Where are they? What do they? Which are their needs?;*
- Analyze consumer behavior against the product to be export to the Colombian market;
- Have a local partnership, whether a company or individual, who can help to reduce bureaucracy as well as understand the market behavior.
- Adaptation of the proposal / strategy to the market, taking into account the language (**Latin American Spanish**), some Colombian unique expressions and culture.
- Study the history as well as the nowadays reality to understand the evolution of Colombia and forget any stereotype.
- Consider hotels, restaurants and supermarket chains as an important factor in the distribution process of wine.
- Take into account the Portuguese community in Colombia.
- Note the presence of those foreign investment promotion organizations, such as ProColombia and AICEP, as a support for higher development in the Colombian market.

This thesis is the starting point of a large research of wine industry in the Colombian market. This research contains valuable primary and secondary data from experts on the topic. Also it developed a theoretical model proposed by the professor Bradley (2005) in order to select an international market. The opportunistic approach concept was implemented on this study and Colombian market was considered an opportunistic market. In addition, motivations and entry strategy by the investors were analyzed, using concepts developed by authors such as Dunning and Lundan (2008), Czinkota (2004), Franco et al (2008), Lambin (2007), and Pervez and Philip (2006). All authors mentioned above contributed to understanding the dynamic of International Business.

After the process of building the theoretical part, I started building the empirical part (I called primary data collection) through in-depth interviews with different entities that, one way or another, are involved in the wine industry and the bilateral relations between Colombia and Portugal. Also it was necessary to use secondary data, such as newsletters, institutional reports, statistics, etc. Interviews were developed and analyzed based on the proposals created in the objective of this project. And secondary data were important to develop the model of International Market Selection, proposed in the Literature Review of this project.

However, this study had some limitations. In one hand, in theoretical part, one of the limitations was that with so many authors referring to the same subject it was impossible to determine the most appropriate one for this study, so my choice was based on my prior knowledge of these authors and their contributions to this topic. Lack of concepts confronted was also a limitation in this study. The objective of the Market Entry Mode chapter was not sufficiently clear and the concept was developed briefly. I decided to continue with this chapter because I considered that the Market Entry Mode is one of the most important parts in the International Business process. In the other hand, in the empirical part, the lack of interviewed was a limitation. There were several companies contacted but few answered the call. Regarding respondents, 3 of them could not answer the interview for different reasons. Only 6 responded positively to the interview. While some companies responded to questions openly, others were very specific in their answers, so it was not possible to analyze them in more details. Moreover, the geographical location of some companies influenced the development of the interview itself. In addition, another limitation in this study was the lacks of a survey addressed to the final consumer to better measure the attractiveness of Portuguese wine in the Colombian market.

Wine Market in Colombia: An Opportunity for Portuguese wine Producers/Exporters

Despite the limitations found in this study, I feel that I could create an introduction to research of wine industry in the Colombian market. It can be said that this project is an incentive for Portuguese companies, engaged in the export and production of Portuguese wines, to know the Colombian market and the opportunities that this country offers in terms of wine industry in general. Not only in the wine industry but also in consumer industry. This thesis can become a useful tool to anyone who sees in Colombia a potential market. It is an introduction to future studies regarding to the Colombian market and internationalization of Portuguese wine.

This study encourages me to continue with the investigation of different industries in the Colombian market as well as to contribute with productive ideas for foreign companies that want to invest in Colombia. Helping foreign companies to invest in Colombia, could help me to generate ideas to create my own international business, helping in some way to the economic growth of my native country, Colombia, and reaching my own goals.

Being Colombian and living in Portugal made me think of the idea of helping to strengthen ties between the two countries in relation to international business. So I gave the task of seeking a Portuguese product that was traditionally exported by the Portuguese and that Colombia does not produce, and I found Wine. From there, I started to research about this product, its history, its culture, its evolution during the years and its significance for both countries, Colombia and Portugal.

"It is not the strongest of the species that survives, nor the most intelligent that survives.

It is the one that is most adaptable to change"... Charles Darwin

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9. Annex

Annex no. 1: Interviews

INTERVIEW OF COMPANIES DEALING WITH WINE IN COLOMBIA

The objective of this interview is to find out why these companies decided to invest in Colombia with a non-traditional product, such as wine. Also, the aim is to see what are these companies' experiences in Colombian market, as well as what is the consumers' reception rate of this product.

Abbreviations:

N/A: Not Apply

N/R: Not respond

1. Is it a company with foreign or local investors? What kind of company it is? (Distributor, stores, etc.)

DISLICORES: it is a distributor of wine in Colombia founded by Mr. Alberto González in 1976, in Medellín – Colombia. It has more than 800 employees and provides its products to more than 12 thousand clients.

CIA. LUSO – COLOMBIANA: it is a company located in Colombia since 2011. It is a local company founded by foreign investors, dedicated to the import and distribution of Portuguese wine.

ITALIAN CONNECTION: it is a wine dealer company that settles on five years ago, in Colombia, delighting the Colombian consumer with the fantastic Italian wine flavor. It is established in the capital (Bogotá), which is its most important market, however, the company also distributes its product in the north of the country.

2. If it is a foreign company, did you already have an experience with trading in Colombian market with other products?

DISLICORES: N/A

CIA. LUSO – COLOMBIANA: Filipe Castro is married with a Colombian woman and he was doing some business there (He did not specify which kind of business)

ITALIAN CONNECTION: Mr. Alfonso Fiorentino is married with a Colombian woman. His passion was cooking and he decided to dedicate his life to this business. Colombian market was not indifferent to him and he took advantage of the opportunities that Colombia offered at that moment.

3. How many stores do you have along the country? How long is your company established in Colombia?

DISLICORES: Dislicores have eleven (11) stores specialized on wine and other liquors. It is established since 1976 and, since 2006 it is the number one of importer of wine in Colombia.

CIA. LUSO – COLOMBIANA: The company has one (1) store that sells the product directly to the consumer/client, on trade and off trade. This company has almost three (3) year in the Colombian market.

ITALIAN CONNECTION: It has one store and distribute wine to the north of Colombia. The company completed five (5) years in the Colombian market.

4. Where is the wine from? / Please mention 2 or 3 types of wine that you sell (Red, White, Green, etc.)

DISLICORES: the company imports wine from France, Italy, Chile, Argentina, USA and Portugal. They offer low price wines (less than 10 dollars per/unit– 7,7 euros), medium price wines (20 dollars p/u – 15,5 euros) and high prices wine (more than 100 dollars – 77,8 euros). The Gato Negro wine from Chile is the best-selling wine in the Colombian market.

CIA. LUSO – COLOMBIANA: This Company imports wine exclusively from Portugal. Its clients don't have any preference for just one kind of wine. The consumers desire all its products.

ITALIAN CONNECTION: The Company imports wine from Italy. And, as well as Cia. Luso-Colombiana, Its clients don't have any preference for just one kind of wine. The consumers desire all its products.

5. What motivated you to sell wines in Colombia? What are the opportunities Colombia offers in this industry?

DISLICORES: N/R

CIA. LUSO – COLOMBIANA: The investors found in Colombia the perfect market in order to positioning Portuguese wine and Douro region through this company.

ITALIAN CONNECTION: Mr. Alfonso was motivated with the multiples opportunities in the Colombian market in the industry of food. Because food was its passion, he decided to move to Colombian and start its own business.

6. What was the main difficulty to enter and be present in the Colombian Market?

DISLICORES: N/R

CIA. LUSO – COLOMBIANA: Currently, Colombia and Portugal doesn't have any trade agreement, that's why the bureaucratic and administrative barriers with higher cost of entry market and rates are some of the challenges found by the investors in this market. In addition, since the lack of knowledge of consumers about this product, 90% of cases, purchasing power of consumers are motivated by the price and the brand recognition.

ITALIAN CONNECTION: the company's first three (3) years were hard and, sometime, disappointing, regarding the company expectations, Mr. Fiorentino said. *"Colombia doesn't produce wine, that's why Colombians are not used to consume it"...* *"However, the last two (2) years, the market started to satisfy the company goals"*, affirmed Mr. Fiorentino.

7. Which distribution channel did you use inside Colombia?

DISLICORES: it has its own stores. And, as distributors of wine and liquors, it distributes wine to supermarkets and other stores around Colombia.

CIA. LUSO – COLOMBIANA: This company works as a retailer that sells the product directly to the consumer, on trade and off trade.

ITALIAN CONNECTION: It is a wine dealer company established in the capital (Bogota), which is its most important market, however, the company also distributes its product to different stores and hotels in the north of the country. Mr. Fiorentino believes that one of the major consumers of wine are tourists, that's why the company chose Cartagena, Barranquilla and Santa Marta, which are the most tourist cities in Colombia, as a strategic market for its product.

8. What was the method that you used to import wine to the Colombian market? (Joint-venture – Direct Import – Manufacturing)

DISLICORES: Direct Import

CIA. LUSO – COLOMBIANA: Direct Import

ITALIAN CONNECTION: Direct Import

9. In percentage, what is the performance of your company like in Colombia?

DISLICORES: N/R

CIA. LUSO – COLOMBIANA: The company maintains an annual growth rate of 100%

ITALIAN CONNECTION: Its revenues are increasing constantly

10. In your opinion, what are the concrete actions that the government should take to improve the performance of wine industry in Colombia?

DISLICORES: N/R

CIA. LUSO – COLOMBIANA: Mr. Filipe Castro believes that entities like ViniPortugal and embassies of wine-producing countries have the major responsibility to promote the wine industry in Colombia, instead of Colombian entities, since currently this country is combating the excessive consumption of alcohols, which is related to the increasing amount of accidents caused by drunk drivers.

ITALIAN CONNECTION: According to Mr. Alfonso point of view, because Colombia does not have a culture of wine consumption, a major effort is needed by the companies involved in this trade for the distribution and sale of this product. Likewise, he calls the Colombian authorities to support this industry and so, beginning to create a wine culture in the country.

11. And what are the concrete actions that companies should take to increase wine consumption in Colombia?

DISLICORES: N/R

CIA. LUSO – COLOMBIANA: Participate in gastronomic fairs in Colombia, promoting its products.

ITALIAN CONNECTION: One of the strategies that the company uses to promote its product is through the Italian Embassy. The company organizes wine tasting and a series of events where shows its products. The company takes presence in different wine fairs held throughout Colombia with the purpose of positioning its brand in the market.

INTERVIEW OF WINE PRODUCERS IN PORTUGAL

Objective: In this interview the main objective is to analyze the wine market in Colombia through the experience of these companies. Also, the aim is to analyze the opportunities and ways to enter this market as well as to find out the difficulties that the companies faced with.

Abbreviations:

N/R: Not respond

1. Talk about the producer

QUINTA DO CRASTO: Quinta do Crasto is located in the Douro region, in the north of Portugal. It started to produce Porto wine, however, after the acquisition of new lands, it started to produce Red and White wine. Nowadays, the last two products are the most produced by this company. Other products made by Quinta do Crasto are Olive Oil. As well, it offers and promotes ecotourism, where people can spend time to learn about the history of this company and experience its wine. Its products are positioned in a premium sector of wine industry and most of the production is aim for export. Today, Quinta do Crasto exports to 40 markets.

QUINTA DA LIXA: The Quinta da Lixa is a company whose capital is all within the same family, formed in 1986, which, currently, exports 51% of its production to 31 countries. Its output reaches 4 million bottles / year. The Quinta da Lixa is located in the Lixa, sub-region of Sousa, in the Green Wine (Vinho Verde) region.

2. Why should a company go to South America and Colombia?

QUINTA DO CRASTO: this Company started to export 100% of its production. After few years, it started to supply to the Portuguese market. Quinta do Crasto decided to export to traditional wine markets, such as UK, USA and some European countries. Then, it started to supply Asian countries and, in 2000, the company decided to export to Brazil. It strong market reception become Brazil the largest export market of Quinta do Crasto in 2010. After that, the company decided to enter in Mexico and then in Colombia. Mr. Tomas Roquette assures that Colombia is a country with a stable political situation, there are opportunities in the market and there is a tendency of economic growth. *“Colombia is a Potential market”*, said Mr. Roquette. As well, he believes that

all Portuguese companies are interested to enter in the Colombian market, however few of them have achieved it.

QUINTA DA LIXA: Mr. Vieira affirms that South America is a market with a suitable climate for the consumption of Vinho Verde, young and fresh wines. Colombia emerged due to the good relations with Jerónimo Martins that trust in Quinta da Lixa to supply the Ara (Jerónimo Martins chain stores located in Colombia). After this partnership, the ambition to cover the remaining Colombian market has grown and consolidated itself in their planning.

3. When was the first contact with the Colombian market?

QUINTA DO CRASTO: Mr. Roquette, in his childhood, traveled to Colombia for vacation, and he affirmed that he felt in love of this country. So much so, that He knew a Colombian-Portuguese girl (Portuguese father and Colombian Mother) and he married her.

QUINTA DA LIXA: In 2012 through Ara.

4. Can you explain how and why did you notice the opportunity in the Colombian market? Did you already have an experience of trading in Colombian market with other products? Or could you develop a partnership with others Portuguese firms?

QUINTA DO CRASTO: After Mr. Roquette married the Colombian-Portuguese girl, he started to travel to Colombia more often until he got to know Mr. Filipe Castro (Founder of Cia. Luso-Colombiana). The idea was to create a Portuguese store with traditional Portuguese products produced by Quinta do Crasto. So, Mr. Castro created the company Cia. Luso-Colombia (CLC) and Mr. Roquette provided the products from Quinta do Crasto. It can say that it is a partnership between these two companies. Currently, Bogota is the principal market of distribution of Quinta Do Crasto wine.

QUINTA DA LIXA: it is already present in Brazil, Mexico and Puerto Rico with intentions of expanding by the other South American countries. The South American market is already in Quinta da Lixa planning for some years due to the huge potential of this market. Colombia has emerged from this partnership with JM.

5. What was the first reaction of Colombian market to Portuguese wines? And to your specific brand?

QUINTA DO CRASTO: The product reception by the consumer was perfect. The Colombian consumer, after their first contact with the wine, they becoming lovers of the

product, so much so that the consumer itself play the role of promoter, inviting their network of contacts to consume it too. Flor de Crasto is the first product that consumers like and it is considered the most accessible wine to the consumer. Mr. Roquette also compares the Colombian market with the Brazilian market years before. He told that Brazilian market, especially Brazilian Northeast region, had a low consumption of wine and there were not culture of consume this product. However, by the years, that region becomes the principal region of consumption of wine in Brazil. Nowadays, Brazil is the principal market of Portuguese wine in Latin America. Thus, Mr. Roquette believes that Colombia is the same case and affirm that the consumption of wine in Colombia is growing and it will be continue growth.

QUINTA DA LIXA: In general, Mr. Vieira assures that the interest for Portuguese wines has increased but there is strong competition from Chilean and Argentinian wine, especially on red wine. Being the only Vinho Verde in the world, it becomes easier to stand out in the market and the acceptance by the consumer has been positive because of the supplementary features of the Vinho Verde Region, and the wines of Quinta da Lixa.

6. What was the main difficulty to enter the Colombian market?

QUINTA DO CRASTO: Colombia is a bureaucratic market. It has some market restrictions, which make difficult the entry and registration of this product. Mr. Roquette considered that the fact that Colombia is not a producer of wine, it does not mean that there is a problem; otherwise there is an opportunity. The challenge here is that there is not a culture of this product, so it makes that the company devotes extensive efforts to educate the market. At the same time, Colombian market does not recognize Portugal as a producer of wine, which makes relevant to educate the market. Another difficult is the expansion of the product in different cities in Colombia. Bogota (The capital of Colombia) is the principal market of this product and completely different to the rest of the country. That's why it is necessary to create different strategies to enter in different cities in Colombia.

QUINTA DA LIXA: *“The bureaucracy of Colombia. There are high and strong barriers to entry and the registration process of wine in this country could take one year”*, said Mr. Vieira.

7. In the market, how was the first year like?

QUINTA DO CRASTO: The first year was good. It was exported a full container of products from Quinta do Crasto.

QUINTA DA LIXA: It was good. There was a first strong order to supply 53 Ara' stores.

8. How is it now? Is it growing?

QUINTA DO CRASTO: Nowadays, it is great. There are plans to distribute the product to other cities in Colombia. Mr. Roquette affirms that the consumption of wine in Colombia is increasing and this will continue to grow.

QUINTA DA LIXA: "*Healthy and slowly growing*", said Mr. Vieira.

9. What was the strategy to enter a market where wine is not important in everyday life? ? What kind of communication efforts and strategies do you need to launch a product there?

QUINTA DO CRASTO: The strategy used by this company was to create a partnership with Cia. Luso-Colombiana. It also creates some wine testing events in the best-known restaurants in Colombia, as well as hotels.

QUINTA DA LIXA: In this regard Quinta da Lixa has strong support from the Commission of the Vinho Verde Wine Region and the promotion of Ara group. They also have a marketing budget, which they will apply on wine dinners with local journalists specialty, training chefs of Ara shops and "in-store tastings."

10. What was the entry method that you used?

QUINTA DO CRASTO: Direct Export

QUINTA DA LIXA: Direct Export

11. Which distribution channel did you use inside Colombia?

QUINTA DO CRASTO: A shop specialized in quality wines and liqueurs, (Cia. Luso-Colombiana) Restaurants and Hotels. It also has a Sub-distributer in some cities such as Cartagena and Cali.

QUINTA DA LIXA: At present Quinta da Lixa is only present at the Ara stores to consume a part of its wines. As they have a large range of wines, they intend to also provide the HORECA (Hotels, Restaurants, Catering) market.

12. Have you received any help from any government entity in both countries?

QUINTA DO CRASTO: Not. The investors decided to do their business by themselves. However, Mr. Roquette considers that they play an important role in this relationship.

QUINTA DA LIXA: Not.

13. What do you expect from government entities in this case?

QUINTA DO CRASTO: Mr. Roquette said that they play an important role. However the major efforts should be carried out by the company who wants to invest into this market.

QUINTA DA LIXA: *“Nothing. In this case was not necessary. But always existed openness by the Embassies in providing contacts of potential partners”*, said Mr. Vieira.

14. What are your expectations regarding expanding the business in Colombia?

QUINTA DO CRASTO: The expectations of Quinta do Crasto is to expand to different cities of Colombia through a partnership with a local sub-distributor. The idea is to arrive to markets such as Medellin and the Coffee belt in Colombia.

QUINTA DA LIXA: Good, it hopes to start providing the HORECA channel in the year 2015. Quinta da Lixa will be present at VINEXPO 2015 in Bogota to promote the Quinta and its wines and it hopes to create more and better partnerships at this event.

15. And what about expanding the business to other Latin markets?

QUINTA DO CRASTO: N/R

QUINTA DA LIXA: Hopefully, with the consolidation of existing markets where the Quinta is, helps grow the brand and helps to expand to other countries. With time the Quinta will plan to visit to other markets and see where the Quinta can be present.

16. What do you think about the current relationship between Colombia and Portugal in terms of trade?

QUINTA DO CRASTO: Mr. Roquette affirms that nowadays there is an excellent relationship between these two countries.

QUINTA DA LIXA: N/R

17. In your opinion, what is the relation between these two countries going to be like in the near future?

QUINTA DO CRASTO: Mr. Roquette assures that thanks to the FTA between Colombia and EU, this relationship will grow.

QUINTA DA LIXA: N/R

INTERVIEW OF INVESTMENT PROMOTERS OF COLOMBIA AND PORTUGAL

The main objective of this interview is to know what is the relationship between Portugal and Colombia in terms of business, the most important sectors of investment and its advantages and disadvantages. Also, the aim is to find out what are the opportunities that Colombia offers to foreign investors, as well as the role of this entity (ProColombia) in the relationship of these two countries.

1. What is the role of ProColombia (or AICEP/Luso-Colombia Chamber) in this specific situation (Colombia and Portugal relationship)? How long have you being in Portugal/Colombia?

PROCOLOMBIA: ProColombia is a national trade and investment promotion agency in Colombia. Currently ProColombia is located in the principal countries of North America, South America, Central America, Asia and Europe, including Portugal as one of the principal countries in Europe. Its main objective in Portugal is to promote tourism, exports and investments in Colombia, as well as showing all the opportunities (Products and Services) that Colombia offers to investors in Portugal. In 2012, PROCOLOMBIA decided to open an office in Lisbon.

2. What are the current opportunities that Colombia offers to foreign investors? (PROCOLOMBIA)

PROCOLOMBIA: The most attractive Colombian products that ProColombia promote are design of fabric, fruits and flowers, as well as the investment in the country in other industries like construction and technology.

3. What are the main attributes of Colombia relevant to foreign investors?

PROCOLOMBIA: Colombia is considered an attractive business environment by the most recognized Credit Rating Agencies (Standard & Poor's, Fitch Ratings and Moody's), interconnected by the world, Competitive in the global market, and one of the most economically and governmentally stable countries in Latin American. All this makes Colombia as an attractive country for investors in the world.

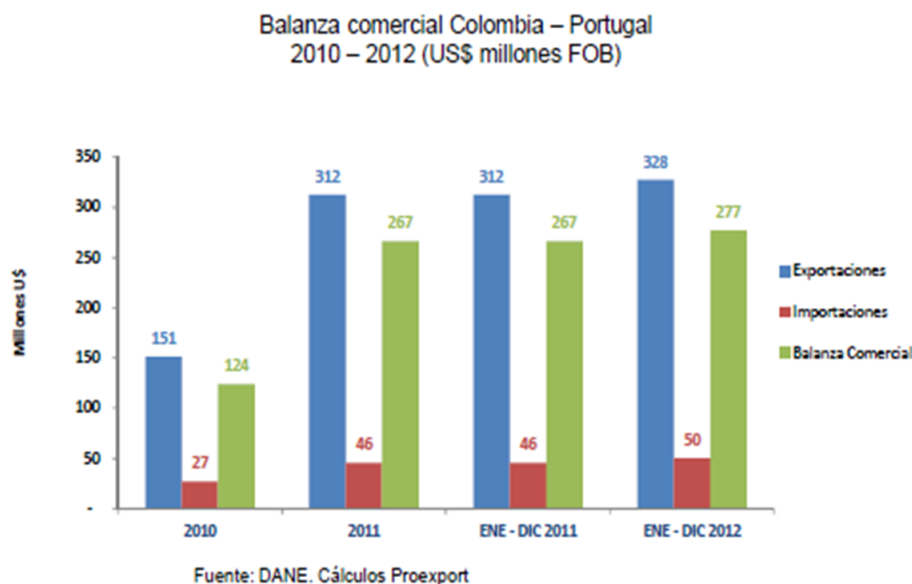
4. What are the main companies' investment strategies when entering Colombian market?

PROCOLOMBIA: The most common entry mode used by Portuguese companies to invest in Colombia is Joint Venture. This is because investors believe that associating with an expert of the Colombian market can reduce risks. But this decision can be variable.

5. Can you tell the number and the growth trend of the Portuguese entities present in Colombia? Can you think of some of the top companies due to their awareness, invoice or sales growth ranking in the Colombian market (Good cases)? Can you provide us with some statistical data that could be presented in this research project, please?

PROCOLOMBIA: By the years, Portugal is becoming one of the European countries interested to invest in the Colombian Market. That's why the relationship between both countries Colombia and Portugal is increasing gradually. During 2012, the trade balance between this two countries increased 10 million dollars, comparing with the previous year (Figure 11)

Figure 11: **Trade Balance Between Portugal and Colombia (2010-2012)**



Source: DANE – ProColombia Colombia

6. What are the main Portuguese industries that export to Colombia and also what kind of sectors are the Portuguese entities looking for in Colombia?

PROCOLOMBIA: One of the Portuguese companies with relevant position in the Colombian market is Pre-Build⁴⁰. Today, Pre-Build is building a manufacturing facility with eleven (11) plants to different housing materials in order to supply the market. Pestana hotels, Jeronimos Martins and ETE are other Portuguese companies established in Colombia with excellent results. Thus, analyzing the activities of the above-mentioned companies, we can conclude that there is not a specific sector of interest by Portuguese investors.

7. Which method of exporting is mostly used?

PROCOLOMBIA: Direct Export

8. Is the actual TLC between Colombia and UE useful in this business? Why?

PROCOLOMBIA: Despite the FTA (Free Trade Agreement) between Colombia and Europe Union is valid, there are not enough time to evaluate the progress of this trade as well as analyze the impact that it has in the economic relationship between Colombia and Portugal. So ProColombia in Portugal plays an important role promoting Colombian products and encouraging investors to approach the opportunities that the FTA offers.

9. How do you think Portuguese state entities should help Portuguese firms to export to Colombia? And what about the Colombian government?

PROCOLOMBIA: As Colombia has ProColombia, Portugal has AICEP with the purpose of incentive investment both within and outside Portugal. These two entities have the commitment to assistance and provide advice to investors interested in any kind of business between both countries.

10. In the near future, do you think that exporting companies to Colombia will enhance their market presence by opening subsidiaries, by foreign direct investment, franchising or other kind of agreement? What do you think would be the most successful agreement for Portuguese companies in Colombian market? (And) in what kind of industries?

PROCOLOMBIA: Joint Venture by direct export, applying to all industries.

⁴⁰ Prebuild is a group of private Portuguese capital formed in 2001, operates in the construction, industry and services sectors

10. Attachments

Attachment no.1: Global wine production share by regions

	Regions	Wine Production 2000 (mhl)	Wine Production 2011 (mhl)
1	Europe	73%	66%
2	America	17%	19%
3	Asia	4%	6%
4	Africa	3%	4%
5	Oceania	3%	5%

Source: IVV, Facts and Number nº 6, July 2012

Attachment no. 2: Evolution of global wine production

	Country	Wine production 2011 (mhl)	2011 vs 2007
1	France	49633	9%
2	Italy	41580	-10%
3	Spain	34300	-1%
4	USA	18740	-6%
5	Argentina	15473	3%
6	China	13200	6%
7	Australia	11010	14%
8	Chile	10572	29%
9	South Africa	9336	-1%
10	Russia	6353	-13%
11	Portugal	5925	-2%
12	Romania	4708	-11%
13	Brazil	3450	-1%
14	Greece	2587	-26%
15	Hungary	2447	-24%
16	New Zealand	2350	59%
17	Bulgaria	1268	-29%

Source: IVV, Facts and Number nº 6, July 2012

Attachment no. 3: Evolution of global wine exports

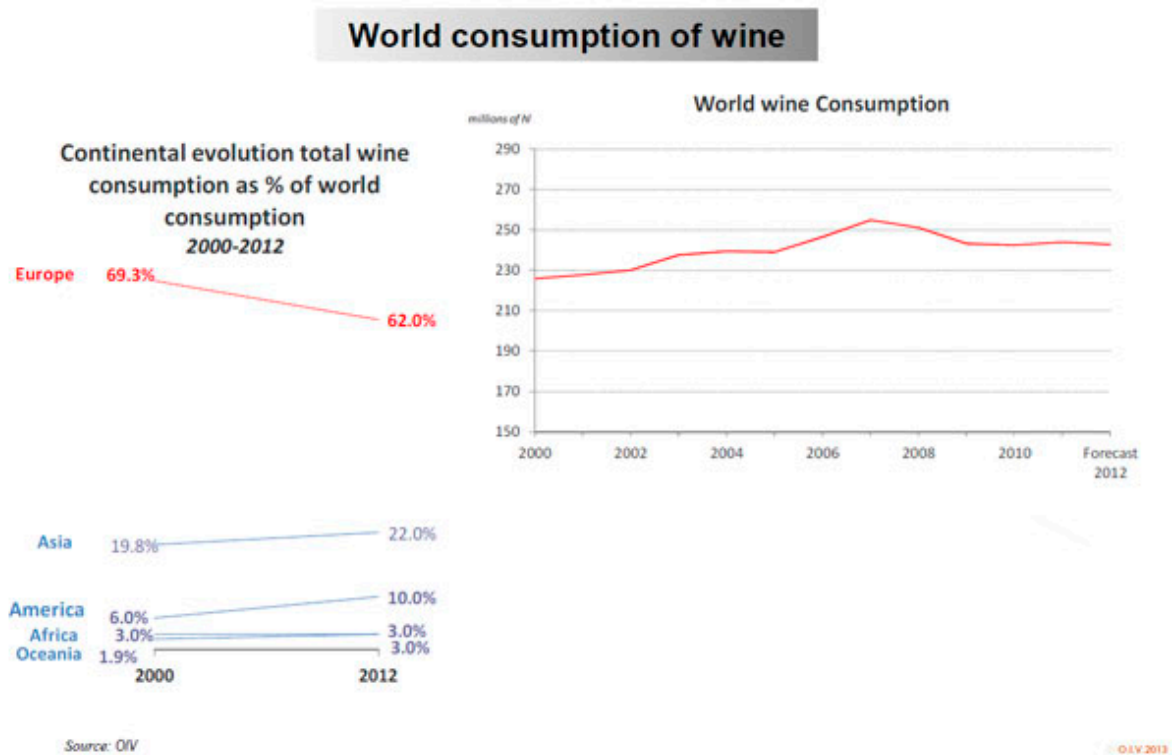
	Country	Wine Exports 2011 (mhl)	Wine Export 2000 (mhl)	2011 vs 2000
1	Italy	24287	14675	65%
2	Spain	22309	8651	158%
3	France	14110	15039	-6%
4	Australia	7012	3109	126%

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5	Chile	6623	2647	150%
6	Germany	4218	2414	75%
7	USA	4210	2769	52%
8	South Africa	3576	1410	154%
9	Argentina	3112	843	269%
10	Portugal	2960	1941	52%

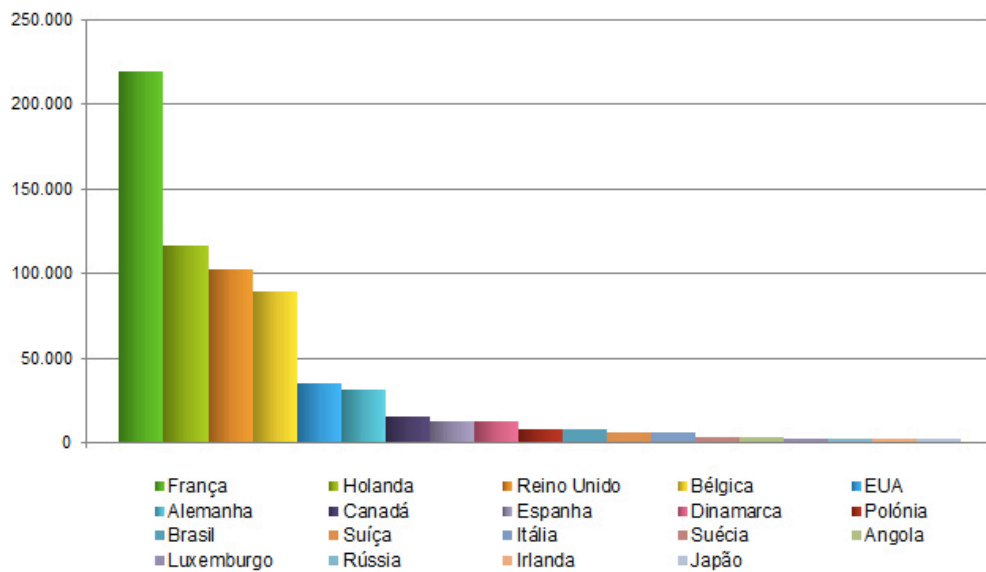
Source: IVV, Facts and Number nº 6, July 2012

Attachment no. 4: World Consumption of wine



Source: OIV 2013

Attachment no. 5: Exportation of Wine of Porto



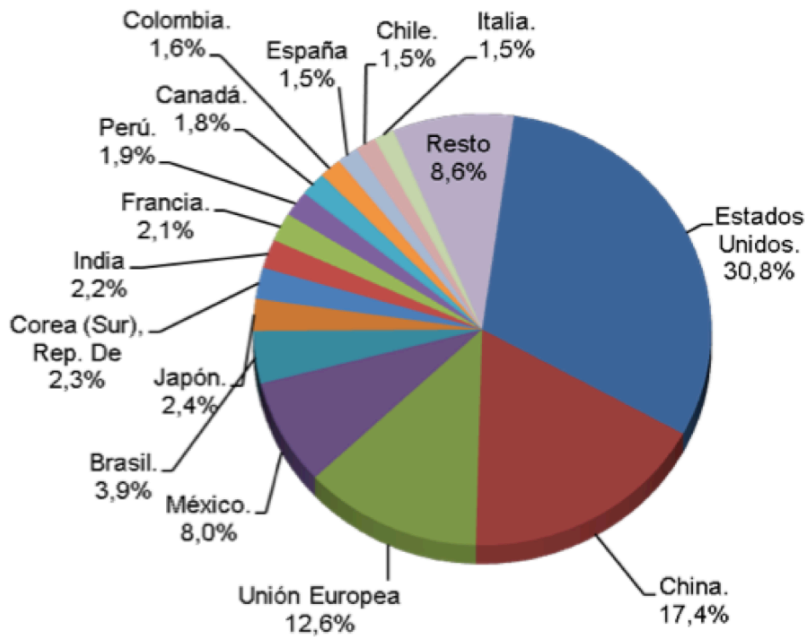
Source: Wine of Portugal 2014

Attachment no. 6: Annual Commercial Balance of Colombia 2005 – 2014p*

			Million Dollars FOB
Year	Exports	Imports	Balance
2005	21 190	19 799	1 392
2006	24 391	24 534	-143
2007	29 991	30 816	-824
2008	37 626	37 152	473
2009	32 846	31 181	1 665
2010	39 713	38 154	1 559
2011	56 915	51 556	5 358
2012	60 125	56 102	4 023
2013	58 822	56 620	2 202
2014*	27 973	29 162	-1 189

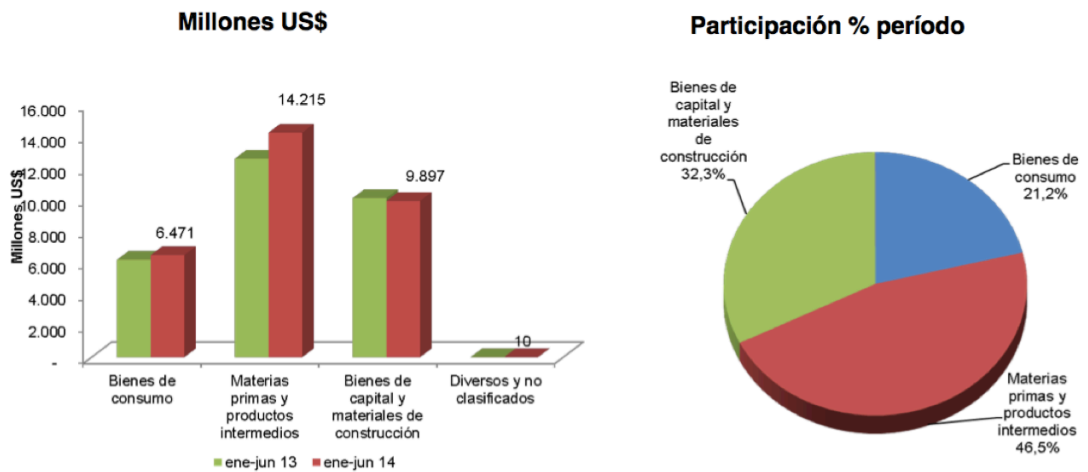
Source: DIAN, DANE. Figure: DANE, ^P provisional, * Covers until June

Attachment no. 7: Total imports in Colombia by Countries



Source: DANE 2014. Report of Imports in Colombia

Attachment no. 8: Imports by CUODE⁴¹



Source: DANE 2014. Report of Imports in Colombia

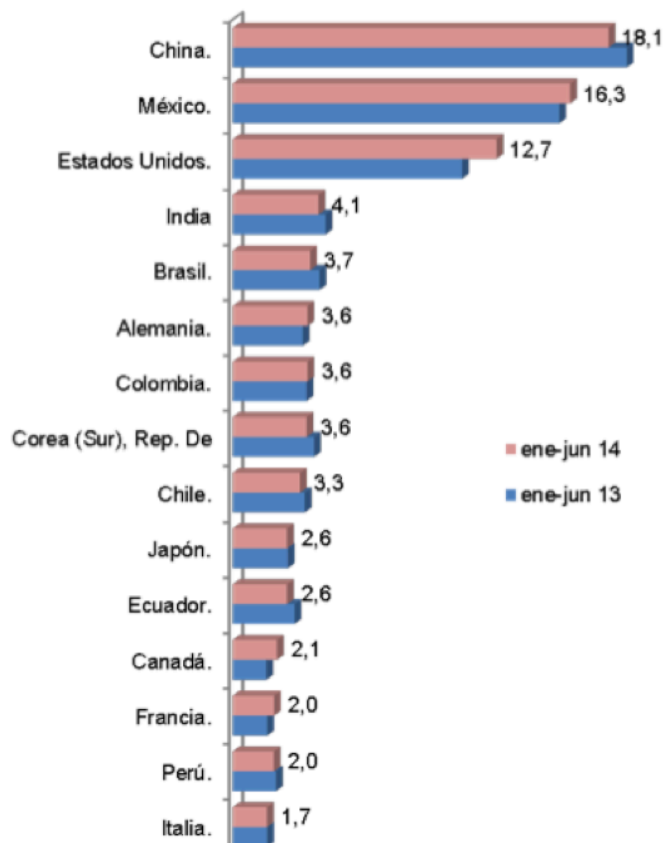
⁴¹ CUODE: Classification of foreign trade according to use or economic destination (DANE)

Attachment no. 9: Imports of consumer goods divided in groups

grupo	año completo		ene-jun 13	ene-jun 14
	2012	2013		
Total	12.941	13.122	6.180	6.471
Bienes de consumo no duradero	6.282	6.422	3.010	3.066
Alimentos y bebidas	2.074	2.188	1.060	1.067
Farmacéuticos y de tocador	1.807	1.955	959	1.034
Confecciones	845	849	372	380
Resto	1.557	1.430	620	586
Bienes de consumo duradero	6.659	6.701	3.169	3.405
Vehículos	3.512	3.552	1.674	1.738
Aparatos de uso doméstico	1.742	1.727	857	897
Objetos de uso personal	862	884	390	439
Resto	542	539	248	330

Source: DANE 2014. Report of Imports in Colombia

Attachment no. 10: Imports of consumer goods in Colombia by country of origin



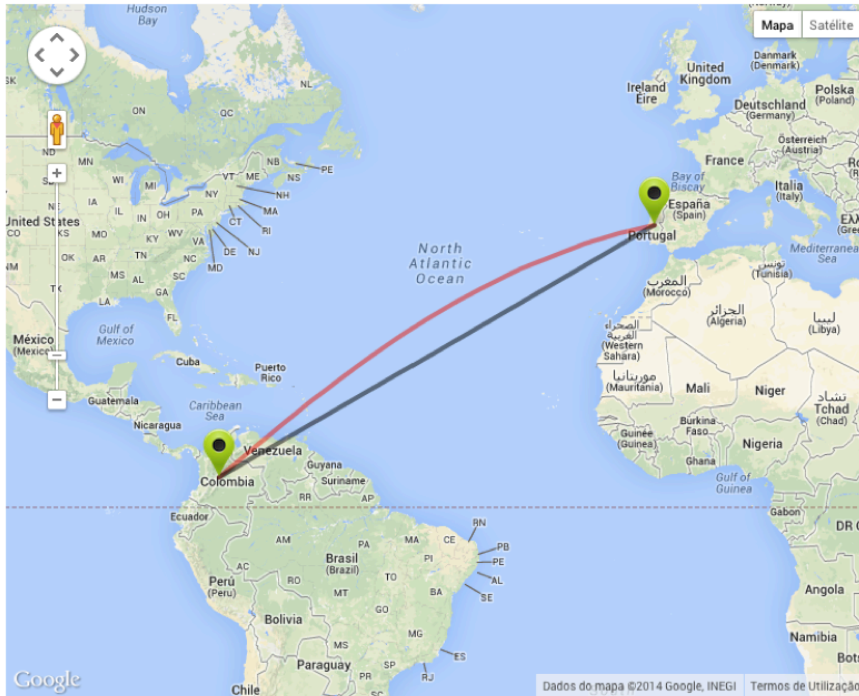
Source: DANE 2014. Report of Imports in Colombia

Wine Market in Colombia: An Opportunity for Portuguese wine Producers/Exporters

Attachment no. 11: Portugal – Colombia distance

Distance between Portugal and Colombia

Distance between Portugal and Colombia is 7640.53 km.
This distance is equal to 4747.6 miles, and 4122.82 nautical miles.



The distance line on map shows distance from Portugal to Colombia between two cities.

If you travel with an airplane (which has average speed of 560 miles) between Portugal to Colombia, It takes 8.48 hours to arrive.

Source: Distancefromto.net 20114

Attachment no. 12: Trade Balance between Portugal and Colombia – Wine Industry

