ISCTE Business School
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# Communication and Internationalization Plan for Pinhal da Torre

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# Resumo

A presente tese de mestrado é um projeto associado a uma empresa do sector vitivinícola, com o nome de Pinhal da Torre. Localizada em Alpiarça, na região do Tejo (aproximadamente a 90 km de Lisboa), esta empresa tem vindo a apostar desde o seu início na atividade vinícola, na expansão para mercados internacionais, deixando o Mercado português para trás devido à sua saturação. O seu sucesso tem vindo a crescer e a constante aposta em mercados internacionais e reconhecimento granjeado por parte de destacadas personalidades e organizações importantes desta indústria tem vindo a demonstrá-lo.

Este projeto destina-se à elaboração e preparação de mais uma iniciativa de internacionalização em conjunto com ações de comunicação, desta vez para o mercado russo, uma vez que é um dos mercados com bastante potencial e cada vez mais procurado por empresas portuguesas.

É um projeto baseado na realidade da empresa, com o objectivo de fomentar a sua imagem internacional e fornecer à empresa informações e conhecimentos não só a nível do mercado mas também a nível de estratégias de marketing, uma vez que é uma das lacunas. Todas as ações e estratégias desenvolvidas foram adequadas ao objetivo da empresa Pinhal da Torre, de forma a poderem ser postas em prática num futuro próximo.

**Palavras-chave:** Estratégias de Marketing; Internacionalização; Comunicação; Sector Vinícola

# Abstract

The present master's thesis is a project associated with a company in vine sector, which name is Pinhal da Torre, and is located in Alpiarça in Tejo region (approximately 90 km from Lisbon). Since the beginning of vine activity, the company bet on expansion to international markets, leaving the Portuguese market behind due to his saturation. The success has been increasing and the constant bet on international markets and the recognition by important personalities and organizations in this area has shown it.

This project is intended to development and preparation of one more internationalization initiative coupled with a set of communication actions, this time to Russian market, once is one of the potential and each time more requested markets by Portuguese companies.

Is a company reality-based project, with the objective of projecting his international image and supply information's and knowledge's to the company not only at Russian market level, but also at the level of marketing strategies, which is a level that company has some barriers. In this way all actions and strategies developed were thought according to the objective of the company, in order to be applicable in a near future.

**Keywords:** Marketing Strategies; Internationalization; Communication; Wine Sector

# Thanks

I want to thanks my supervisor, Professor Pedro Matos for all motivation and support in guiding and correcting all theses during this last months.

Thanks to Mr. Francisco Cunha and his brother Mr. Paulo Cunha, administrators of Pinhal da Torre for all information's, good will in help and also for let me try some of their amazing wines.

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# Executive Summary

The importance of exporting is almost imperative for the producing Portuguese market of wine because of the saturation of the internal and European market in general. The internationalization will allow to the companies of the sector to face the actual difficulties and even to growing and suppress some production excess in offer-look perspective.

According to International Organization of Vine and Wine, in 2012 the sector of Vine is one of the sectors of national agriculture that most contributed to the development and internationalization of Portuguese economy, with values of 1,6% for exportation of goods and 15,5% for exportation of agricultural and food industries. We can also support the affirmation of "production excess" by the ratio of exportation/production, which represents 60% in 2012 and by the volume of imports vs. production that since 2003 to 2012 it has been maintained stable even in the years of lower production.

The Portuguese wine market has some good results in international terms in the last year. Wine Enthusiastic, a reference magazine from United States of America, elected 9 Portuguese wines to the Top 100 Best Buy list of wines with best quality/price. Also the Wine&Spirits magazine, an American wine magazine published eight times a year, elected three Portuguese wineries to the list of the 100 Wineries of the Year.

Russia is a country that each time has more wine consumers and more wine experts. As its possible to see in external analysis, the consumption of wine in Russia has been increasing in the last years and each time more companies are searching for new opportunities in this market. Russian wines are mainly made from Georgian grapes, but the wines that are more exported to Russia are from France, Italy and Spain, being Portuguese wines each time more recognized. Russia is known obviously by his vodka, however Igor Sherbatov, President of Sam Petersburg Sommeliers Association and Director of Sommeliers Wine School affirm, "drinking wine is starting to be an act of culture by those who are employed with ambitions in life". Obviously the image of vodka associated to Russia will not change, but Maria José Rézio, AICEP

Director in Moscow explains that the "tendency is to drink wine in medium class and replace vodka by beer in the age group of young people" is bigger by the time.

With all of this general analysis and data about the markets its now clear that the sector of vine is good to be explored and developed, once Portuguese wines are becoming each year more awarded and recognized for their quality in foreign countries.

To reach this objective is necessary to choose the right distributor according to the places, which should be supermarkets, specialty stores and wine bars, and apply the best communication tools available in order to catch and demonstrate to the consumers the right positioning since the beginning.

Pinhal da Torre is a company with strong differentiation points and valuable processes that should be demonstrated in order to not be seen as a one more wine producer but as that wine producer. After all and as said by Paulo Saturnino Cunha *"wine is also a food product and we should have the maximum attention to the wine that we make available to consumption"*.

# 1. Internal Content

## 1.1. COMPANY'S HISTORY

Pinhal da Torre is situated in Alpiarça in Tejo Region (approximately 90 km from Lisbon) and belongs to family Saturnino Cunha that produces high quality wines from the better Portuguese castes for many generations. The company starts its activity producing strawberries in 1970, in which later dedicated to vine sector. Pinhal da Torre vinifies exclusively self grapes from their two Farms, Quinta de São João and Quinta do Alqueve, in which the cellar of Quinta de São João was built in 1947 and is considered a icon in all Tejo region.

The company has all knowledge and experience from many generations dedicated to vine and wine production that distinguish since the beginning by the scrupulous care for vines and passion for "Terroir". It bets in viticulture as differentiating factor, overlapping oenology and working with determination to show and value the unique expression of his grapes and vines. The big diversity of grapes origin exceptional and unique wines differentiated by purity, elegance and personality.

The ProDer program, a strategic and financial instrument to support the rural development in the country, supports the company. This program has the objectives of increase the competition of agricultural and forestry sectors, promote the sustainability of rural spaces and natural resources, and revitalize economic and socially rural zones.

## 1.2. VISION, MISSION AND VALUES

**Vision:** Pinhal da Torre wines reflect the hard work daily employed in production that contributes in offering a singular product that presents the best of Ribatejo production and wine excellence.

**Mission:** Provide wines with differentiated flavor and impeccable quality.

**Values:** Responsibility; Respect; Innovation; Excellence.

## 1.3. SALES EVOLUTION

This is information that was not provided by the company. However some employees told that sales have been growing in the past years.

## 1.4. CONCEPT

The concept of Pinhal da Torre is to produce the best wine from the best self-grapes and castes. Their two farms with a total of 58 hectares have 55 hectares of vineyard with a huge variety of white and red castes (15 different castes).

**Red Castes**

- Touriga Nacional;
- Tinta Roriz;
- Trincadeira;
- Syrah;
- Castelão;
- Cabernet Sauvignon;
- Merlot;
- Touriga Franca;
- Alicante Bouschet;
- Tinta Francisca;
- Souzão.

**White Castes**

- Fernão Pires;
- Chardonnay;
- Arinto;
- Viognier.

The knowledge of each particular caste, the limited production in order to quality and the big respect for nature and fruit are the main reason for the quality of grapes provided by their two farms.

## 1.5. PROCESS

The wine manufacturing process is almost the same for all producers, however some companies can differentiate it in market with some singular characteristics. Pinhal da Torre try's to differentiate in the market in its wine production since the grape selection in the vine and cellar, the method of harvest that is totally manual, hour of harvest that occurs only in milder hours to avoid the quality of fermentation, and also the process of winemaking, which requests a stage on best oak barrels. After the production process the company also applies strict stage in the better barrels and in the last phase of packaging it's also the pioneer using braille language in bottles label.

## 1.6. PEOPLE

Companies in wine area need different amount of people depending of the season. Normally in the regular period of the year where it's just needed to manage the company, maintain contact with clients and try to reach new ones, and do all other functions related to a company, the number of employees is less than the period of harvesting. That's precisely what happens in Pinhal da Torre, which in the normal period of the year are just eight employees working diary in the company, while in harvesting period there are thirty people working. The employees are:

- **General Direction:** Paulo Saturnino Cunha;
- **Financial Direction:** Célia Nogueira;
- **Administration:** Rui Paulino;
- **Equipment and Vine Responsible:** Jorge Jesus;
- **Cellar Responsible:** Nuno Jesus;
- **People Responsible:** Arminda Jesus;
- **Accounting:** Joaquim Tendeiro;
- **Export Manager:** Tiago Prates.

During the harvesting period the company have more two employees working diary besides the people needed to harvesting process:

- **Viticulture:** Francisco Cunha;
- **Oenologist:** Rita Pinto.

## 1.7. CLIENTS/SEGMENTATION, TARGET AND POSITIONING

In order to have an effective marketing strategy it's important to understand consumer's habits. In case of Pinhal da Torre it's essential to have different wines with different characteristics once the company is present in a huge number of international markets, more precisely sixteen. For descending order, the markets that have more importance in company's sales are: Brazil, China, EUA, Canada, Nederland, United Kingdom, Luxemburg, Belgium, Poland, Denmark, Switzerland, Germany, Cape Verde, Sweden, Finland and the last one Portugal. Each of this markets are different from the others and Pinhal da Torre is able to satisfy the consumers consuming habits in all of them, applying in this way a differentiated strategy of **segmentation**. With this strategy, the company wants to be present in medium, high and premium segments of market. It's also important to define another criteria of segmentation such as:

- **Demographic Criteria**
    - Sex and Age: Men between 25 and 65 years old;
- **Geographic Criteria**
    - Regions: Mostly cities and big towns;
- **Economic Criteria**
    - Income Level: Middle and Upper Classes.

**Target** of Pinhal da Torre wines can be described as people with purchasing power, wine "connoisseur" and lovers of Portuguese wines, especially wines from Tejo.

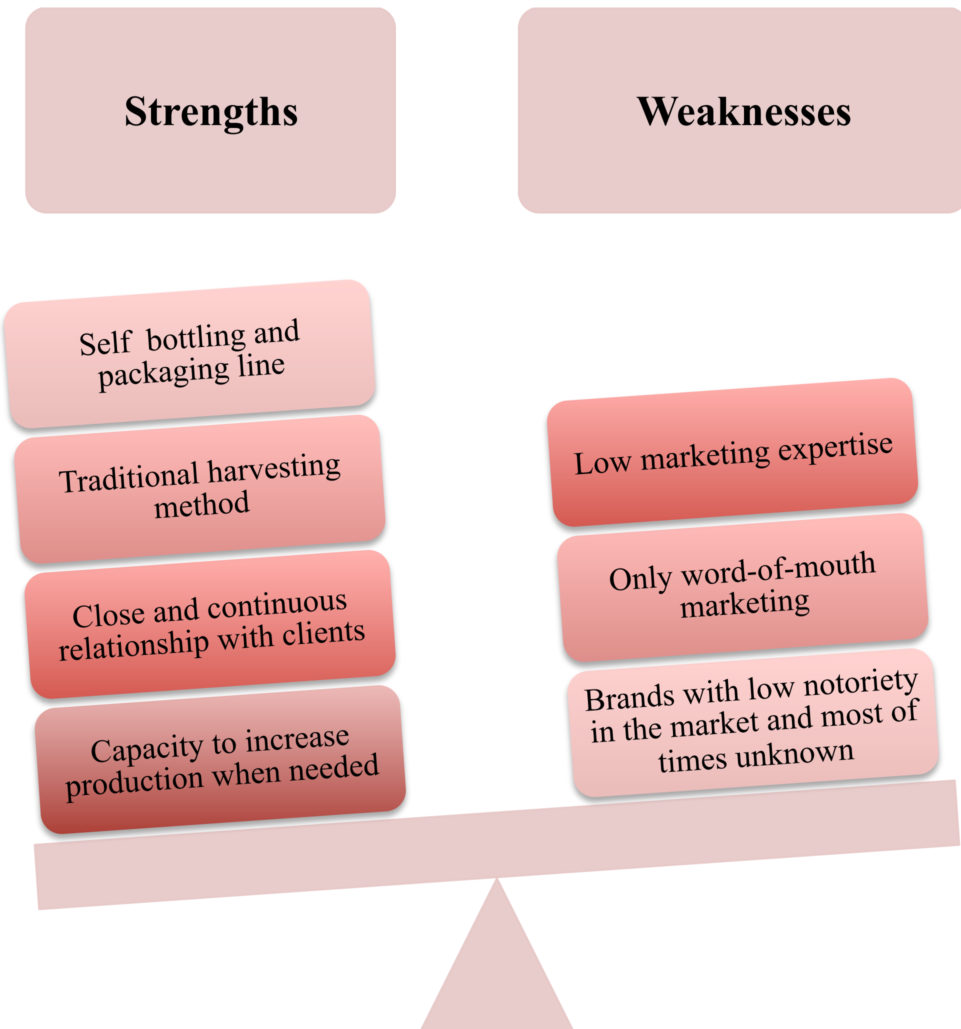
**Positioning** is another important definition for a company in market. A company needs to define itself close to consumers, otherwise will be the consumers defining the company in a good or bad way. Pinhal da Torre define itself as **Handcrafted Portuguese Wines**, but it also can be defined in a more detailed way using the Gold Triangle of Positioning.

**Consumers Expectations:** A good wine produced with the best grapes with a unique/characteristic flavor.

**Competitors Products Positioning:** High quality and premium wines produced using the best Portuguese self-grapes and international grapes perfectly adapted to Portuguese soils.

**Potential Product Strengths:** Portuguese quality wine; Awarded; Premium Image; Exclusive products

## 1.8. STRENGTHS AND WEAKNESSES



## 1.9. CRITICAL SUCCESS FACTORS

There are some critical success factors that have been contributing to the success and notoriety of this company in the market, such as:

- Continuity of wine quality;
- Choice of right partners;
- Bet in foreign markets and good selection of them;
- Improvements on technology focused on wine production, since the harvesting to the packaging;
- Presence in three different segments of market;
- Good Customer Relationship.

# 2. Marketing Mix of Pinhal da Torre

## 2.1. PRODUCT

Pinhal da Torre brand is independent and represents the company in its total, while each range of products have a singular name.

### 2.1.1. Brand Expression

- **Name** – The mane of the company was chosen according to the region where farm is situated, known as Pinhal da Torre;
- **Logotype and Symbol** – The logotype of Pinhal da Torre represents the identity of the company and its composed by the logo and a symbol. The symbol present in the logo refers to vine's "parra", in other words, the leaves of the vine. The logo identifies the brand name and also refers to a quality brand when it's referred "Hand Crafted Portuguese Wines".

**Figure 1 - Pinhal da Torre Logotype**

PINHAL DA TORRE
HAND CRAFTED PORTUGUESE WINES

**Source:** www.pinhaldatorre.com/pt

- **Colors –** The colors are black, red and silver. Red color is used to detach and the silver one to identify a futuristic and innovative company.

#### 2.1.2. Products

The company has presence in two different markets, which are wine market and olive oil market, being the wine market the main one. About wine market they play in three different segments of market, which are medium, high and premium. Pinhal da Torre presents eighteen different bottles of wine with different characteristics and prices, and has two different farms with different characteristics, so their wine names accord to the origin of the grapes, creating two distinct brands - Quinta de São João and Quinta do Alqueve. These are the two brands that most identify Pinhal da Torre in the market due to the brands proximity extension that creates a bigger product range with different characteristics that increase the company's notoriety. Besides this extensive range of products of two brands the company also has other brands of wine with other attributes. All of Pinhal da Torre products can be seen on appendix 1.

The annual production of the company is approximately 350 000 litters of wine, which is equivalent to 400 000 bottles of wine.

### 2.2. PLACE

The placement of Pinhal da Torre is composed by B2B (Business-to-Business) and B2C (Business-to-Consumer), being the B2B channel the biggest one.

Due to the fragmented market of wine in Portugal with so many small and medium producers, implement a strong sales model is very hard. Large quantity of different grapes, regions of production with different characteristics and some company's with small fields to produce force each company to act in different ways. In case of Pinhal da Torre, 90% of production is destined to foreign countries while only 10% of production is to be sold in Portugal. However both markets sell through Take Home and Horeca Channels.

As said before, this company uses both distribution channels with the same strategies. The B2B channel works in almost all countries through an intermediary, which is a wine importer that sells to restaurants, hotels, supermarkets, specialty stores, etc. in the destiny country.

In Portugal a wholesaler, a company named Empor II S.A that is responsible for the distribution to El Corte Inglés and Intermarchê through Take Home channel and a few restaurants through Horeca channel, make up the distribution. The company opted to sell just some wines in Portugal, adjusting this choice to Portuguese consuming habits, which leaves eleven wine options, including Vinha do Alqueve White and Red, Quinta do Alqueve Tradicional Red and White, Quinta do Alqueve Touriga Nacional, Quinta do Alqueve Touriga Syrah, Quinta de São João Syrah, Special, IPO and Faces Red and White. Faces Red and White wines as an exclusive distribution only available in Intermarchê.

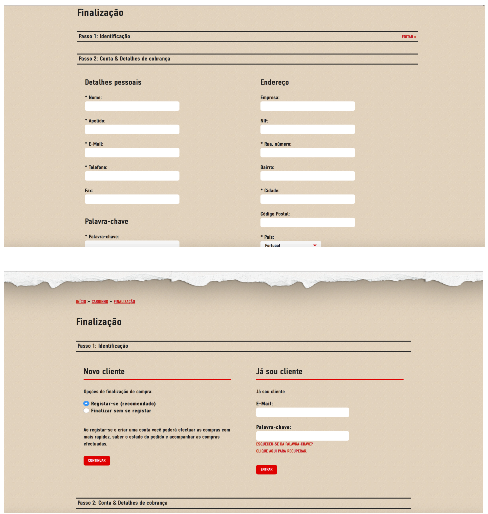
So, can be concluded that Pinhal da Torre applies an exclusive distribution through Intermarchê, an intensive one through El Corte Inglés and a selective distribution through Horeca channel, because the wines are only available in selected restaurants.

As in Portugal as in foreign countries, Pinhal da Torre also bets in online shopping to sell their wines. Their website is prepared in Portuguese and English with all of their products with prices and specifications. It has an area to register a new user, which requests all of information's needed to sell and ship the wines (Figure 3). The clients can also submit a Newsletter (Figure 2). At the moments the sales are not significant as expected.

**Figure 2 - Submit Newsletter**

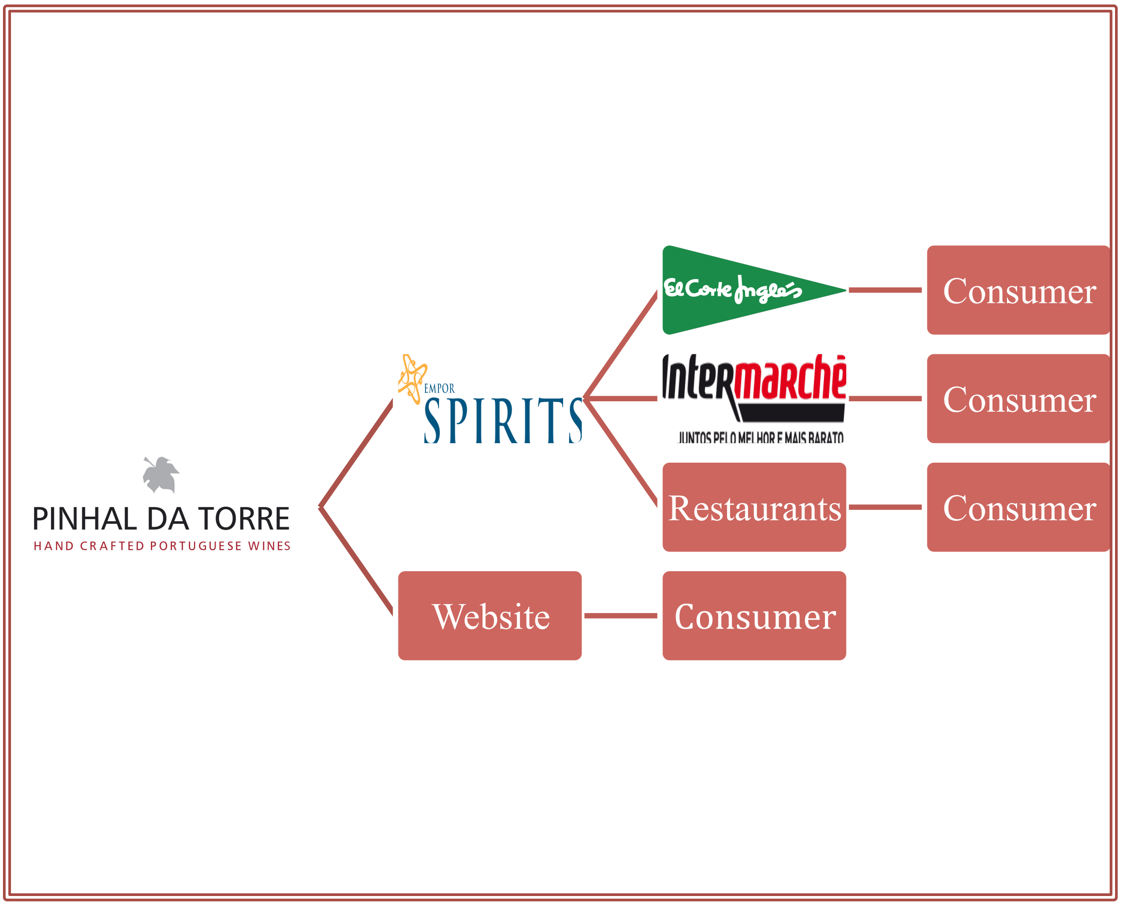

**Source:** www.pinhaldatorre.com/pt

**Figure 3 - Registration Process**




**Source:** www.pinhaldatorre.com/pt

**Figure 4 - Portuguese Distribution Channel of Pinhal da Torre**




**Source:** Author's Design, 2015

## 2.3. PRICE

Pinhal da Torre wines fit in three segments of this market, so can be verified three different ranges of prices according to each segment. Prime for a more controlled and efficient process of production that results in a quality wine is the main strategy of Pinhal da Torre and the differentiating factor in the market.

Despite of these factors, the definition of a price is crucial to determine the future of the company in the market and catch the attention of customers. The price needs to be well perceived by consumers to their sensibility analysis reveal a good relation price-quality. So in order to reveal this good relationship Pinhal da Torre established the following wine ranges.

**Entry/Medium Range**

- Vinha do Alqueve Red/White/Rose: 3,97€
- Faces Red/White: 3,99€

**High Range**

- Quinta do Alqueve Tradicional: 7,01€
- Quinta do Alqueve 2 Worlds White: 8,81€
- Quinta do Alqueve Fernão Pires White: 7,01€

**Premium Range**

- 2 Worlds Premium: 12,37€
- Alqueve: 19,78€
- Quinta do Alqueve 2 Worlds Reserve: 13€
- Quinta de São João: 14,13€
- Quinta de São João Syrah: 36,16€
- Quinta do Alqueve Late Harvest: 18,70€
- Quinta do Alqueve Touriga Nacional: 26,56€
- Quinta do Alqueve Touriga Syrah: 36,16€
- Special: 135,60€
- IPO: 268,72€

In these three segments it’s possible to conclude that Pinhal da Torre both applies **price and non-price competition** in their product’s prices. In all three ranges the company try’s to practice prices, which are similar to their competitors, otherwise in premium segment it’s also possible to verify some prices that are above of the prices practiced by the competitors, for example IPO, Special and Quinta do Alqueve Touriga Syrah.

## 2.4. PROMOTION

Pinhal da Torre is a small company present in sixteen markets, but with a big lack of investment in marketing/communication strategies. Besides some presence in fairs with almost any to show beside the wines, all communication made by the company is direct marketing (face-to-face) and word-of-mouth, in other words bellow-the-line communication strategy that implies less investment. To complement below-the-line communication strategy, the company has also Internet presence through several social networks and his own website.

### 2.4.1. Internet Presence

- **Website** – Pinhal da Torre has a website in both Portuguese and English languages adapted to all of his customers with the possibility to order all of wines to our home. Unfortunately once the company has a low notoriety in markets the online selling available in the website has very low sells and is not the potentiality that could be;
- **Social Media –** Pinhal da Torre is present in several social networks. One of them is a corporate Facebook page with 11.207 likes since 2009. This page is controlled by their export manager and is updated regularly with the main highlights of the company, which are fairs, wine tastings, awards and other important news. Another social network is LinkedIn, however this social network is completely unexplored with only 13 followers. The last social network is Twitter. In this network the company has maid 49 tweets and has 29 followers. With such a small number of followers it’s possible to say that is like LinkedIn an unexplored social network.

The company usually makes presence in some international fairs to promote their wines and make profit of some awards. In present year they already were in Germany, Brazil and London fairs. In London fair the world major critic of wines, Robert Parker, choose 5 wines that he consider the best world wines, which four of them are from Pinhal da Torre.

## 2.4.2. Competitors

As mentioned before, the wine market is huge and very fragmented. A cellar has multiple direct and indirect competitors that can be choose having in mind a wide range of characteristics. In case of Pinhal da Torre the selection criteria is mainly the region of production and grapes, and also the volume of exports. After a careful search about cellars in Tejo region, were chosen five direct competitors: Quinta Vale de Fornos, S.A., Fiuza & Bright – Sociedade Agrícola Lda, Companhia das Lezírias, SA, Adega Cooperativa do Cartaxo and Enoport United Wines.

**Quinta Vale de Fornos, S.A.**

Quinta Vale de Fornos in Azambuja is the result of centuries of story. It was bought by Dª Antónia Ferreira to offer to her daughter to her wedding with the 3rd Earl of Azambuja. This property was stage of stories where known characters as Napoleon and Cristovão Colombo attended. The farm has 200 hectares and merge since cultural tradition to events and mostly wine production.

To product red wines the farm uses two national castes, such as Castelão and Trincadeira, and other two international, such as Syrah and Cabernet Sauvignon and the harvesting mode is manually, like Pinhal da Torre. The farm has three brands of wine, which are “Quinta Vale de Fornos”, “IM” and “Vale de Pereiras”. These brands present bottles of varietal, two castes and three castes wines and also a five-litter box with a more competitive price.

Regarding brand image of Vale de Fornos farm, it won some awards, such as three silvel medals in “World Wine Contest 2012” and Bronze Medals in “5º Winemaking Competition for the ENOEXPO 2013 Medal” in Poland. Vale de Fornos is also present on social networks, such as Facebook with 1942 likes and on LinkedIn with 31 followers.

**Fiuza & Bright – Sociedade Agrícola Lda**

Fiuza & Bright was founded in 1985 as result of a partnership between FIUZA family and the Australian winemaker Peter Bright. The company produces his wines with grapes prevenient from his fields ensuring that no productive stage is left behind and the high quality of wines.

The family has four farms, with a total of 120 hectares, in the geographic region of Ribatejo, distributed by Almeirim (Quinta da Requeixada), Alcanhões (Campo dos Frades), Romeira (Quinta da Granja) and Azambuja (Quinta Nova da Azambuja). The annual production rounds between 600 000 and 700 000 litters, presenting twenty-five different wines.

A big important part of company's strategy is exportation. The company is present in sixteen different countries, including Russia. In Portugal the prices round between 3,59€ and 17€, and the wines are available in all supermarkets.

In last years the brand was recognized with some awards, like MUNDUSvini 2011, Wine enthusiast 2013 or Concours Mondial de Bruxelles. The company is also present on Facebook with around 2.650 likes and LinkedIn with 19 followers.

**Companhia das Lezírias, S.A.**

The beginning of winery activity of Companhia das Lezírias was in 1881 when the vine was installed in Charneca de Catapereiro. In 1934 the vine reached his maximum size – around 400 hectares. Passed some years the vine was restructured, having in present days 130 hectares, which 65% are red castes and 35% white castes. The company was founder member of "Rota da Vinha e do Vinho do Ribatejo".

The 23 wines that company produces are organized in two ways: Wines denominated as "Companhia das Lezírias" and table wines denominated as "Senhora de Alcamé".

The first ones, with Tejo denomination and the real competitors of Pinhal da Torre wines, are essentially produced from the caste “Castelão”, in case of red wines, and “Fernão Pires” in case of white wines.

Companhia das Lezírias is present in ten markets, including Portugal, and want to increase its exports, including more four markets, which are Germany, Finland, United Kingdom and Sweden.

Recently the company’s wines were recognized through several awards, such as “Vinalies Internationales 2012”, “Concurso Nacional de Vinhos 2012”, “Vinalies Internationales Paris 2011” and “International Wine Challenge – London, 2011”.

**Adega Cooperativa do Cartaxo**

Adega Cooperativa do Cartaxo was founded in 1954 and worked until 1974 in National Board of Wine, which is actually the Wine and Vine Institute. Wines produced in this cellar have the denomination of regional wine and DOC (Controlled Origin) and serve two purposes: High quality and satisfaction and recognition of truly wine lovers.

The company sells 6 different brands of wine, each one with different characteristics and prices, which are “Bridão”, “Coudel Mor”, Encostas do Bairro”, “Plexus” and “Loros”. From these brands, “Bridão” is the most known brand, once is the one with varietal wines, such as “Bridão (Merlot)”, “Bridão (Trincadeira)”, “Bridão (Tinta Roriz)”, etc.

Regarding the brand image, Adega Cooperativa do Cartaxo is perfectly known in Ribatejo region, which is the core market of the company. It also won some awards, however the company is not present in social networks, at least don’t have any official pages.

**Enoport United Wines**

The group of Enoport United Wines from Rio Maior, unified some of the oldest and very recognized Portuguese companies, such as “Caves Velhas”, “Caves Dom Teodósio”, “Adegas Camillo Alves”, “Caves Acácio”, “Caves Monteiros” and “Caves

Moura Basto". Group aims to achieve highest quality levels and during the last years it has been recognized by the exceptional quality of its wines.

Enoport United Wines possesses nineteen brands of wine, sangria, sparkling wine and brandy, from seven winegrowing regions, such as, Alentejo, Dão and Lafões, Lisbon, Setúbal peninsula, Porto and Douro, Tejo and Vinho Verde.
The group exports to Germany, Angola, Brazil, Canada, China, EUA, France and United Kingdom.

Regarding the brand image, the group is very recognized worldwide and has a very high number of awards, especially in 2013 that won 140 awards. In 2014 the group achieved 25 awards and was distinguished in 2012 by the German competition, Mundusvini as the "European Producer of the Year", in 2011, 2012 and 2013 as the "Best Portuguese Producer of Still Wines" by the German competition Berliner Wine Trophy and in 2011 and 2013 as "Award for Excellence" by the Tejo Wine Region.

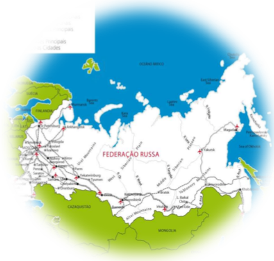
The group is also present on social networks, such as Facebook with 3271 likes and on LinkedIn with 186 followers.

# 3. External Content

The competitiveness of international wine market is becoming more and more intensive during the years, so in order to be succeeded the companies need to be aware of the macro-environmental changes and adapt their strategies. In this specific case is essential to analyze deeply the Russian market and know in detail all indicators related to wine consumption and the rest of Key Performance Indicators (KPI's).

## 3.1. IMMEDIATE ANALYSIS

### 3.1.1. Russian Market File



**Source:** EIU, 2013

Russia is the largest country in the world and the 10th most populated. The capital is Moscow (14 million habitants) and is the sixth major economy that has been registering a big evolution in the last ten years. The official language is Russian but their people speak more than 100 languages and dialects. In terms of country risk is classified as BB, which can be considered a low risk country in a scale that varies between AAA (lower risk) and D (higher risk).

| **Table 1 - Russian Main Indicators** | | |
|---|---|---|
| **Population (2013 prevision)** | 142,5 | Millions/habitant |
| **GDP** | 1.852 | Thousand million euros |
| **Currency** | RUB | (1€ = 70,388 RUB) 5/01/2015 |
| **Per capita consumption** | 8,42 | Litters/habitant |
| **Total Consumption** | 12,8 | M/hectoliters |
| **Consumption Legal Age** | 18 | Years |

**Source:** Author's Design, 2015

### 3.1.2. Russian Wine Sector

The wine production in Russia is mainly focused in Caucasus, which group several styles of wine since sparkling wine to dessert wines in which the caste more used is Rkatsiteli. Despite the production areas fix Russia in a top-15 world ranking of producer's, with a total production in 2012 of 620,000,000 liters which is equivalent of 2,41% of total world wine production, cultivation area has been reducing in the last years, being now a half when compared with thirteen years ago.

Wine consumption has been increasing since 2003 and almost duplicated fixing in 12,8 millions hectoliters of total consumption and 8,42 litters of consumption per habitant. Russian people have increased their interest for European wines, however there are some governmental incentives for consumption of national wines.

In terms of wine imports, the segment of wine more imported in Russia is bottled wine representing 2/3 of the total. This segment tripled in value since 2003 but hasn't increased so much in terms of volume. The average prices of bottled wine imported since 2003 have increased fixing in 2013 a price of 2,22€ per litter (Appendix 2 – Fig. 1).

These imports are characterized 96% with fifteen countries around the world, in which Portugal is the last one. The three major suppliers of wine to Russia ordered by the first to third are Italy (28,5% of value quote), France (22,7% of value quote) and Spain (9,1% value quote) and are the three responsible for 60% of Russia wine imports. Characterizing the average prices of imports per litter and country can be identified three distinct prices from three countries. The country with highest price per litter is Portugal (3,83€/litter), followed by Italy (3,31€/litter) and France (3,21€/litter). Spain represents a great competitive advantage regarding prices with 1,40€/litter. Once the most used caste in Russia is Georgian, this country fix the fourth position of Russian suppliers with a quote of value of 7,8%. (Appendix 2 – Fig. 2).

> "The growth of the Russian economy and the growing acceptance that the Portuguese products have the premium, which value the quality and sophistication, make Russia a good bet for our companies"

**Source:** Paulo Nunes de Almeida (2011) – Vice-President of AEP (Portuguese Entrepreneurship Association)

### 3.1.3. Russian Consuming Habits and Tendencies

Russia is the country where more alcohol is consumed, but recently Russian tendencies are to imitate occidental lifestyles and tastes, and drinking habits are an example of that, characterized by the change in last years. Russian people is known to drink mostly vodka, being the Russian market the world's largest vodka market, but some cultural changes gave to wine an opportunity. Recently "drinking wine is starting to be an act of culture by those who are employed with ambitions in life", says Igor Sherbatov, President of Sam Petersburg Sommeliers Association and Director of Sommeliers Wine School. Obviously the image of vodka associated to Russia will not change, but Maria José Rézio, AICEP Director in Moscow explains that the "tendency is to drink wine in medium class and replace vodka by beer in the age group of young people" is bigger by the time (Table 2).

**Table 2 - Market Size of Alcoholic Beverages (Beer and Wine) in Russia; Retail Sales Value in $US Millions, Fixed 2010 exchange rate**

| Categories | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Alcoholic Drinks | 27,908.0 | 31,702.9 | 36,521.7 | 41,118.7 | 42,421.5 | 44,642.3 | 46,243.0 | 54,357.0 |
| Beer | 10,000.8 | 11,678.4 | 14,746.2 | 16,836.5 | 18,301.8 | 20,068.7 | 20,441.3 | 25,112.7 |
| Dark Beer | 129.4 | 148.8 | 169.4 | 197.2 | 225.3 | 224.5 | 217.9 | 271.0 |
| Lager by Origin | 9,667.9 | 11,295.6 | 14,303.2 | 16,309.4 | 17,696.0 | 19,459.5 | 19,818.9 | 24,316.4 |
| Low/Non- Alcohol Beer | 197.7 | 227.5 | 266.0 | 321.2 | 370.5 | 374.4 | 394.5 | 514.5 |
| Wine | 5,139.1 | 5,535.9 | 6,490.7 | 7,442.0 | 7,495.1 | 7,759.9 | 8,021.5 | 10,982.8 |
| Fortified Wine and Vermouth | 1,953.1 | 2,107.9 | 2,366.5 | 2,804.1 | 2,962.9 | 3,082.4 | 3,217.4 | 4,388.6 |
| Non-Grape Wine | 82.1 | 92.6 | 109.5 | 138.4 | 177.7 | 175.0 | 178.3 | 213.9 |
| Sparkling Wine | 419.2 | 476.1 | 661.6 | 762.2 | 467.4 | 580.9 | 611.4 | 853.6 |
| Still Light Grape Wine | 2,684.7 | 2,859.3 | 3,353.1 | 3,737.3 | 3,887.2 | 3,921.6 | 4,014.4 | 5,526.6 |

**Source:** Euromonitor, 2011.

It's also very important to speak about the culture of brands in Russia. Spirits are ordered by brand name rather than type in order to sign a strong brand culture among the consumers, focusing in two main aspects: price and perceived image. Very often domestic brands are preferred instead of global ones not only because believes that these brands more healthier but also due to the crisis. With growing economy, Russian people are starting to have more incomes and the tendency is to buy more international brands. This tendency is mostly determined by the aggressive advertising and slight price decreases that shape consumers preferences for global products.

In order to understand a little more Russian wine consuming habits and tendencies, it was performed a qualitative and quantitative research in a form of questionnaire to Russian population, using the Qualtrics online survey platform (appendix 3). This questionnaire was shared through Facebook and LinkedIn to several Russian groups. The sample is not significant for such a huge market, however it allows us to take some useful information's.

### 3.1.4. Restrictions and Entry Difficulties

The main entry difficulties in Russian market are related mostly with promotion of alcoholic beverages. On 23th of July of 2012 some advertising laws related with alcoholic beverages were changed. Some additional restrictions were imposed as well as new advertising conditions. This new legislation prohibits publicity of alcoholic beverages on internet sites with domain areas of .SU, .RU and .RF, as well as internet sites in other geographic areas with Russian language considering that this information have as target Russian consumers. However this law is not applicable on analytical and advisory wide information, that is for example official producer of seller website.

Also since 1st of January of 2013 is forbidden the advertisement of alcoholic beverages in social communication, such as magazines, journals, TV channels, among others.

> "Russia's latest salvo in a long battle against alcohol abuse by its citizens is a sweeping ban on all alcohol advertising in media outlets. It's likely to have an unforeseen victim: the country's small but booming wine culture."

**Source:** Robert Camuto, Russia Silences Wine Advertising – WineSpectator, 2013

Beside the main entry difficulty it's possible to face others, however not so certain. These are supremacy of substitute products such as vodka and national wine and low negotiation power with local distributers.

There are other norms that imported products need to follow. These norms are Certification, which is dependent of two documents (Conformity Declaration and State Registration Certificate), and other six documents that are needed to present to importer, which are Origin Certificate, Commercial Invoice, Packing List, Free Sale Certificate, Labels and Back-labels and Analysis Report issued by an Approved Laboratory.

**3.1.5. Positioning of Portuguese Wines in Russian Market**

**Source:** Author's Design

Portugal is the fifteenth major provider of wine to Russia with a market quote of 0,4% for volume and 0,8% for value in 2013, which corresponds to 199 thousand boxes of nine bottles that represents a value of 6,8 million euros. However in terms of Portuguese wine exports to Russia, it only represents 0,2% of total wine exports and 0,3% of value besides the annual growth tax of 26% between 2003 and 2013. Regarding the prices per litter, these prices are on average 3,83€, which also represents on average 2,87€ for a bottle of 0,75cl. It is also important to refer that the prices of Porto Wine influence the average prices of wine in the way that if Porto Wines are imported at lower prices, the regular wines suffer also a decrease. If Porto wines not affect it, the price of wine per litter was 3,15€, so the third highest, giving to Portuguese wines a more competitive price in this market.

## 3.2. MEDIATE ANALYSIS - PEST

The following analysis describes the macro environmental factors, such as Political/legal, economical, socio-cultural and technological that influence wine sector in Russia.

### 3.2.1. Political/Legal Environment

In terms of political and legal environment, Russia has been changing some laws during the past years. Russia is the EU's biggest neighbor and its third best trading partner, in which the **Partnership and Cooperation Agreement (PCA)** govern the relationship between Russian Federation and European Union. In 2008 were initiated new negotiations to launch a new agreement with the objective of provide a more comprehensive framework for EU-Russia relations, reflecting increased cooperation since the early 1990s and include substantive, legally binding commitments in all areas of the partnership, including political dialogue, freedom, security and justice, economic cooperation, research, education and culture, trade, investment and energy.

Since December of 2012 was also established the **Partnership for Modernization (P4M)** with the objectives of promote reform, enhance growth and raise competitiveness and build on our four Common Spaces, which are four policy areas related to economy & the environment; freedom, security & justice; external security; research & education. Some recent initiatives of this Partnership also include rule of law projects, fostering civil society in Russia and economical and technical modernization. EU and Russia also have a long record of cooperation on issues, including climate change, drug and human traffic, organized crime, counter-terrorism, non-proliferation, the Middle East Peace process and Iran.

About exports of farm products to Russia there are some obligations as established in Memorandum with European Commission in 2008. The objective is to guarantee the security of products for human consumption. The **tariff** follows the Harmonized System of Commodity Description and Coding, being the rights determined through an ad valorem base on the goods CIF value. However some products have different taxes, which is the case of alcoholic beverages. This tax is an excise duty payable on domestic sales of certain goods produced in Russia and on imports thereof and its deductible for profit tax purposes. These products are alcohol, beer, tobacco, cars, motorcycles, petrol, diesel fuel, motor oil and straight-run petrol. Imported tobacco and alcohol are cleared through customs only if they carry excise stamps. The taxes structure for imported wines in Russia is 18% (Russia VAT rate) + very sparing excise tax + duty.

It is also important to refer in terms of business environment the position of Russia caring transparency. According to the **Corruption Perceptions Index of 2014**, Russia is ranked in 136º position in a total of 175 countries, with a score of 27 on a scale where 0 is highly corrupt and 100 very clean. It's possible to affirm that Russia isn't on a very confortable position when the theme corruption is debated.

### 3.2.2. Economical Environment

Economic perspectives for Russia are determined essentially by commodities quotes, specially petrol and gas, once Russia is the first worldwide producer of petrol and the second of natural gas. Through *Economist Intelligence Unit* (EIU) the evolution of petrol's price play favorable to Russia, once the quotes should maintain high until 2017.

Recently was approved by the government a program that essentially aims to accelerate economic growth, creating new opportunities to small and medium enterprises. In June of 2013 was announced a investment of 14 thousand million dollars to build a new high speed railway line connecting Moscow to Kazan, an improvement of Trans Iberian line and the construction of a beltway road of Moscow.

The GDP growth in 2012 was 3,4% and its provided a GDP growth of 3,8% for 2015 (The Economist Intelligence Unit, Appendix 3, Table 1). For the period between 2013 and 2017 it's expected a GDP growth bellow the registered between 2000 and 2008. This growth is affected by several factors that will prevent a major growth, as energetic production that should continue irregular, high dependence of natural resources and some institutions deficiencies.

The inflation, (price evolution in a standard-package of services and goods for consumption), recorded in Russia in 2013 was 11,357% (Global Rates, 2014). However its provided a inflation rate of 5,4% in 2015 (Appendix 4, Table 1).

Regarding GDP per capita, it increased last years. In 2014 the GDP per capita was 13.132€.

In terms of Commercial Balance it reached in 2012 71,4 thousand million dollars, the equivalent of 3,5% of GDP. The expectations for the next years are not so positive, once it's provided a balance of 1,4% of GDP for 2015, the equivalent of 34,4 thousand million dollars (Appendix 4, Table 1). However it's expected a surplus commercial balance due to high quotes of petrol.

## 3.3.3. Socio-cultural Environment

The socio-cultural environment is very important to the success of a company. Relations are very important in Russian business because rewards do not always come in cash but it always pays to be sociable and reliable individual.

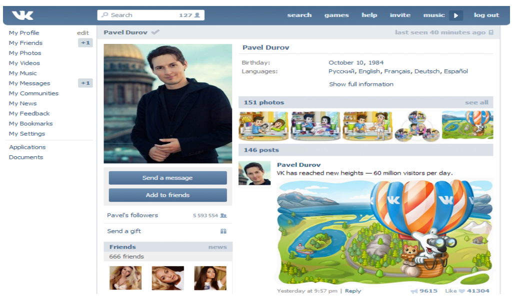
The population in Russia in 2013 was 142,5 million inhabitants, of which 11,621 millions lived in Moscow. From all population, 59,6% or 84,944,347 individuals are aged between 25 and 64 years old.

The average life expectancy in 2014 was 70.16 years for all population. Female population has a higher life expectancy of 76.3 years against 64.37 years of male population.

In terms of urbanization, 73,8% of total population in 2011 is urban population.

Russia is a robust market for online services. With over 62 million Internet users, have the sixth highest number in the world. Half of all Russia's internet users reside in small villages or cities with less than 100 000 occupants, while only 34% of internet users reside in cities of 500 000 or more occupants. Russia has two most popular social networks, which are Vkontakte that is similar to Facebook, and Odnoklassniki, that is a platform for connecting with old friends and classmates (Appendix 5).

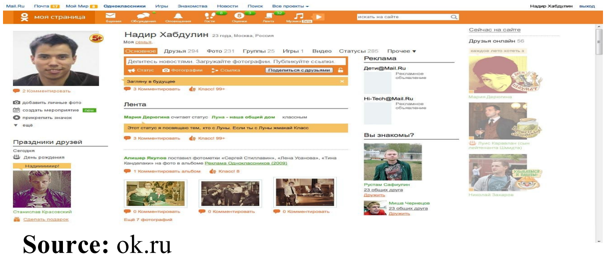
**Figure 5 - Vkontakte Profile Example**



**Source:** vk.com

Launched in 2006, Vkontakte (VK) is the second biggest social platform in Europe, with 49 million Russian users and over 239 million accounts. It is aavailable in several languages but remains popular among Russian-speaking users from all over the world.

**Figure 6 - Odnoklassniki Profile Example**



**Source:** ok.ru

Odnoklassniki is Russia's second most popular social platform, with over 148 million registered users. On average, russians spend over 6 hours a month on the site.

## 3.3.4. Technological Environment

Wine industry is very dynamic in terms of innovation all over the world. When technology and wine are merged many technological tools can be invented and associated and much more trends are to come. Unfortunately not all wineries are able to adopt these technologies due to their small dimensions and economic capabilities.

Technology not only changes winemaking, but also all buying and customer relationship processes. Buying wine is a process dependent on many factors, such as year and cultivar, region, alcohol level, type of stage, occasion, price, etc. and promote wines with such selection criteria is not so easy, unless we talk about a known brand.

**Figure 7 - "Vivino" Application for IOS**

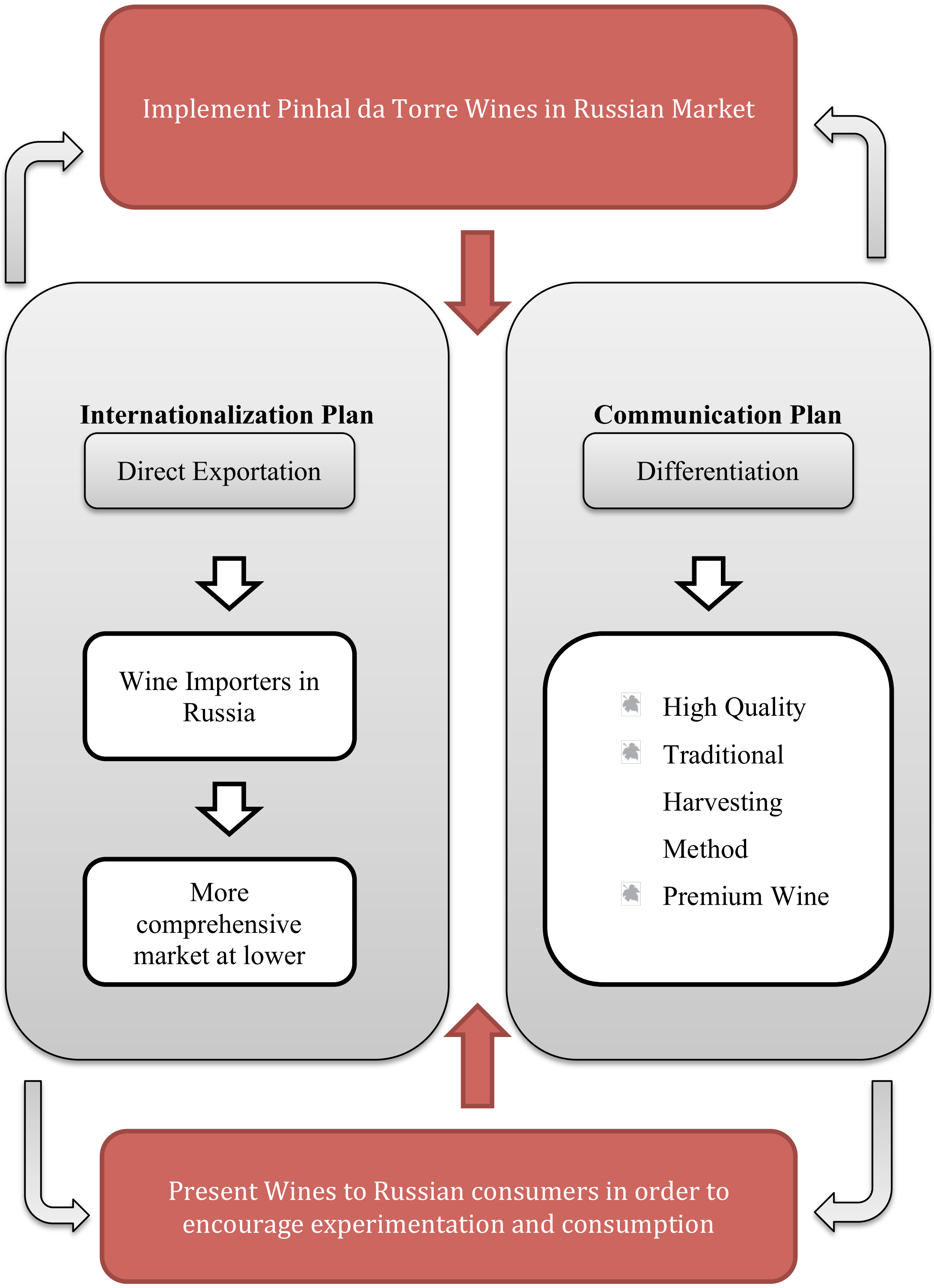

**Source:** Vivino IOS app

During the years consumers are each time more able to access to information anywhere and this opportunity is taken in mind, especially through wine mobile apps. In Portugal we have apps like "Vivino" that helps us to choose a wine according to the occasion, the price, and most important gives us a feedback of other people, including friends we are following, that already tasted the wine and rated it in the application, which could be at the same time a great opportunity for wineries and bad for those wines with bad rates and comments.

In terms of winemaking, there are several technological tools that make it easier and more reliable. The quality and behavior of the group is a big determinant for the quality of wine, which is the reason for viticulturists take decades observing how various patches of ground perform and how to work it out. Through **Satellite Imaging** this information can be achieved in just a few hours from small planes and satellites that take pictures using infrared, which reveal the exact conditions on the ground. It was also adapted a handheld spectrometer that analyses the light coming from a grape and tells us when the harvest is perfectly ripe. **High-tech irrigation** is another technological powerful tool. This consists in a slow, steady supply of water to the vines, which tails off as harvest approaches, replicating the naturally occurring conditions of the world's greatest vineyards.

The examples above are just some specific ones regarding how technology changed the winemaking process, but on a general way the technology allows to the wineries to do the harvesting quickly, at lower costs and consequently a less expensive manufacturing process, which is traduced in low selling prices or higher margins.

# 4. "Maneuver" Plan




**Source:** Author's Design, 2015

# 5. Literature Review

The main topics developed are Ways to Entry in International Markets, Customer Relationship, Determinants of Wine Consumption, Wine Supply Chain, Word-of-Mouth and Communication Strategies.

Wine production predates recorded history, as does the discovery of the healthful benefits of it and its image of a beverage of the affluent persists today. Wine was one of the first commodities to be bartered by early civilizations engaged in international trade.

Today wine is an integral component of the culture of many countries, a form of entertainment in others and a libation of choice for advocates of its health benefits. Unlike many modern foods, wine’s attractions rely not on bold consistent flavors, but upon a subtle array of shifting sensations that make its charm difficult to define. **In essence, wine producers are selling a sensory experience to the consumer**. The successful wine producers were those who grasped market forces of supply and demand, and whose products met the prevailing definition of quality. In past generations the definition of quality was the preserve of the wine producer and consumers who did not like a particular style of wine were often made to feel uncultured. But globalization and the accompanying rapid worldwide access to information have resulted in a more knowledgeable and empowered consumer with a more sophisticated understanding of product value. According to the Department of Viticulture and Enology of University of California “the intrinsic sensory aspect of wine taste and aroma are only one component in the modern consumer definition of quality” - Bisson, Waterhouse, Ebeler, Walker & Lapsley (2002). Therefore, extrinsic factors, such as bottle and label design and the perceived artistic talents of the winemaker are equally very important motivators of human preference in wine selection.

Today the industry needs to pay more attention to the extrinsic factors in order to motivate product choice (preference, perception and behavior), while ensures that production remains cost-effective and economically sound.

## 5.1. WAYS TO ENTRY IN INTERNATIONAL MARKETS

According to McDougall & Oviatt (2000) the internationalization of companies "is the combination of innovative and dynamic behaviors, search of risks, which cross national frontiers with the objective of creating value in the organization", which reflects a way to companies increase the value of the organization by expanding their market and adapt their strategy to a new unknown reality.

### 5.1.1. Main Motivations to Internationalize

A study of Portugal Exterior Commerce Agency published by Simões (1997) identifies five groups of motivational factors of Portuguese companies to internationalize (Table 3).

**Table 3 - Motivations to Internationalize**

| | |
|---|---|
| **1. Endogenous** | Company's need to increase<br>Use of productive capacity available<br>Scale Economies;<br>Competency and technologies exploration<br>Diversification of risks |
| **2. Markets Characteristics** | Limitations of Internal Market<br>Perception of exterior markets dynamic |
| **3. Relationships** | Answer to competitors<br>Follow (internationalization movements) clients<br>Approach (more requested) to foreign companies |
| **4. Access to Exterior Funds** | Less production costs in foreign countries<br>Access to technological knowledge |
| **5. Governmental Incentives** | Support from governments |

**Source:** Simões (1997)

Many authors attempt to compile strategic opportunities and tendencies to internationalize. An example is an attempt based on Ferreira (2011) that refers the positive image of a country; ease of access to market; success of a partner or a competitor; proposal of a client; brand image or technological advantages exploitable in other markets; motivation/will of a manager; favorable exchange rate; spontaneous demand of a product; availability of the company to be purchased; follow competitors (tendency followed by leading companies in the sector); tax reduction and grants to exterior investment offered by receptor market.

In general, the main motivations to internationalize are: getting a reduction of costs (scale economies) or international projection of the company (image diffusion) or reduction of total business risk – Pla & Ortega (2001).

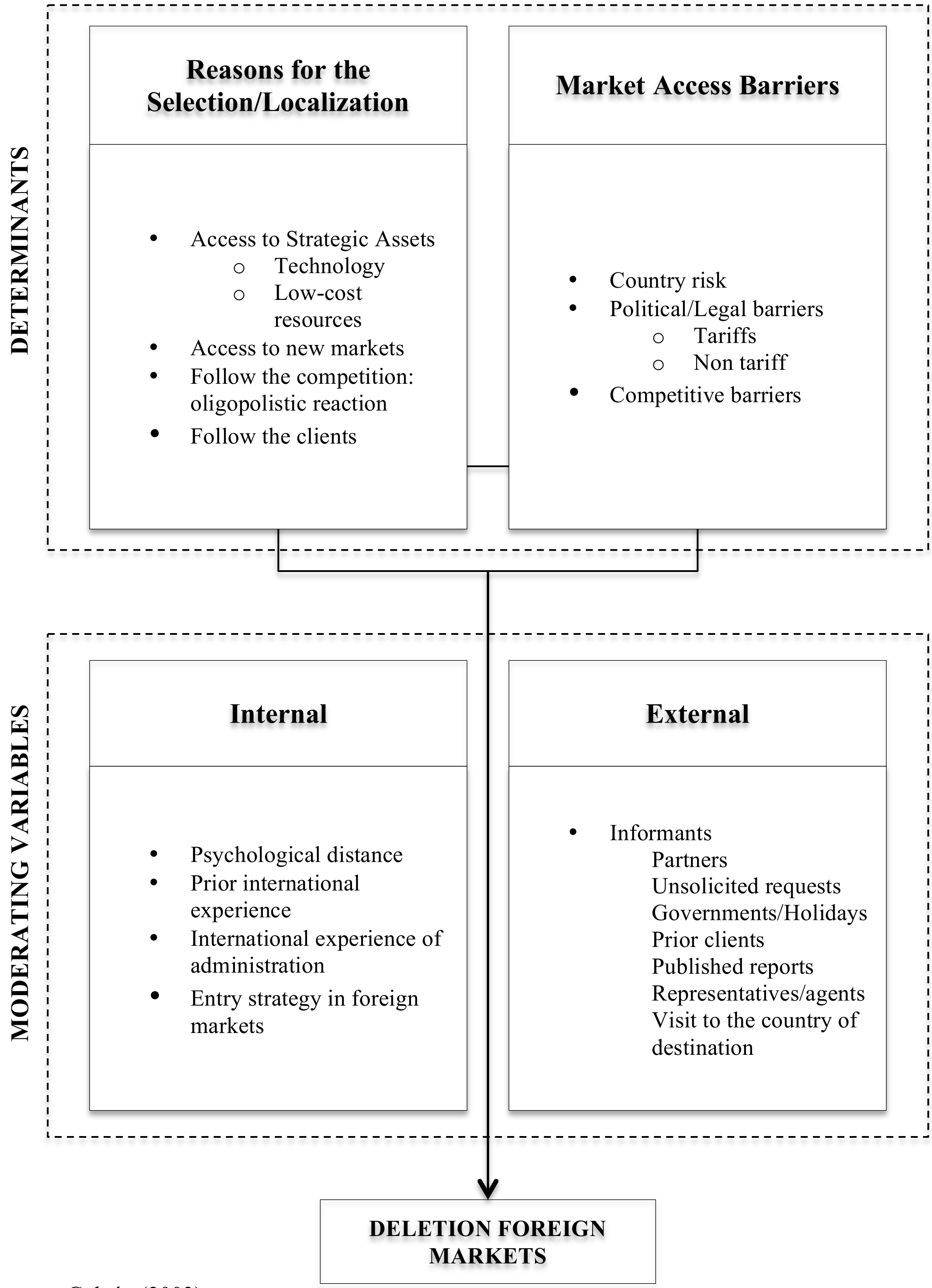
Nieto & Llamazares (1995) refers that internationalization advantages are related to **production** issues (use of productive capacities, scale economies, raw materials, man power, energetic resources), **commercial** (proximity to client, broader market, selling stability, increase of external image, reaction to competitors), **financial** (risk diversification, offset results, international tax advantages, funding in other countries), **human resources** (knowledge, share experiences).

There are also other factors to internationalize. Pla & Ortega (2001) refer **push factors**, which are difficulties in local markets and establish with a strong competency in a national level, product life cycle in descendent phase in national market or economic crisis (Portugal's case) and **pull factors**, such as: explore some international markets opportunities since new markets with a grow above the national representing an opportunity to sales; obtain cheaper resources; reaction to competitors, know-how or specialized manpower access.

To Dunning (1988), there are some crucial factors that help to find the entry mode in a country. These are, **property advantages** (O), as brand, technological knowledge or distribution control; **location advantages** (L), which assumes a central paper in the local decision of total direct foreign investment and access to work or raw materials resources with lower costs. The last factor is **internal advantages** (I), namely the case of control or resources availability.

To conclude, any company that intends to internationalize needs first to do a careful analysis of internal and external contexts in order to leverage his strengths and be aware of his weaknesses. The figure 8 illustrates the four determinant factors to select a market.

**Figure 8 - Determinant Factors to Select a Market**




**Source:** Galván (2003)

### 5.1.2. Ways to Internationalize

To enter in foreign markets there are several ways, which can be divided in two major categories, says Lendrevie, J. *et al.* (2015). These categories are denominated as **light implant formulas** and **“heavy” implant formulas**.

The **light implant formulas** are characterized by relatively low investment and financial risks and a slow level of control about politics and marketing activities in destiny country. The main formulas of this category are **transfer of license**, which consists on transferring to a local company the rights of manufacturing and sell products whose patents and know-how belongs to initial company. The other formula and the most important to this project is **exportation.** It could be made in several ways, but in general this formula consists in deals with agents and/or local distributors in which the agents promote the sales, watch the market and give feedback to exporter, being paid through sales commissions, and local distributors buy exported products to the agent or directly to exporter, resale them and get paid through a margin. In this formula the exporter and his local representative can finance together communication actions to support the commercialization of products.

The **“heavy” implant formulas** are those that support the creation of a subsidiary in destiny country, which can create a **joint-venture** or a **foreign direct investment**. In case of joint-ventures the company that wants to internationalize associates with a local company with complementary characteristics with the objective of sharing know-how and market knowledge. In case of foreign direct investment implies to the company support all costs and risks created by the implementation in the country. However it has some advantages, says Ferreira (2011). It provides a global and specific action to management, marketing, technology and human resources: it allows to company explore better his competitive advantages in objective market; reduction of selling costs in the market against exportation alternative (transportation costs, custom duties, manufacturing costs, etc.); avoid some importation quotes and other restrictions to external commerce; etc. To Martín & Martínez (2009) this way to internationalize it’s the chosen by companies who have a high experience with international markets, high financial capacity or by companies with new or differentiated products.

## 5.2. STRATEGIES OF PORTUGUESE ALCOHOL INDUSTRY

"In an industry where Portugal, United Kingdom, France and Netherlands has different historic, the alcoholic beverage industry is similar in many ways, however each country developed distinctive advantages in distinct types of beverages", says Lopes (2004). Each country is specialized itself in specific beverages, such as United Kingdom on breweries and production of whiskey, Netherlands on beer and spirits, France on table wines, processed wines, liqueurs and spirits and Portugal on wines, based on soils characteristics and climate. Portugal that is mainly known in this market by port wines became so recognized because "distinctive qualities made it hard to replicate production of port wine in other, dissimilar, geographic regions", refers Duguid (2005). To Lopes (2005) "conditions in Portugal also favor the cultivation of grapes for standard wines that unlike premium wines generate much lower profit margins, but in contrast to other countries, the failure of Portugal in creation of multinational companies was driven by other factors".

The author refers that the "type of beverage manufactured by firms also affected their ability to gain knowledge in marketing and branding that when gained early allow firms to diversify, either by creating new brands or by acquiring existing brands in similar or different alcoholic-beverage types, giving to brewers and spirit firms an advantage over wine firms". Another reason to lack development of multinational companies in Portugal was the shift of richest markets to the center of Europe, which poorer economies characterized for a long time by less developed domestic market, less sophisticated consumers and less advanced financial institutions, combined with a protective institutional framework, provided fewer opportunities for the growth of multinationals and in addition the lower level of professionalism achieved by Portuguese managers and entrepreneurs. Also the established government rules protected existing firms from new entries and enable them to survive without developing management capability, marketing skills and technological knowledge, which didn't gave them the need to internationalize through foreign direct investment. Besides many other governmental rules established that interfered with the capacity of Portugal to become leading multinationals, the author also affirms that "Firms need to concentrate on developing their marketing knowledge (management of brands and distribution channels), rather than continuing to be preoccupied with production".

## 5.3. WINE CONSUMPTION

There are many different types of wine consumers and the first step for marketers is identifying them. However past studies on wine consumption were often focused on socio-demographic variables, which doesn't allow interventions to try to change the reality (example: men drink more wine than women but we can transform a women in a men). Wine consumers are consciously and unconsciously interacting with wine information segmenting their knowledge into a number of wine purchasing habits and characteristics. New researches based on lifestyle variables allow, in certain cases, interventions and that's why the determinants of wine consumption are so important.

### 5.3.1. Determinants of Wine Consumption and Spending on Wine

A study by Institute for Environmental Decisions (IED), Consumer Behavior, ETH Zurich, Zurich, Switzerland conducted by Brunner & Siegrist (2001), identify five determinants that significantly influence both consumption and spending on wine: knowledge, bargain, recreation, age and intellectual challenge. It was identified a real challenge for wine marketers (except for knowledge), once the result showed that consumers who drink a lot spend less money on a bottle of wine and the consumers who drink less spend more on a bottle of wine. Johnson & Bastian (2007) focused their study on knowledge/expertise based on a sensory test. The results showed that the consumers with high expertise drink more wine and spend more on wine than medium and low expertise groups. This study can be also confirmed by Johnson and Bruwer (2003), Hall & Winchester (1999), Spawton (1991) and McKinna (1986) that with another study revealed that consumers with a higher wine expertise spent higher portions of their household income on wine than less knowledgeable consumers.

The results of the other four determinants were specifically "consumers who pay more attention to **bargain** drink more but pay less; consumers who tend to drink to make themselves **feel confortable** consume more at lower prices; **Older consumers** consume more and spend less; those who drink for an **intellectual challenge** consume less and spend more".

**Gender** was other determinant studied by Hoffmann (2004), which found that "women were more likely than men to drink white and sparkling wine but there was no difference between them for red wine". **Income Level** was also studied by Hussain *et al.* (2007) and a positive correlation was found between this determinant and the price paid for a bottle of wine, that is, bigger the income, bigger the price paid.

### 5.3.2. Region of Origin as Wine Choice Factor

Region of origin as defined by wine law in Australia is "a word or expression used in the description and presentation of a wine to indicate the country, region or locality in which it originated or to suggest that a particular quality, reputation or characteristic of the wine is attributable to the wine having originated in the country, region or locality indicated by the word or expression" (AWBC, 2008).

Is also referenced by Johnson & Bruwer (2007a) a definition of regional wine brand image as "A held perception (or belief) about a bounded wine area space that is usually holistic and multi-dimensional in nature, the elements of which are "glued together" by inter-related winescape elements (vineyards, wineries and other physical structures, wines, natural landscape and settings, people and heritage, town(s) and architecture)(p.227)".

A study conducted by the School of Agriculture, Food and Wine and The University of Adelaide in Australia explored the growing of the consumer's self-education in wine and information seeking process and the level of wine tourism interaction in order to identify the role of wine education and hence knowledge as a fundamental component of growing the importance of a wine's region of origin in relation to the consumer's wine buying decision-making process.

Lockshin *et al*. (1997) says, "as consumers increase their level of wine knowledge they also increase their level of wine involvement, which implies a greater level of importance their notion of a wine's region of origin attributes". The second aspect of the study (tourism interaction) revealed that wines' region of origin impact directly on decision-making process, once consumers increase their involvement, motivation and interaction with wine tourism. Visiting a cellar door combined with the desire to learn more about wine and production improve consumer's sensory ability with the overall winescape of region visited and subsequently wine region develops into a powerful recall choice factor.

Croser (2005) affirms, "the very nature of regionality is a strong point of difference and one which cannot be replicated", view also shared by Lockshin (2005) as a "single traceable component of wine's product attribute which can be regionally identified and guaranteed through government regulation".

### 5.3.3. Price of Premium Wines in Retailers

The quality of a wine cannot be evaluated before consuming it and even sometimes after. Nelson (1970, 1974) & Darby & Karni's (1973) affirms that "classification of quality attributes, many wine characteristics can only be known at the moment of consumption, while consumers can never be certain of credence characteristics, even after consumption". So, consumers do purchase wine choices based in other attributes, such as labels and brand, and give to wines a hedonic price based on those characteristics. But wine quality can vary over the years due to climate conditions, to different soils or even according to specific areas of production. Oczkowski (1994) affirms that "non-expert consumers are unable to fully evaluate many intangible wine attributes", while Edwards & Mort (1991) affirm that "expert tasters may act as *opinion leaders* of overall wine quality".

Over the years many authors have discussed the relevance of specific sensorial cues among quality attributes affecting wine prices. Some concepts and characteristics were introduced such as the example of the concept of "terroir" geographical indications and/or institutional classification of wines like regional and quality classification (Landon & Smith, 1998). Other authors have examined the role of more general geographical indications, for example (Nerlove, 1995) and country name (Schamel, 2006; Bombrun & Sumner, 2003).

A hedonic search model conducted Boatto *et al*. (2011) confirmed that "the price premium that consumers are willing to pay for quality signals based on collective reputation is larger than for brand/wine reputation as expressed by past expert's evaluations, even in a local market very close to the production area". He also concludes "premium wine produced in specific regions associated with quality using a specific variety wine produced in Northeastern Italian regions (Tocai) increases wine prices from 15 per cent to 129 per cent when compared with baseline in large-scale retail shops". Other conclusion was that "premium associated with quality signals differs largely between large-scale retail shops and specialized shops, however the premium signals exemplified before are higher because 'novice' consumers highly value the information on quality provided by quality signals, while in specialized shops the premium is lower due to the fact that information content of quality signals has a reduced value for consumers in such a setting because they have access to 'tailor-made' and just-in-time information provided by the retailer".

### **5.3.4. Impact of design and brand personality of wine labels into millennial market**

To identify a wine and differentiate it from others the market needs to incorporate a combination of brand elements such as name, symbol, design, etc. in labels of bottles. Vrontis & Papasolomou (2007) affirm "building the brand is particularly important in the wine market, where consumers are increasingly overwhelmed by the volume of choice". Several studies about millenials or generation y founded significant differences over a range of work and play behaviors. Ng *et al.* (2010) says that "millenials place the greatest importance on individualistic aspects of their job, having the most tattoos", Taylor & Keeter (2010) complete, saying "and be Internet proficient, diversity conscious, socially aware and related to branding". Thach & Olsen (2006) affirm "they believe in the fun, quirky and outrageous".

Some researches appeared, and Barber *et al.* (2008) says, "millenials have a unique set of tastes and lifestyle choices", completing Thach & Olsen (2006) saying that "they call for more innovative packaging and labels". The right is that "the millenials offer to wine industry growth potential not seen in decades", says Labroo *et al.* (2008). In other researches, Lockshin (2003) says, "consumers use wine packaging as a cue to assess alternative products, and select those that match their own values", adding Vrontis & Papasolomou (2007) that "they often choose brands in the same way they choose friends".

In order to attract consumer when they are browsing in shelves, package design must be in some way different from the others to capture consumer's attention and simulate purchase, but what are the real factors that attract consumers purchase intent? According to Elliot & Barth (2012) "the considerations of personality characteristics associated with a product has become a strategic marketing method of developing brands that resonate more intimately with consumers". Aaker (1997) affirm, "brands can be succeeding by intoning personality-related perceptions such as loyalty and self-expression". The author defines brand personality as "a set of human characteristics associated with a brand", in which a framework of personalities identifies five primary dimensions, such as, sincerity, excitement, competence, sophistication, and ruggedness.

According to Elliot & Barth (2012) "aspects like label design, notably image, layout and color affect consumer purchase intent and perceptions of brand personality". Teague (2004) affirm, "colorful wine labels can be perceived as somewhat frivolous and less serious". De Mello & Gonçalves de Borobia (2008) affirm "neutral colors cue high quality".

## 5.4. CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management (CRM) is a term with many definitions and divergences. Swift (2000) define CRM as a "method of understanding the customer behavior through intense communication with him/her to improve the performance which is represented in attracting the customer, keeping him/her and increase his/her loyalty and profitability". Stone & Findlay (2001) define CRM as "the organization carrying out a lot of information about the customer from various resources and keeping it in order to divide the territories, analyze and reuse". Other definition from Parvatiyar & Sheth (2002) mention that "CRM is a comprehensive strategy that includes the process of acquiring certain customers, keeping them and cooperating with them to create a distinguished value for both the company and the customer". Payne & Frow (2005) demonstrated that there are various points of view related to the concept of CRM and as we can see these three definitions above related to CRM demonstrates that. A point since a mere communication on the part of the company to understand customer's behavior to a tool to collect information about the customer or other most important, such as, a strategy with the main goal of delivering a distinguished value to the customer through improving the marketing productivity are some of these points.

In order to summarize the most important points of view of CRM, Zablah, *et al.* (2004) demonstrated five points of view for defining CRM, which are the process, the strategy, the philosophy, the ability and the technology (table 4).

**Table 4 - The most important concepts of CRM**

| Point of View | Description | Success Requirement | Concept |
|---|---|---|---|
| As a process | Improving the relationships between the seller and the buyer; this relationships must be strong and endurable. | The institution should have the ability to discover the customer's desires and to respond to them. | CRM is creating and enhancing the engagement and relationships with the external parties, specially the agents and end- consumers. |
| As a strategy | The value of the life period of the customer with the institution determines the amount and kind or resources that the organization can invest in a relationship. | The institution should assess its relationship with the customer continuously. It should assign priorities in dealing with him/her on basis of the quantitative profitability during the life period of the customer. | CRM is the investment of the companies in the customers who are expected to be valuable for the institution, and the reduction of investment in the valueless customers of the company. |
| As a philosophy | Customer retention can be better achieved through focusing on establishing relationships and maintaining them. | The customer should be the focus of the attention of the institution, which should be oriented towards understanding the changeable needs of the customer. | CRM is not a temporary project, but a work philosophy, which aims at putting the customer in the focus of the attention of the organization. |

| | | | |
|---|---|---|---|
| **As an ability** | Profitable and long-term relationships only arise when the companies are able to customize its behavior continuously towards every customer. | The company should possess a group of tangible and intangible resources, which the company uses to flexibly remodel its behavior towards the customer continuously. | CRM means the desire and ability of the institution to custom its behavior towards every customer, on the basis of the information the customer tells and what the institution knows about that customer. |
| **As a technology** | Knowledge management and reaction represent the main resources that the institution needs to establish profitable and long-term relationships with the customer. | The institution should be directed with the functional method, and also the user's acceptance of the technology applied by the institution in order to establish the customer's knowledge and reaction management. | CRM is the technology used to integrate sales systems, marketing systems and information systems to establish relationships with customers. |

**Source:** Zablah (2004)

## 5.4.1. CRM and Marketing Performance

Malmi, *et al.* (2004) says that "some authors considered that improve performance could be achieved through directing more attention to CRM". In a study from De Paul University about the best practices of sales administration 50% of companies of which sales reached more than one millions dollars practice CRM and only 55% of these companies made it clear that their CRM programs helped to establish relationships with customers. In other way, 81% of the companies with sales of less than 100 million dollars and adopted ready-made CRM programs, admitted that this programs were useful and 75% mentioned that they helped establish customer relationships.

To conclude, Baran (2008) say that "achieving the above depends on the ability to simplify systems and provide time for users to learn be experienced and skilled in CRM". Several studies were made about the relationship of CRM and marketing performance and the conclusion was that some dimensions have effect on performance and others have not.

### 5.4.2. Customer Satisfaction

According to Tao (2014), "customer satisfaction describes the interaction between corporate behavior and customer behavior, however the essence of customer satisfaction is the customer relationship management". The author says that "customer relationship management systems are mainly composed of three parts, which are marketing management, sales management and service management and technical support management and is core is mainly to increase the degree of automation of all aspects through continuous improvement and management of corporate sales, marketing, customer service and support related business processes, to improve efficiency, reduce costs and improve service, expand sales, increase revenue and profits, and improve enterprise competitiveness."

Another big issue of customer relationship management is the called loyal consumer. Companies want to achieve this kind of customer, that is, have a customer who has a higher preference and loyalty to corporate or product brands. These customers are those who are difficult to choose products from other companies, even for the price of competitive products, promotional activities or other means, and are also those who are older customers at most times, who repeat purchases, recommend others to buy, while new customers can reduce development costs.

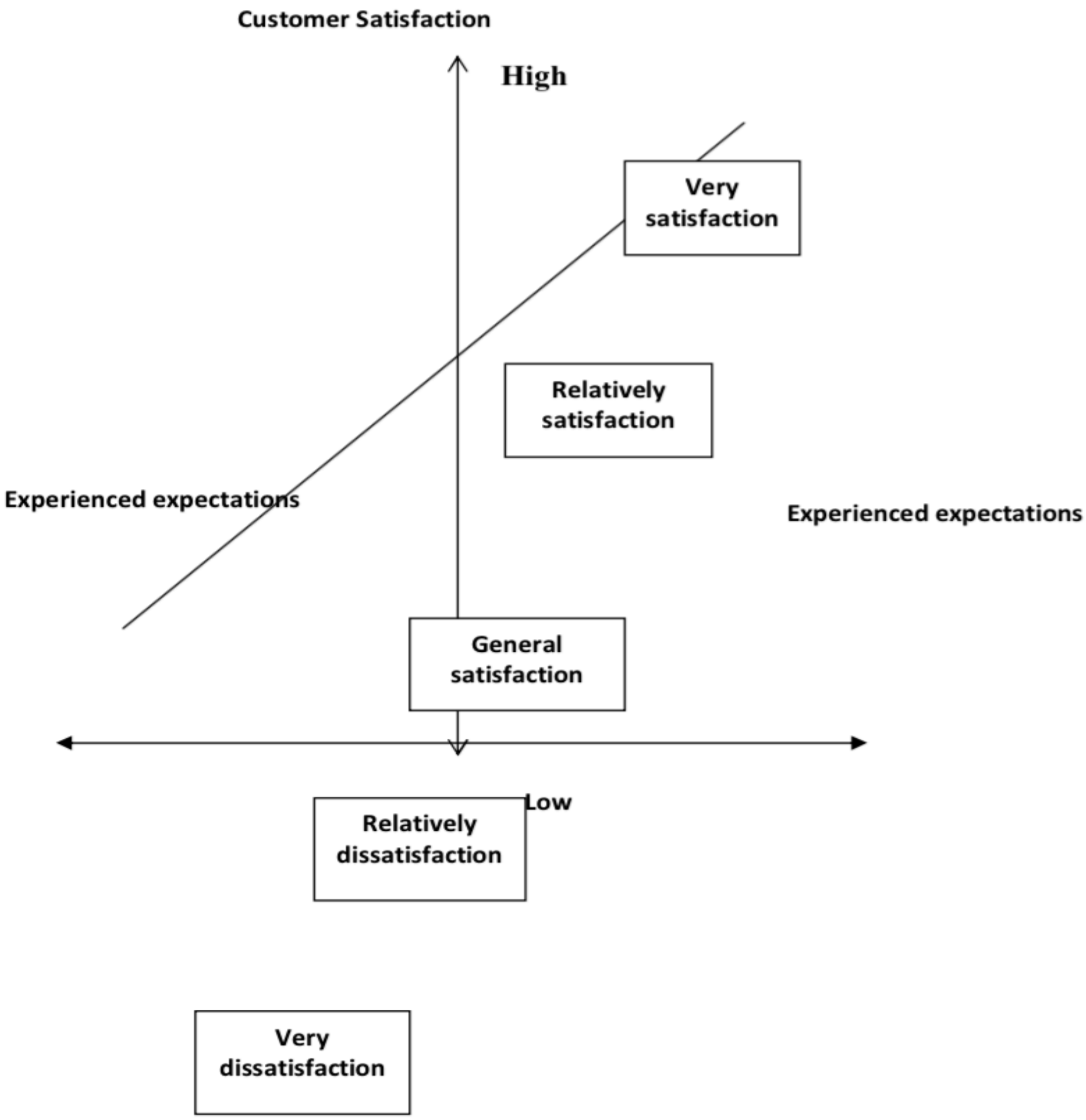
### 5.4.3. Customer Expectations

In fact managing customer satisfaction depends also on customer expectations/managing customer expectations and customer perceptions. Gronroos (1982) defined service quality of the customer perception as the "difference between customer expectations about service and perceived service performance and thought that level of satisfaction about the service depends on comparison between the actual service and the original expectations".

Kano (1984) proposed three types of customer expectations that are, basic expectations, which mean that service organizations should offer at least is the features of quality of service for granted; expectations associated with price linked to customer spending, in which the more the customer spend, the higher their expectations; expectations exceeding the value, that means customers want to get extra harvest to meet additional requirements.

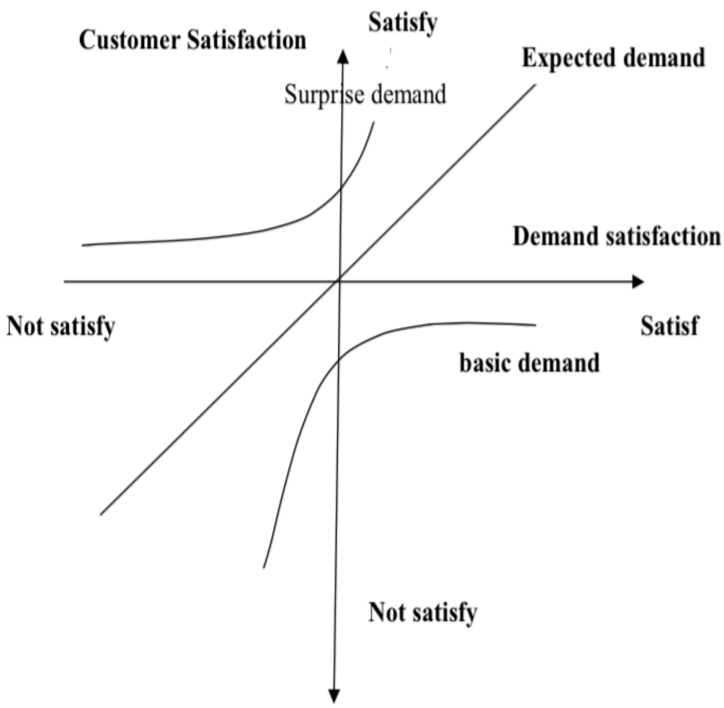
Dr. Fomell (1989) summarized the results of theoretical studies presented to compose a model of logical and economics with the customer expectations, perception after purchase, the purchasing price and a number of factors. The model is the Customer Satisfaction Index (CSI) and is used by most companies to detect customer expectations (figure 9).

**Figure 9 - Customer Satisfaction Analysis Model (CSI)**




**Source:** Dr. Fomell (1989)

**Figure 10 - Customer Demand Levels**




**Source:** Kano Model (1984)

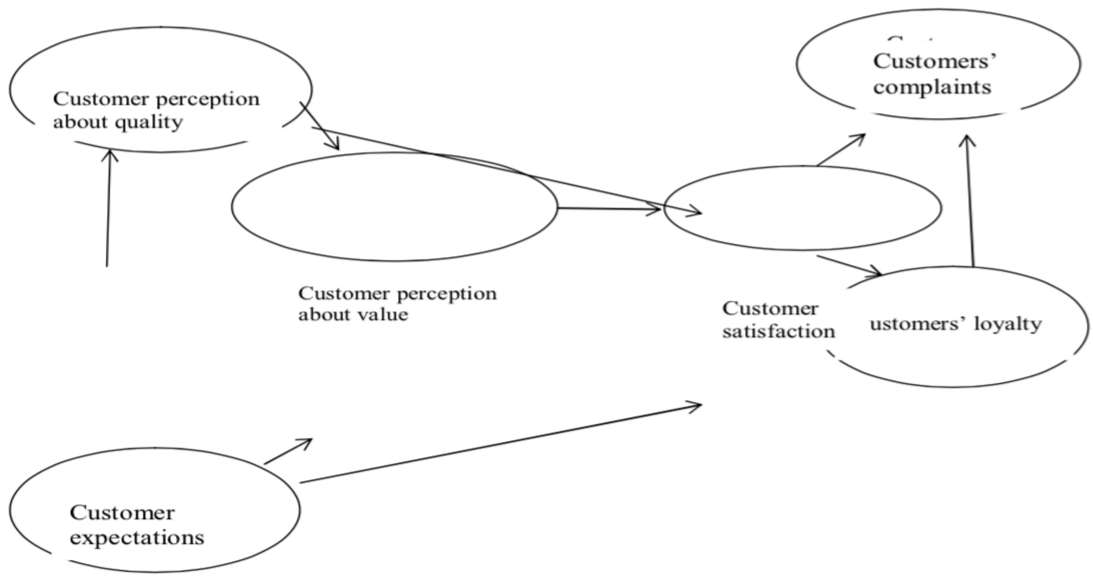
To companies determine the customer expectations, first they need to understand and collect some information's about them, such as, personal preferences, level of consumption, demand, etc. Demands can be analyzed according to Kano mode that divides customer's demands in three categories: basic demand, expected demand and surprise demand (figure 10).

According to the model, customer, who should be provided, considers basic demands service, low satisfaction is not very satisfied, the high level of satisfaction is not very satisfied yet.

In surprise demand a low level of satisfaction or not meted are not satisfied and it will be very satisfied with the high level of satisfaction. In expected demand the demand and satisfaction are linearly related.

Also in 1994 was used for the first time the American Customer Satisfaction Index (ACSI) created by Dr. Fomell, the Quality Research Center, the University of Michigan Business School and Some American people on the basis of the Swedish Customer Satisfaction Barometer index model (figure 11).

**Figure 11 - American Customer Satisfaction Index Model**




**Source:** Dr. Fomell; Quality Research Center; University of Michigan Business School; Some American people (1994)

This model considers that consumer satisfaction is determined by customer expectations for quality of service, the quality perception and perception of value.

In conclusion and according to the authors above, the customer relationship management is a very important and effective tool to a marketer and a company, which improves the marketing performance and helps the creation of loyal and satisfied customers.

## 5.5. WINE SUPPLY CHAIN

### 5.5.1. Distribution Channels

According to Lendrevie *et al.* (2015) "A distribution channel corresponds to a itinerary travelled by a product or service since production to consumption". It is possible to identify besides the traditional circuits other forms of distribution: Vertical Marketing System and Horizontal Marketing System.

The **Vertical Marketing System** is a "centralized circuit professionally managed in order to reduce exploration costs and have the biggest impact over the market". They can be integrated, controlled and contractual.

In the integrated system "different levels of production and distribution belong to the same company", while on the Controlled "exists a coordination between different levels, which doesn't result in a direct capital participation but yes in the predominance of one of parts of the system". In this one we can have the pretended cooperation of distributors in merchandising, price, etc. domain.

The last level, that is, the contractual, exists a coordination of action programs through a contractual base, in which the franchising is a good example.

**Horizontal System of Marketing** is composed by temporary or permanent alliances between several companies working on the same sector at the same level. These alliances could have collaboration in some functions or even the possibility of creation common subsidiaries.

#### 5.5.1.1. The Distribution Fee

"The utilization of distributors by a company implies a remuneration that could be made through several forms", according to Lendrevie *et al.* (2015). These forms are through a margin, a mark-up, practices in billing, commercial cooperation discounts, and stock rotation margins.

The gross margin is the difference between selling price and buying price of products and could be represented in percentage or absolute values. The main purposes of these margins are to cover physical distribution costs, commercial costs, financial costs, and distributor profit. The distributors can also commercialize products with lower margins in order to attract clients, which buy other products with higher margins.

The mark-up is the relative gross margin that a distributor wants, which will determine selling price.

Practices in billing results on the competition between competitors and objectives of each one in terms of profit and sales, once according to the Competition Law, producers are incapable of fixing prices to their distributors. In this way each distributor will fix a price according to their needs.

Commercial Cooperation Discounts are the result of producer's deals. In these deals the producers will fix two conditions: general conditions and negotiated conditions. The general conditions can predict situations as quantity discounts, financial discounts according to term of payment and delivery of goods condition. Besides these general condition its common the use of negotiations with big distributors in order to fix supplementary conditions, such as, *rappel*, which is a discounts in function of shopping, centralized *rappel*, which is a normally negotiated discount with organizations with a shopping central, promotion that is a set of annual promotions, referencing new products that is a payment by the producer for the entry of a new line of products, and the last one the marketing cooperation, which groups all forms of in store support actions.

The profit of a product to a distributor doesn't depend only of gross margin. The sales volume and stock rotation are also two important factors to increase profitability, once as bigger the sales volume and stock rotation, the bigger is the profit.

It's also important to refer that when transmission of goods to the first intermediary is done, the producer loses all power to determinate the selling price to the public.

### 5.5.2. Wine Supply since Harvest

All activities since viticulture to inventory, marketing or distribution face a very important paper in a success of a cellar/company, once they can determine the success for simple reasons, such as, production costs or quality of grapes. An important concept such as "harvesting" was mentioned several times above and it determines the quality of wines. According to Moccia (2013), "grapes have an optimal ripeness date for harvesting which is estimated by oenologists" and this date should be respected.

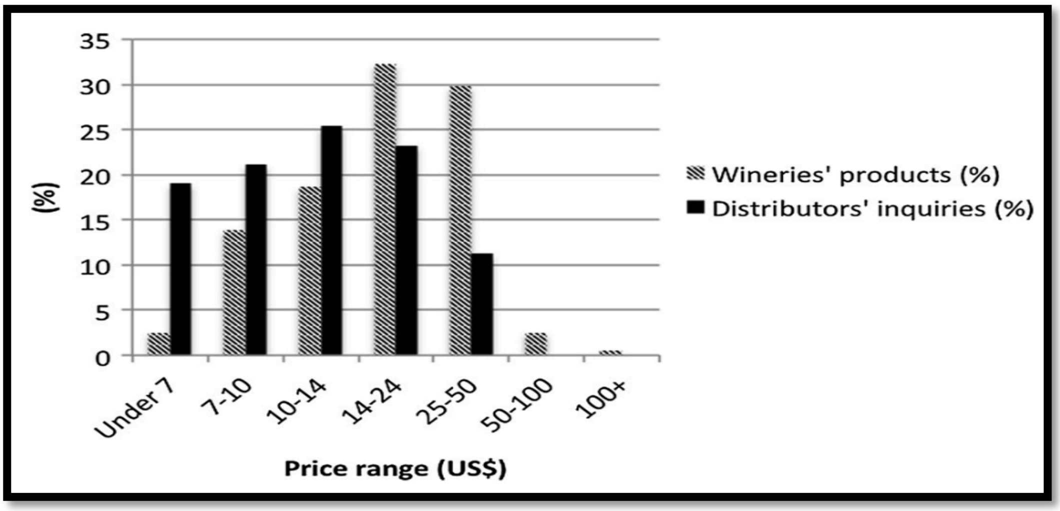
After the harvesting process, the grapes go to a tank, where the grapes are crushed. Moreover, the cellar needs to somehow move the wine to another storage position to continue processing or blending, or bottle the wine. In order to solve this, Cakici *et al.* (2006) introduced a model to solve the Cellar Tank Piping Network Problem (CTPNP). This model consists in "determining the path in the piping network from the origin to the destination of each flow, and the scheduling of the flows", which can be done according to priorities. For example and according to Moccia (2013) red wine production process requires "four tank-related processes, such as primary fermentation, secondary fermentation, cold stabilization, and hold".

In next process is the time of bottling. This could be a complex process if a cellar has many different products with different bottles and labels. Berruto *et al*. (2006) discuss this process and present a Mixed Integer Linear Program (MILP) for a tactical planning. According to Moccia (2013) and this model "the main decision variables trace the number of bottles of different products processed during the planning periods, and define inventory levels" and will "minimize the total bottling cost while accounting for forecasted sales, cost inventory, cost of lost sales, and setup cost".

Deciding the optimal quantity of inventory is a complex task to do and varies depending on sales channel. According to Moccia (2013) wineries can sell wine through different channels, which are, "their own label, other sales channel such as private labels (for example, a store-label, which belongs to a supermarket chain), or unbottled, bulk, wine sold to a third-party that then sells it to the final customers." The author affirms, "a winery own label usually guarantees the highest margin and brand recognition, however the alternative channels can provide a high volume and low cost of marketing, which can be high for wineries." In order to best calibrate production with demand, Cholette (2009) studies the postponement strategy that aims to retarding the wine finishing process, but it could have a limitation, requiring a major tank capacity. As Cholette (2009) refer, this strategy is only considered in a single-facility setting that is, maintaining inventory in a single facility.

Matching wineries to distributors is another important phase of the process. According to Cholette (2007), generally producers offer wines at higher prices than distributors look for (figure 12).

**Figure 12 - Chart Illustrating Divergent Price Expectations of Wineries and Distributors**




**Source:** Cholette (2007)

To Fulkerson (1966) the matching problem is how to optimally consume wine bottles from a cellar accounting for wine's aging.

These are just two problems related with wineries and distributors, but choose the appropriate commercial partners are difficult. There are many decision variables such as determining the allocation of winery products to distributors, trace the allocated quantities or other winery preferences such as, choose geographic areas to be present that will affect this matching.

## 5.6. COMMUNICATION TOOLS

### 5.6.1. Communication Strategy

According to Lendrevie *et al.* (2015) "communicate is to make common an information, an idea or an attitude". There are four main ways to communicate, which are divided in sources controlled by the organization and sources not controlled by the organization. In the first one we have media in the strict sense, other action marketing means with strong content of communication, and the company and staff. On the second one we have exterior company sources. This can be summarized in the table below (table 5).

| Table 5 - Ways to Communicate according to the control by the organization |
|---|
| **A – Sources Controlled by the Organization**<br>**1. Media in the Strict Sense** |
| • **<u>Publicity</u>**<br>    ○ **Publicity in traditional mass media and over internet**<br>    ○ **Publicity in selling points**<br>• **<u>Non-Publicity Communication</u>**<br>    ○ **Public Relations:**<br>        ▪ **Sponsoring;**<br>        ▪ **Publications and institutional websites;**<br>        ▪ **Relations-press.** |
| **2. Other Action Marketing means with strong content of communication** |
| • **<u>Selling Tools</u>**<br>    ○ **Merchandising**<br>    ○ **Relational Marketing**<br>    ○ **Promotional operations**<br>    ○ **Selling force**<br>• **<u>The Product</u>**<br>    ○ **Brand name and brand symbols**<br>    ○ **Packaging**<br>    ○ **Design-product** |
| **3. Company and Staff** |
| • **Outward appearance of the company**<br>• **Staff in contact with public**<br>• **Company directors** |
| **B – Sources not Controlled by the Company**<br>**4. Exterior Company Sources** |
| • **Distributors**<br>• **Press**<br>• **News groups on internet**<br>• **Prescribers**<br>• **Word-of-mouth** |

**Source:** Adapted from Mercator XXI (2010)

To develop a communication strategy there are four steps, according to Lendrevie *et al.* (2015), which can be observed in the following table (table 6).

| **Table 6 - 7 Steps to Develop a Communication Strategy** |
|---|
| **1 – <u>Communication Audit</u>**<br>• **Diagnostic about identification system, commercial communication system, control and audit system and belonging communication system.**<br>• **Hierarchy of main communication problems.** |
| **2 – <u>Definition of a Global Communication Politic</u>**<br>• **Master plan image in the medium/long term.**<br>• **Definition of the marketing communication paper in global company communication.** |
| **3 – <u>From Marketing to Communication Strategy</u>**<br>• **Definition of communication paper in marketing-mix.**<br>• **Communication objectives.**<br>• **Communication Targets.**<br>• **Choose of a communication concept.** |
| **4 – <u>Communication Mix</u>**<br>• **Arbitrage between different media to use.**<br>• **Investment Strategy: global budget and sharing agreement with the techniques used.** |
| **5 – <u>Development of Communication Programs</u>**<br>• **Media publicity.**<br>• **"Selling" communication: promotion, relational marketing, packaging, merchandising…**<br>• **Public Relations, press relations, patronage** |
| **6 – <u>Programs Implementation</u>** |
| **7 – <u>Results Measure and Deviations Correction</u>** |

**Source:** Adapted from Mercator XXI (2010)

## 5.6.2. Merchandising

There are several definitions of merchandising and because of his usage in many books the *French Merchandising Institute* (1972) formulated the definition presented. The Institute presents merchandising as the "set of studies and application techniques used, separately or together, by the distributors and products in order to increase profitability in selling points and products flowing, through an permanent adaptation of supply to market needs and the proper presentation of goods".

The merchandising of a product in a selling point needs the intervention of two participants, the producer and the distributor. In this way it's introduced the next topic that is, Distributor Merchandising.

### 5.6.3. Distributor Merchandising

Both producer and distributor are connected to merchandising, however each one has distinct objectives when merchandising is used. According to Lendrevie *et al.* (2015) "the objective of a producer is in first place to maximize sales volume over competitor's products and it could also pretend to increase value of his brand images and benefit of that to develop partnership relations with distribution". In case of distributor, they have broader goals. "They care about sales of total products presented in their stores and for some times increase sales volume is not the priority. In first place the major objective is to maximize the profitability of their investments and the last is to offer the maximum satisfaction to their clients".

To conclude, when products are in distributor possession, he is the only one responsible for them and the producer have not more power over them. The paper of the producer salesmen consists is acquiring the best and biggest selling surface in the distributor selling point, which is an important and complex task.

### 5.6.4. Communication Channels

As seen above, the region of origin of a wine is a big factor to choose a wine. According to Croser (2005) "the importance of the sense of place from which the wine is derived is a fundamental issue of intellectual curiosity influencing the perception of wine". So in order to give consumers information, there are several channels that could be used. Famularo, Bruwer & Li (2010) refer that "effective communication of wine information, through back labels, tasting notes, websites, promotional material, point-of-sale, winemakers dinners, cellar door tastings, staff training, wine shows and wine festivals are channels that can be utilized to re-enforce the message of regionality as well as providing the networks to increase consumer wine involvement which will aid in a consumer's desire to seek further wine knowledge".

Place-based marketing strategies well developed are very important, refer Bruwer & Johnson (2010) and Hall & Mitchell (2008), once "consumers are looking for superior and more varied wines and are beginning to differentiate between grape variety not just between countries of origin but the regions within them", comment Tolley (2005).

So, "understanding the patterns of wine consumption plays a critical role in the marketing process and allows wineries and wine retailers to more effectively target their market", say Mitchell *et al.* (2000) and Mitchell & Hall (2001).

## 5.7. Means to Implement

In this last topic will be developed two plans to implement the strategy. These plans, Internationalization and Communication plans will help the company in question (Pinhal da Torre) expanding and entering in the new market (Russian) with a strong and competitive strategy in order to obtain success.

### 5.7.1. INTERNATIONALIZATION PLAN

The internationalization plan is the responsible to the entry of a company in a new market and could be done through light implant formulas or "heavy" implant formulas, as mentioned in literature review. In this case the internationalization plan is based on light implant formulas, specifically **exportation**, in which the company export his products to Russia and make a deal with a local distributor in order to promote sales, watch the market and give feedback to exporter and explore several communication actions together (both finance communication).

To put in practice this plan is necessary a deeply analysis of distributors and exportation companies in order to choose the ones that most can give to Pinhal da Torre success, having in mind the objectives of the company.

### 5.7.1.1. Company's Main Motivators to Internationalize

As analyzed in the Internal Analysis topic, Pinhal da Torre is a company with a huge expertise in foreign markets, once it exports to sixteen countries, some of them near Russia. The main motivator of the company to start internationalize was the limitations of Portuguese market. The company realized that internal market was saturated and will be hard to compete with such strong wine companies independently of their wine's quality. So the presence in Russian market is motivated by the necessity of company to increase, the usage of total productive capacity of the company, to follow other Portuguese wine companies in Russia, once as mentioned by several wine "connoisseurs" is a high potential market, and to expand and use the existing expertise to increase the business.

### 5.7.1.2. Distributors Analysis

Being an internationalization plan, make sense doing an approach to the distributors. Its important to have in mind the geographical position of Portugal, once it occupies an extreme position in west of Europe, which can be traduced in higher transportation costs when the objective is to export to east of Europe.

In order to choose a distributor in Russia there were several determinants that were important to have in mind, once the objectives of this internationalization process are to sell to specific stores, in which we can consider hotels and SPA's, specialty stores supermarkets and restaurants. So it's crucial to choose a distributor in all of these business areas, which are easy to search for information and have platforms (websites) in English and well specified. For that it's made a specific analyze of three specific Russian distributors (table 7).

**Table 7 - Distributors Analysis**

| | Luding | Fort Wine&Spirits | Eurowine |
|---|---|---|---|
| **STRENGTHS** | - Website in three languages (Russian, English and French)<br>- Suppliers from 20 countries around the globe, including Portugal (Quinta do Portal in Douro region)<br>- 27 regional offices in Russia<br>- Company work with around 150 distributors in the country, occupying almost whole country<br>- Very good feedback from partners<br>- Beverages distributed to the most famous chain stores in Russia<br>- Distribution to accepted wine boutiques in Russia<br>- Partnerships with well-known restaurants and hotels<br>- Integrated marketing support | - Website in two languages (Russian and English)<br>- Distribution through different sales channels (Horeca, Take Home, B2B and regions)<br>- Self distribution network all over Russia<br>- Fourteen key partners around the globe, including Portugal<br>- The website presents a more innovative image of the company when compared with the others in analysis | - Distributes to more than 100 Russian cities<br>- Partnerships with more than 500 restaurants, supermarkets and wine boutiques in Moscow<br>- Work with hotels, private and cooperate clients, holdings and wholesale companies<br>- Offers other services such as support to implement creative ideas, selection of wines to specific events, supply of wine accessories and support to build private collections and build basements. |
| **WEAKNESSES** | - Work only with a single wine Portuguese company of Port wine | - The only partner in Portugal is from Douro region and is a producer of Port wine.<br>- Lack of information in website about chain stores, restaurants, hotels and other sales points. | - Website in Russian<br>- Company is mainly present in Moscow region |

**Source:** Author's Design (2015)

After this descriptive analysis we can observe several strengths and weaknesses of each distributor and choose the one that best serves the objectives of the company according to the information available, which is Luding.

**5.7.1.2.1. Luding**

As we can see from the table above, Luding is a distribution company present almost all over Russia with their 27 regional offices and 150 distributors, allowing it to cover the major part of stores and make products available to most consumers. Besides that, the company works with wine boutiques, restaurants, hotels and famous retail stores. Its also very important the continuous relation between producer and distributor in all of marketing process, which is a valuable service of Luding. The fact of Pinhal da Torre going to be the first company o Portuguese wines working with a company that only works with Portuguese Port wines can also be an added value.

**Retail Stores**

In Russian the modern retail represents only 14% of the Russian market when compared with 90% in Europe. Below are three important chain stores working with Luding.

**Source:** www.auchan.pt

The majority of products available in Auchan are still produced in Russia, however a wide range of known international products is also available.

**Source:** www.metrorussia.com

Metro is the leading and the largest cash & carry store chain in Russian federation by revenue, number of stores and net selling area. It operates under the international recognized "METRO" brand name.

**Source:** www.billa.ru

BILLA has 96 stores in Russia, in which 71 are in the metropolitan area. The goods of Russian suppliers have the largest share in the assortment of the network.

**Figure 13 - Chain Stores working with Luding**

**Source:** www.luding.ru

**Wine Boutiques**

The wine boutiques in Russia working with Luding are Kollektsiya Vin, La Grande Cave, Vinny Pogrebok, Mir Viski, Wealth, the boutique at Gastronom No.1, Mir Vkusa, Sigary Konyak & Elitnye Vina, and Krasnoe i Beloe.

**Kollektsiya Vin** was founded in 1997 and operates in Moscow as a retailer of wine.

**Krasnoe i Beloe** is a wholesaler of alcoholic and other beverages, and is based in Perm in Russian Federation.

**Source:** www.krasnoeibeloe.ru

**Gastronom Nº1** is a fixture in the GUM department store on the Red Square, making it Moscow's most central grocery store.

**Figure 14 - Other mentioned Wine Boutiques working with Luding**

**Source:** www.luding.ru

**Restaurants**

Beverages from Luding can be found in some fancy restaurants popular coffees and status hotels. Some of the restaurants are Pinoccio, L'Albero, Asia Hall and Damas. Bellow on figures 15 and 16 are represented some of status hotels and other hotels, which Luding is working with, respectively.

**Figure 15 - Status Hotels working with Luding**

**Source:** www.marriott.com.ru/ www.ihg.com/holidayinn/ www.hiltoneasteurope.com/ru-ru/ www.belmond.com/grand-hotel-europe-st-petersburg/

**Figure 16 - Other Hotels working with Luding**


**Source:** www.sovietsky.ru/ www.metropol-moscow.ru/ www.national.ru

## 5.7.2. COMMUNICATION PLAN

The communication plan has the main purpose of increase the notoriety of Pinhal da Torre and Portuguese wines in Russia. In this order, there were developed some actions.

#### 5.7.2.1. USB Stick in Cork

This action drifts from the necessity of promoting sales and make the consumers aware of the quality and all production process of Pinhal da Torre wines, as a differentiation feature.

**Objectives**

- Give to the consumer the information's about the product(s) and origin;
- Make the bottle of wine more attractive.

As mentioned this USB stick in cork will provide to the consumers information's about castes, region, productive process, producer and a presentation of tourism region (appendix 6).

**Figure 17 - Example of USB Stick in Cork**


**Source:** Author's Design

#### 5.7.2.2. Quikkly Tag

Quikkly is the new competitor of QRCodes. It allows to create tags in order to do specific actions such as doing like on Facebook, Twitter, see a video on YouTube, go to a specific website, etc. This is a mobile app available for smartphones with the exact same procedure of QRCodes. The app read the tag and automatically run the action.

**Figure 18 - Quikkly Tag Pinhal da Torre**


**Source:** www.quikklytags.com/Author's Design

The objective of this action is to incorporate the tag on the back label of the bottle and allow to consumers explore it. In this case the tag presented was made to run the website of Pinhal da Torre, however the main idea is to create a tag that will run a video on YouTube done by the company, presenting themselves, and showing the harvesting period and all other processes associated with production.

**Objectives**

- Catch the attention of consumers to the quality of wines;
- Differentiate the company;
- Interact with consumers.

### 5.7.2.3. Strengthen Image in Shelves

This action's main objective is to fortify the visibility of wines in the supermarket shelves.

The idea is to involve the bottles of cork to differentiate the wines of Pinhal da Torre from the others. It will be saved on the cork all mandatory specifications and all details present on front and back labels of the bottle.

**Objectives**

- Create a uniform image of Pinhal da Torre Wines;
- Catch the attention of consumers in supermarkets;
- Make the cork useful to prevent drain the wine by the bottle;
- Promote sales.

**Figure 19 - Example of a bottle involved with Cork**


**Source:** Author's Design

## 7.7.2.4. Wine is Fashion

The main idea of this action is giving to the wine and company an image of luxury and recognition in the market. Drinking wine in Russia can be seen, as a sign of status and the idea is to merge this to identifications.

**Objectives**

- Launch a special edition of a bottle;
- Offer with the bottle a fashion accessory;
- Increase the image of Pinhal da Torre as a premium brand of wine.

## 7.7.2.5. Mag Advertising

Magazines are a good way to advertise products in a market. In this case the idea is to advertise one or more wines of Pinhal da Torre in a small place of a few international and Russian wine magazines in order to reduce communication costs.

**Magazines**

- Wine Spectator (first most read worldwide wine magazine – appendix 7);
- Simple Wine News (Russian Wine Magazine).

**Figure 20 - Wine Magazines**


**Source:** www.winespectator.com/www.simplewinenews.ru

**Figure 21 - Example of Magazine Communication**


**Source:** Author's Design

## 7.7.2.6. Wine Fairs

Make presence of Pinhal da Torre in food and wine fairs in Russia.

**Objectives**

- Encourage consumers to try and buy wines at lower prices;
- Create opportunities to establish new deals or new partnership opportunities.

**Fairs**

- Forum "World Food Moscow" in Moscow, Russia (appendix 8);
- Forum "Wine Card" in Moscow, Russia;
- "Russian Wine Fair" in Moscow, Russia;
- Forum "Wine Vodka Sochi" in Sochi, Russia.

**Figure 22 - Russian Fairs**


**Source:** www.fresh-market.pl/ www.eng.karta-vin.ru/ www.tradefairdates.com

## 5.8. Conclusions and Limitations

Each time Portuguese wines are becoming more recognized around the world and the opportunities to make them available for everyone are increasing. Portuguese companies need to risk, improve their businesses and bet in diversification and exportation, if they want to increase their volume of sales and their notoriety; however their financial capabilities and "know-how" are sometimes a big barrier to success.

Pinhal da Torre is a company with a big visibility of the market, and since the beginning bet on international markets. This new initiative of export to Russia is another big step for the company and another important risk to have. Until now the company always dealt with clients through a close and very supportive relationship, leaving the marketing strategies behind of their priorities, and this is the biggest limitation of this project.

The goal of this project was to be as much real and applicable as it could. Pinhal da Torre wants to develop their knowledge on this area but, at the same time, they want to have a very low investment in order to reduce risks, so the strategies and communication actions developed need to have these limitations in mind, which does not imply weak strategies. This project had some limitations, specially the distance from the market, both cultural and geographical, and the different language, which made more difficult to search for information and reliable websites.

Apart from the Internationalization Plan, we considered it would be relevant to the plan itself to know more about Russian wine consumers through a questionnaire; however the implementation of the questionnaire to Russian people turned out to be a more difficult task that expected and didn't allow to have a very representative and significant sample to rely conclusions on.

In overall, all ideas and analysis developed were made to be efficient and adequate to the needs and market expectations of this wine company and, starting for now, the idea of internationalize to Russia can be real and certainly easier as the company have all means to put in practice the internationalization process.

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# 6. Attachments

## APPENDIX 1 – PRODUCT PORTFOLIO

### Red Wines


**Quinta de São João 2008 Red Wine**

- Most traditional wine of this brand, with three castes (Touriga Nacional, Touriga Franca and Tinta Roriz);
- Alcohol Level: 14%


**Quinta de São João SYRAH**

- Alcohool Level; 14,5%


**Alqueve Red Wine**

- Castes: Touriga Nacional 29%; Syrah 18%; Tinta Roriz 25%; Touriga Franca 12%; Merlot 16%.


**Vinha do Alqueve Red Wine**

- Castes: Touriga Nacional 20%; Tinta Roriz 20%; Touriga Franca 20%; Trincadeira 20%; Cabernet Sauvignon 20%


**Quinta do Alqueve Touriga Nacional**

- Alcohol Level: 14%


**Quinta do Alqueve Touriga Syrah**

- Alcohol Level: 14%


**Quinta do Alqueve 2 WORLDS Reserva 2008**

- Castes: Touriga Nacional; Touriga Franca; Cabernet Sauvignon; Merlot
- Alcohol Level: 14%

**Quinta do Alqueve Tradicional 2010**

- Castes: Touriga Nacional; Trincadeira; Tinta Roriz; Castelão
- Alcohol Level: 13,50%

**2 WORLDS Premium**


**Special 2008**

- Castes: Tinta Roriz 75%; Merlot 25%
- Alcohol Level: 14%


**FACES Red Wine 2008/2012**

- Castes: Touriga Nacional; Touriga Franca; Tinta Toriz; Trincadeira; Cabernet Sauvignon
- Alcohol Level 2008/2012: 14%/13,50%


**IPO (Initial Public Offer)**

- Castes: Tinta Roriz 98%; Syrah 2%
- Alcohol Level: 15%

## White Wines


**Quinta do Alqueve 2 WORLDS**

- Castes: Chardonnay; Arinto; Fernão Pires
- Alcohol Level: 12,50%


**Quinta do Alqueve Fernão Pires 2012**

- Alcohol Level: 12,50%

**Vinha do Alqueve 2012**

- Castes: Fernão Pires; Arinto
- Alcohol Level: 12,50%

**Quinta do Alqueve Late Harvest**

- Caste: Fernão Pires
- Alcohol Level: 12%


**FACES White Wine 2013**

- Castes: Fernão Pires 70%; Arinto 30%
- Alcohol Level: 13%

## Rose Wine

**Vinha do Alqueve Rose 2010**

- Castes: Tinta Roriz 70%; Touriga Nacional 30%
- Alcohol Level: 13%

## Faces Olive Oil

# APPENDIX 2 – RUSSIAN SUPPLIERS

## Figure 1 - Wine Russian Imports

| TOTAL | Volume (litros) | Caixas (9 litros) | Var. Relativa | Var. Absoluta % | Valor (€) | Var. Relativa | Var. Absoluta % | Preço (€/litro) | Var. Relativa | Var. Absoluta % |
|---|---|---|---|---|---|---|---|---|---|---|
| 2003 | 258.720.716 | 28.746.746 | N.D. | N.D. | 226.832.917 | N.D. | N.D. | 0,88 € | N.D. | N.D. |
| 2004 | 319.557.928 | 35.506.436 | 60.837.212 | 23,5% | 282.060.703 | 55.227.786 | 24,3% | 0,88 € | 0,01 | 0,7% |
| 2005 | 415.771.551 | 46.196.839 | 96.213.623 | 30,1% | 369.748.952 | 87.688.249 | 31,1% | 0,89 € | 0,01 | 0,8% |
| 2006 | 250.476.762 | 27.830.751 | -165.294.789 | -39,8% | 287.995.993 | -81.752.959 | -22,1% | 1,15 € | 0,26 | 29,3% |
| 2007 | 267.412.307 | 29.712.479 | 16.935.545 | 6,8% | 419.857.725 | 131.861.732 | 45,8% | 1,57 € | 0,42 | 36,6% |
| 2008 | 280.550.730 | 31.172.303 | 13.138.423 | 4,9% | 523.300.739 | 103.443.014 | 24,6% | 1,87 € | 0,30 | 18,8% |
| 2009 | 358.671.414 | 39.852.379 | 78.120.684 | 27,8% | 425.799.868 | -97.500.871 | -18,6% | 1,19 € | -0,68 | -36,4% |
| 2010 | 546.587.875 | 60.731.986 | 187.916.461 | 52,4% | 596.735.946 | 170.936.077 | 40,1% | 1,09 € | -0,10 | -8,0% |
| 2011 | 511.175.668 | 56.797.296 | -35.412.207 | -6,5% | 723.025.055 | 126.289.110 | 21,2% | 1,41 € | 0,32 | 29,6% |
| 2012 | 489.943.579 | 54.438.175 | -21.232.089 | -4,2% | 769.342.334 | 46.317.278 | 6,4% | 1,57 € | 0,16 | 11,0% |
| 2013 | 499.690.890 | 55.521.210 | 9.747.311 | 2,0% | 888.193.177 | 118.850.843 | 15,4% | 1,78 € | 0,21 | 13,2% |
| VAR. 2003-2013 | | | 26.774.464 | 93,1% | | 661.360.260 | 291,6% | | 0,90 | 102,7% |
| ESPUMANTE | Volume (litros) | Caixas (9 litros) | Var. Relativa | Var. Absoluta % | Valor (€) | Var. Relativa | Var. Absoluta % | Preço (€/litro) | Var. Relativa | Var. Absoluta % |
| 2003 | 9.055.001 | 1.006.111 | N.D. | N.D. | 23.471.214 | N.D. | N.D. | 2,59 € | N.D. | N.D. |
| 2004 | 12.515.588 | 1.390.621 | 3.460.587 | 38,2% | 31.854.608 | 8.383.394 | 35,7% | 2,55 € | -0,05 | -1,8% |
| 2005 | 15.066.502 | 1.674.056 | 2.550.914 | 20,4% | 38.855.830 | 7.001.222 | 22,0% | 2,58 € | 0,03 | 1,3% |
| 2006 | 9.253.417 | 1.028.157 | -5.813.085 | -38,6% | 43.064.397 | 4.208.567 | 10,8% | 4,65 € | 2,07 | 80,5% |
| 2007 | 15.645.632 | 1.738.404 | 6.392.215 | 69,1% | 82.161.788 | 39.097.392 | 90,8% | 5,25 € | 0,60 | 12,8% |
| 2008 | 19.387.807 | 2.154.201 | 3.742.175 | 23,9% | 104.975.852 | 22.814.064 | 27,8% | 5,41 € | 0,16 | 3,1% |
| 2009 | 18.250.798 | 2.027.866 | -1.137.009 | -5,9% | 69.652.592 | -35.323.260 | -33,6% | 3,82 € | -1,60 | -29,5% |
| 2010 | 27.920.435 | 3.102.271 | 9.669.637 | 53,0% | 118.849.445 | 49.196.854 | 70,6% | 4,26 € | 0,44 | 11,5% |
| 2011 | 36.514.749 | 4.057.194 | 8.594.314 | 30,8% | 157.667.136 | 38.817.691 | 32,7% | 4,32 € | 0,06 | 1,4% |
| 2012 | 31.455.965 | 3.495.107 | -5.058.784 | -13,9% | 137.237.215 | -20.429.922 | -13,0% | 4,36 € | 0,04 | 1,0% |
| 2013 | 36.883.639 | 4.098.182 | 5.427.674 | 17,3% | 172.901.412 | 35.664.198 | 26,0% | 4,69 € | 0,32 | 7,4% |
| VAR. 2003-2013 | | | 3.092.071 | 307,3% | | 149.430.198 | 636,7% | | 2,10 | 80,8% |
| ENGARRAFADO | Volume (litros) | Caixas (9 litros) | Var. Relativa | Var. Absoluta % | Valor (€) | Var. Relativa | Var. Absoluta % | Preço (€/litro) | Var. Relativa | Var. Absoluta % |
| 2003 | 232.536.352 | 25.837.372 | N.D. | N.D. | 192.888.986 | N.D. | N.D. | 0,83 € | N.D. | N.D. |
| 2004 | 275.928.648 | 30.658.739 | 43.392.296 | 18,7% | 232.547.053 | 39.658.067 | 20,6% | 0,84 € | 0,01 | 1,6% |
| 2005 | 349.867.708 | 38.874.190 | 73.939.060 | 26,8% | 302.307.079 | 69.760.027 | 30,0% | 0,86 € | 0,02 | 2,5% |
| 2006 | 214.834.366 | 23.870.485 | -135.033.342 | -38,6% | 228.439.844 | -73.867.235 | -24,4% | 1,06 € | 0,20 | 23,1% |
| 2007 | 225.107.529 | 25.011.948 | 10.273.163 | 4,8% | 319.144.207 | 90.704.363 | 39,7% | 1,42 € | 0,35 | 33,3% |
| 2008 | 226.217.372 | 25.135.264 | 1.109.843 | 0,5% | 392.032.757 | 72.888.549 | 22,8% | 1,73 € | 0,32 | 22,2% |
| 2009 | 181.554.756 | 20.172.751 | -44.662.616 | -19,7% | 289.287.362 | -102.745.394 | -26,2% | 1,59 € | -0,14 | -8,1% |
| 2010 | 225.567.281 | 25.063.031 | 44.012.525 | 24,2% | 365.494.101 | 76.206.739 | 26,3% | 1,62 € | 0,03 | 1,7% |
| 2011 | 246.141.565 | 27.349.063 | 20.574.284 | 9,1% | 464.154.691 | 98.660.590 | 27,0% | 1,89 € | 0,27 | 16,4% |
| 2012 | 255.953.052 | 28.439.228 | 9.811.487 | 4,0% | 524.995.084 | 60.840.393 | 13,1% | 2,05 € | 0,17 | 8,8% |
| 2013 | 275.794.008 | 30.643.779 | 19.840.956 | 7,8% | 613.544.026 | 88.548.942 | 16,9% | 2,22 € | 0,17 | 8,5% |
| VAR. 2003-2013 | | | 4.806.406 | 18,6% | | 420.655.040 | 218,1% | | 1,40 | 168,2% |
| GRANEL | Volume (litros) | Caixas (9 litros) | Var. Relativa | Var. Absoluta % | Valor (€) | Var. Relativa | Var. Absoluta % | Preço (€/litro) | Var. Relativa | Var. Absoluta % |
| 2003 | 17.129.363 | 1.903.263 | N.D. | N.D. | 10.472.717 | N.D. | N.D. | 0,61 € | N.D. | N.D. |
| 2004 | 31.113.692 | 3.457.077 | 13.984.329 | 81,6% | 17.659.042 | 7.186.326 | 68,6% | 0,57 € | -0,04 | -7,2% |
| 2005 | 50.837.341 | 5.648.593 | 19.723.649 | 63,4% | 28.586.043 | 10.927.001 | 61,9% | 0,56 € | -0,01 | -0,9% |
| 2006 | 26.388.979 | 2.932.109 | -24.448.362 | -48,1% | 16.491.753 | -12.094.290 | -42,3% | 0,62 € | 0,06 | 11,1% |
| 2007 | 26.659.146 | 2.962.127 | 270.167 | 1,0% | 18.551.730 | 2.059.977 | 12,5% | 0,70 € | 0,07 | 11,4% |
| 2008 | 34.945.551 | 3.882.839 | 8.286.405 | 31,1% | 26.292.131 | 7.740.401 | 41,7% | 0,75 € | 0,06 | 8,1% |
| 2009 | 158.865.860 | 17.651.762 | 123.920.309 | 354,6% | 66.859.914 | 40.567.784 | 154,3% | 0,42 € | -0,33 | -44,1% |
| 2010 | 293.100.159 | 32.566.684 | 134.234.299 | 84,5% | 112.392.399 | 45.532.484 | 68,1% | 0,38 € | -0,04 | -8,9% |
| 2011 | 228.519.354 | 25.391.039 | -64.580.805 | -22,0% | 101.203.228 | -11.189.171 | -10,0% | 0,44 € | 0,06 | 15,5% |
| 2012 | 202.534.562 | 22.503.840 | -25.984.792 | -11,4% | 107.110.035 | 5.906.807 | 5,8% | 0,53 € | 0,09 | 19,4% |
| 2013 | 187.013.243 | 20.779.249 | -15.521.319 | -7,7% | 101.747.738 | -5.362.297 | -5,0% | 0,54 € | 0,02 | 2,9% |
| VAR. 2003-2013 | | | 18.875.987 | 991,8% | | 91.275.022 | 871,6% | | -0,07 | -11,0% |

**Source:** COMTRADE (United Nations), 2014

**Figure 2 – Fifteen Major Russian Suppliers**

| | Valor (Euros) | | | | Preço Médio (Euros/Lts.) | | |
|---|---|---|---|---|---|---|---|
| | 2013 | Variação 1 ano | Variação 10 anos | Quota | 2013 | Variação 1 ano | Variação 10 anos |
| **Itália** | 252.762.485 | 25,9% | 1693,0% | 28,5% | 3,31 € | 24,5% | 29,9% |
| **França** | 201.547.419 | 5,1% | 535,7% | 22,7% | 3,21 € | 19,5% | 41,4% |
| **Espanha** | 80.518.186 | -1,6% | 895,1% | 9,1% | 1,40 € | 38,2% | 25,5% |
| **Geórgia** | 69.187.848 | 200,8% | 185,4% | 7,8% | 2,71 € | 2,0% | 122,7% |
| **Ucrânia** | 61.515.282 | -5,8% | 606,7% | 6,9% | 0,94 € | -14,8% | -18,6% |
| **Chile** | 37.129.302 | 10,5% | 715,3% | 4,2% | 1,99 € | -7,1% | 5,8% |
| **África do Sul** | 27.878.990 | 19,0% | 4258,4% | 3,1% | 0,71 € | 4,8% | -65,2% |
| **Moldávia** | 26.722.119 | -16,3% | -74,4% | 3,0% | 1,00 € | -1,1% | 54,1% |
| **Alemanha** | 26.405.720 | 3,7% | 347,0% | 3,0% | 1,47 € | 5,5% | 41,3% |
| **Argentina** | 15.524.838 | -12,1% | 1054,0% | 1,7% | 0,91 € | 27,2% | 14,9% |
| **Bulgária** | 13.631.365 | -12,1% | -4,7% | 1,5% | 1,00 € | 9,8% | 77,0% |
| **EUA** | 11.381.178 | 24,2% | 823,0% | 1,3% | 2,56 € | 4,2% | -1,5% |
| **Austrália** | 8.838.101 | 66,4% | 1006,9% | 1,0% | 0,96 € | -70,6% | -29,7% |
| **Brasil** | 7.974.218 | 274,8% | 1114640,5% | 0,9% | 0,50 € | -8,4% | -84,1% |
| **Portugal** | **6.845.716** | **23,6%** | **865,2%** | **0,8%** | **3,83 €** | **6,3%** | **-6,0%** |

**Source:** COMTRADE (United Nations), 2014

# APPENDIX 3 – SURVEY ABOUT RUSSIAN WINE CONSUMING HABITS

## Survey – Thesis Project - Russian Wine Consuming Habits

**Hi, I want to ask for your help. This is a survey about Russian Wine Consuming Habits and is inserted in an International Marketing Master at ISCTE-IUL. This is an auxiliary tool to study the behavior of Russian people about the wine in order to help the development of an internationalization plan for a Portuguese wine company to Russia. I appreciate your response. Thank you very much.**

**Q1. Nationality**

**Q2. Age**

**Q3. Gender**

**Q4. Are you a wine consumer?**

- Yes
- No

**Q5. On a scale from 0-10 how you classify your wine passion.**

0 (Not at all likely) 10 (Extremely Likely)

**Q6. Do you know Portuguese Wines?**

- Yes
- No

**Q7. Have you ever tried Portuguese Wines?**

- Yes
- No

**Q8. How you describe Portuguese Wines?**

**Q9. Do you consider yourself a wine expert?**

**Q10. On a scale from 0-10, classify your expertise about wine.**

0 (Not Expert) 10 (Expert)

**Q11. In which type of consumer do you fit?**

- Social Consumer
- Status Consumer
- Older Consumer

**Q12. Organize according to your taste the most to less likely type of wines.**

- Table Wines
- Fortified Wines (ex: Port, Madeira)
- Dessert Wines
- Sparkling Wines

**Q13. In general, how much do you spend in a bottle of wine?**

- Between 2€ and 5€
- Between 6€ and 10€
- Between 11€ and 30€
- More than 30€

**Q14. Rank in your opinion the following wine buying determinants to the most important to the less important.**

- Price
- Region of origin
- Alcohol Level
- Labels
- Brand

**Q15. From what region are you used to buy more wines?**

- Russia (Georgian Castes)
- Portugal
- Spain

- France
- Italy
- Other

**Q16. If a new wine with an acceptable price catches your attention in supermarket you buy it?**

- Yes
- No

**Q17. Why?**

**Facebook Groups in which questionnaire was shared:**

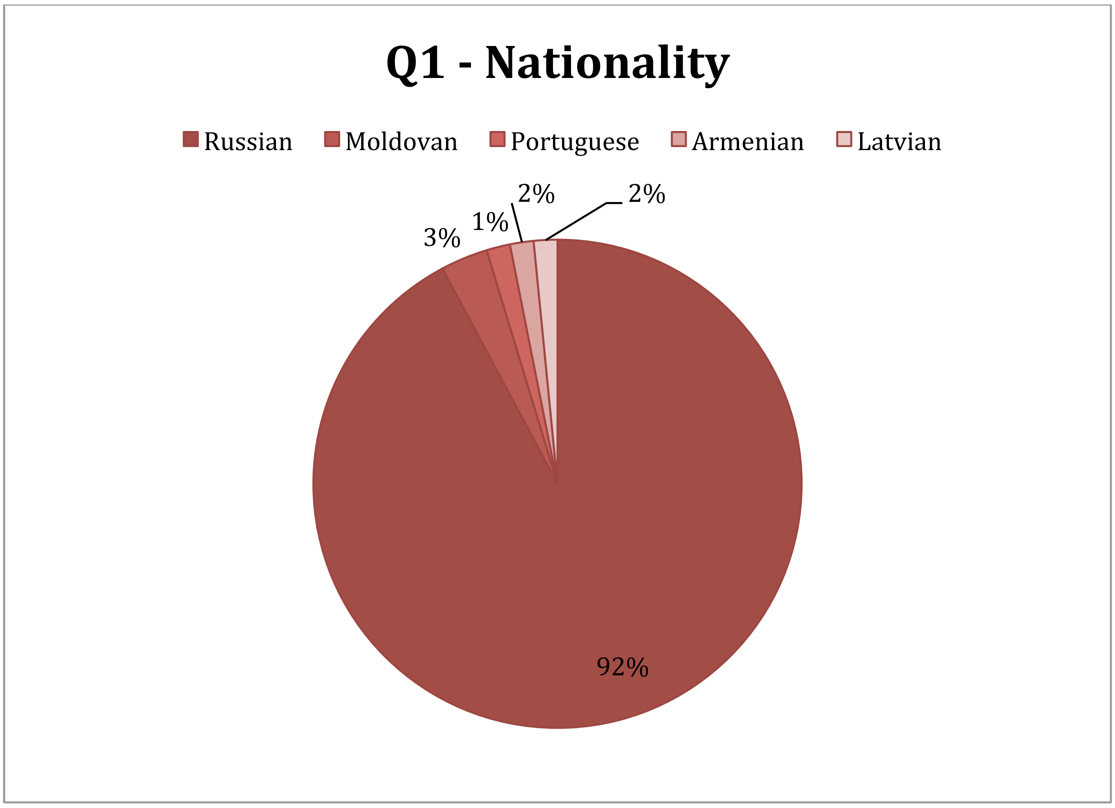
- Wine Report | Russia
- Russia-Brasil
- Wines from Russia
- I Like Wine
- РОССИЯ
- Вино
- Вино & Сыр
- Вино Тамада
- Винодельня Кубань-Вино

**LinkedIn Groups in which questionnaire was shared:**

- Russia Wine Network
- Russia Network Grouping

## Answers Analysis

### Question 1 - Nationality




From the total respondents 92% are Russian, 3% are Moldovan, 1% is Portuguese, 2% are Armenian and other 2% are Latvian.

### Q2 – Age

The ages of the respondents are between 12 years old and 55 years old. The major number of answers is from people between 22 and 45 years old, which represent a total of 42 answers and approximately 65% of respondents.

### Q3 – Gender

| # | Answer | | Response | % |
|---|---|---|---|---|
| **1** | Male | | 28 | 44% |
| **2** | Female | | 36 | 56% |
| | **Total** | | **64** | **100%** |

From the total of 64 respondents, we can see that 56%, which is equivalent to 36 responders are from female gender, and 44% of respondents (28 people) are from male gender.

**Q4 – Are you a wine consumer?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| **1** | Yes | | 62 | 97% |
| **2** | No | | 2 | 3% |
| | **Total** | | **64** | **100%** |

With this table it is possible to see that from all respondents, only 2 are not wine consumers, which is equivalent to only 3% of total. These two respondents finished in this question their questionnaire.

**Q5 - On a scale from 0-10 how you classify your passion for wine?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| **0** | 0 | | 0 | 0% |
| **1** | 1 | | 0 | 0% |
| **2** | 2 | | 1 | 2% |
| **3** | 3 | | 4 | 6% |
| **4** | 4 | | 0 | 0% |
| **5** | 5 | | 3 | 5% |
| **6** | 6 | | 9 | 15% |
| **7** | 7 | | 15 | 24% |
| **8** | 8 | | 20 | 32% |
| **9** | 9 | | 4 | 6% |
| **10** | 10 | | 6 | 10% |
| | **Total** | | **62** | **100%** |

From this table it is possible to conclude that 71% of the respondents have a wine passion between 6 and 8 in a scale from 0 to 10. From the total of responders there is no one which passion for wine in less than 2.

**Q6 - Do you know Portuguese Wines?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| **1** | Yes | | 44 | 71% |
| **2** | No | | 18 | 29% |
| | **Total** | | **62** | **100%** |

From the 62 respondents, 44 of them know Portuguese wines, which is equivalent to 71% of total respondents.

**Q7 - Have you ever tried Portuguese Wines?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| 1 | Yes | | 55 | 89% |
| 2 | No | | 7 | 11% |
| | **Total** | | **62** | **100%** |

From the total of 62 respondents, 55 already tried Portuguese wines, which are equivalent to 89% of the respondents, and only 7 never tried a Portuguese wine, which corresponds to only 11%.

**Q8 - How you describe Portuguese Wines?**

In this question we have 45 respondents that describe Portuguese wines. They were described according their category, red or white. In case of white wines, the words that most defined them were **high acidity**, **citrus**, **zesty** and **fresh**, being the word fresh the one used more often.

In case of red wines, which were much more described, the words that most defined them were **full body**, **excellent price/quality**, **rich taste** and **good**. Also other words were used to describe Portuguese red wines, such as, powerful, complex in nose, balanced, thick and deep.

| Q8 - Responses |
|---|
| **Whites: high acidity, citrus, zesty, ideal for hot summer. Reds: powerful, complex in nose, full body, excellent price/quality; Thick, full-bodied, deep; Rich taste; I tasted only Porto; Not so popular, but good quality for good price; -; Nice; -; Verde; Fresh, lights, rich; Good; Sweet; Tasty and refreshing; -; Good; Interesting but with non optimal price/quality ratio; Strong; Regional; Good; Green wine; Cheap; Tart; Fresh, bright; Interesting<br>Kind of wines I like very much; Сочные; Good ones; Fruty; Balanced, harmoniousness, riches of taste, depth and succulence; Promising; Rich and heavy; Good; Sweet and strong; Bright and strong taste; I have tried a very good. It had a high level of tannin, I really like; Strong; Good; Awesome; Playful; Tasty; Good and sweet; Interesting taste; More like Spanish ones; Fortified, Full bodied, strong, sweet; Bright, saturated, aromatic, tannins** |

**Q9 - Do you consider yourself a wine expert?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| 1 | Yes | | 8 | 15% |
| 2 | No | | 36 | 69% |
| 3 | Other | | 8 | 15% |
| | **Total** | | **52** | **100%** |

From this table we can conclude that 69% of the respondents, which is equivalent to 36 people, answered that are not wine experts.

**Q10 - On a scale from 0-10, classify your expertise about wine.**

| # | Answer | | Response | % |
|---|---|---|---|---|
| **0** | 0 | | 0 | 0% |
| **1** | 1 | | 3 | 6% |
| **2** | 2 | | 2 | 4% |
| **3** | 3 | | 5 | 10% |
| **4** | 4 | | 12 | 23% |
| **5** | 5 | | 13 | 25% |
| **6** | 6 | | 8 | 15% |
| **7** | 7 | | 5 | 10% |
| **8** | 8 | | 4 | 8% |
| **9** | 9 | | 0 | 0% |
| **10** | 10 | | 0 | 0% |
| | **Total** | | **52** | **100%** |

From this table o can conclude that 63% of total 52 respondents classify their expertise about wine between 4 and 6 in a scale from 0 to 10, which represents a total of 33 respondents. We can also observe that any respondent consider himself a expert about wine and any other else consider that knows nothing about wines.

**Q11 - In which type of consumer do you fit in?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| **1** | Social Consumer | | 36 | 69% |
| **2** | Status Consumer | | 13 | 25% |
| **3** | Older Consumer | | 3 | 6% |
| | **Total** | | **52** | **100%** |

From the 52 respondents, we can conclude that 36, which represents 69% are consumers that fit in type of Social Consumer, being the predominant in this questionnaire. Following social consumers are status consumers that represent 25% of the total 52, which is equivalent to 13 respondents. The type of older consumer is the minor one with only 3 respondents and representing 6% of the total.

**Q12 - Organize according to your taste the most to less likely type of wines.**

| # | Answer | 1 | 2 | 3 | 4 | Total Responses |
|---|---|---|---|---|---|---|
| **1** | Table Wines | 32 | 7 | 7 | 2 | 48 |
| **2** | Fortified Wines (ex: Port; Madeira) | 4 | 11 | 18 | 15 | 48 |
| **3** | Dessert Wines | 6 | 5 | 14 | 23 | 48 |
| **4** | Sparkling Wines | 6 | 25 | 9 | 8 | 48 |
| | **Total** | **48** | **48** | **48** | **48** | **-** |

According to the table we can conclude that the taste of respondents that is most predominant is for table wines with 32 respondents classifying it in first. In the second position we have the sparkling wines with 25 respondents choosing it, followed by fortified wines with a total of 18 respondents. In the last place are dessert wines, which 23 respondents choose them to occupy the fourth place.

**Q13 - In general, how much do you spend in a bottle of wine?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| **1** | Between 2€ and 5€ | | 1 | 2% |
| **2** | Between 6€ and 10€ | | 30 | 58% |
| **3** | Between 11€ and 30€ | | 20 | 38% |
| **4** | More than 30€ | | 1 | 2% |
| | **Total** | | **52** | **100%** |

From the 52 respondents of this question, it is possible to conclude that in general 58% (30 respondents) of them spend between 6€ to 10€ in a bottle of wine. Other 38% are used to spend between 11€ to 30€ in a bottle of wine, which corresponds to 20 respondents. The other to ranges of prices presented are almost zero, once both represent only 4% of the total of respondents, which represents 2 respondents.

**Q14 - Rank in your opinion the following wine buying determinants to the most important to the less important.**

| # | Answer | 1 | 2 | 3 | 4 | 5 | Total Responses |
|---|---|---|---|---|---|---|---|
| **1** | Price | 6 | 20 | 18 | 6 | 2 | 52 |
| **2** | Region of Origin | 36 | 9 | 5 | 1 | 1 | 52 |
| **3** | Alcohol Level | 0 | 5 | 7 | 12 | 28 | 52 |
| **4** | Labels | 2 | 5 | 13 | 20 | 12 | 52 |
| **5** | Brand | 8 | 13 | 9 | 13 | 9 | 52 |
| | **Total** | **52** | **52** | **52** | **52** | **52** | **-** |

After a careful analysis to this table it is possible to conclude that the wine buying determinant that most a affect the respondents is the region of origin, which was chose by 36 respondents. It is also possible to determine that the determinant that less affects the buying decision is the alcohol level of the wine, preceded by labels of the bottle with 20 respondents choosing it. In second and third place we have the price as predominant choice factor. It is impossible to conclude in which place the brand is positioned, observing the table, once it can be fitted in fourth and also in second place.

**Q15 - From what region are you used to buy more wines?**

| # | Answer | Response | % |
|---|---|---|---|
| **1** | Russia (Georgian Castes) | 0 | 0% |
| **2** | Portugal | 2 | 4% |
| **3** | Spain | 7 | 13% |
| **4** | France | 14 | 27% |
| **5** | Italy | 21 | 40% |
| **6** | Other | 8 | 15% |
| | **Total** | **52** | **100%** |

In this question we can observe the predominance of Italian wines around the world, being the country that the most part of the respondents are used to buy more wines, with 21 responses, that is, 40%. French wines follow Italian wines with 14 respondents choosing it, representing 27%. It is also possible to conclude the low visibility of Portuguese wines, with only 2 respondents choosing it, and representing only 4% of the total of answers.

**Q16 - If a new Portuguese wine with an acceptable price catches your attention in supermarket do you buy it?**

| # | Answer | | Response | % |
|---|---|---|---|---|
| **1** | Yes | | 45 | 87% |
| **2** | No | | 7 | 13% |
| | **Total** | | **52** | **100%** |

After analyzing this table it's possible to conclude the high level of acceptance of Portuguese wines by the 52 respondents. From the 52 answers, only 7 said that would not buy the new Portuguese wine with an acceptable price, representing only 13% of the answers.

**Q17 - Why?**

In the answers of this question we can analyze them according to the two hypothesis presented in the question above. In this line we can justify a "yes" in the question above by two major motives, which are, **previous positive experiences with Portuguese wines and other products** and also by the **will to have new experiences**. There are also other motives answered by the respondents that are the complex aromas of Portuguese wines, the lack of variety of Portuguese wines in Moscow supermarkets and also the high prices of good Russian wines.

In order to justify the "no" as an answer in the question above, the respondents said in majority that prefers **Italian wines**. Other motives were mentioned, such as, to support Russian producers, preference for known brands, preference for soft wines and the idea that Portugal isn't a solid wine region.

**Main Conclusions**

From this questionnaire it is possible to say that wines consumers in Russia can be characterized by the two genders, being the males and females both wine consumers. Also Portuguese wines are well known and with the possibility to have much more success in the next years, being the third ones more consumed, after Italian and French wines. Pinhal da Torre wines have prices between those who were more often bought, and once they are inserted in a Premium segment, which leaves us with good expectations for this international project.

# APPENDIX 4 – ECONOMIC ENVIRONMENT PEST ANALYSIS

**Table 1 – Main Macroeconomic Indicators**

| | Unidade | 2010 [a] | 2011 [a] | 2012 [a] | 2013 [b] | 2014 [c] | 2015 [c] |
|---|---|---|---|---|---|---|---|
| População | Milhões | 142,9 | 143,0 | 142,8 | 142,5 | 142,2 | 141,8 |
| PIB a preços de mercado | $10^9$ USD | 1.525 | 1.899 | 2.030 | 2.106 | 2.220 | 2.435 |
| PIB *per capita* (em PPP) | USD | 10.670 | 13.280 | 14.210 | 14.780 | 15.610 | 17.170 |
| Crescimento real do PIB | % | 4,5 | 4,3 | 3,4 | 2,2 | 3,3 | 3,8 |
| Consumo privado | Var. % | 5,5 | 6,4 | 6,8 | 4,0 | 4,5 | 4,5 |
| Consumo público | Var. % | -1,5 | 0,8 | -0,2 | 2,0 | 2,0 | 2,5 |
| Formação bruta de capital fixo | Var. % | 5,9 | 10,2 | 6,0 | 3,5 | 4,8 | 5,4 |
| Taxa de inflação (média) | % | 6,8 | 8,4 | 5,1 | 6,4 | 5,5 | 5,4 |
| Saldo do setor público | % do PIB | -3,9 | 0,8 | -0,1 | -0,6 | -0,4 | -0,4 |
| Saldo da balança corrente | $10^9$ USD | 67,5 | 97,3 | 71,4 | 52,1 | 39,6 | 34,4 |
| Saldo da balança corrente | % do PIB | 4,4 | 5,1 | 3,5 | 2,5 | 1,8 | 1,4 |
| Dívida pública | % do PIB | 9,2 | 8,1 | 7,7 | 8,1 | 8,2 | 8,3 |
| Dívida externa | $10^9$ USD | 510,2 | 543,0 | 539,6 | 532,6 | 537,5 | 537,3 |
| Taxa de câmbio | 1USD=xRUB | 30,4 | 29,4 | 30,8 | 31,8 | 32,7 | 32,7 |
| Taxa de câmbio | 1EUR=xRUB | 40,4 | 40,8 | 39,8 | 41,3 | 41,5 | 41,2 |

Fonte: The Economist Intelligence Unit (EIU)

Notas: (a) Valores atuais; (b) Estimativas; (c) Previsões

RUB – Rublo russo

**Source:** The Economist Intelligence Unit, 2013

**Table 2 – IPC Russia 2013**

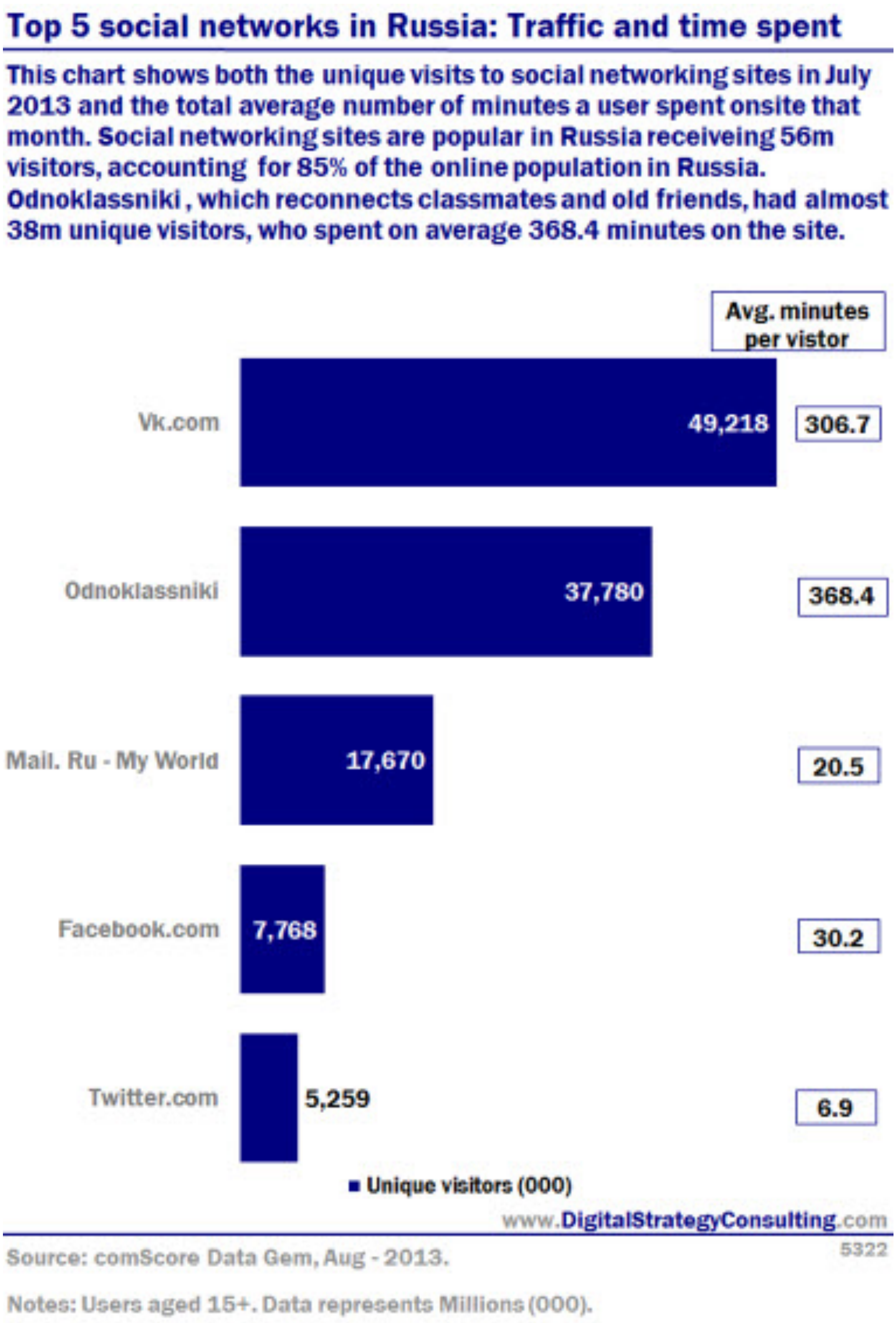
| Short months in the year of 2013 | Inflation (annual) |
|---|---|
| January | 7,065 % |
| February | 7,260 % |
| March | 7,011 % |
| April | 7,223 % |
| May | 7,377 % |
| June | 6,907 % |
| July | 6,452 % |
| August | 6,522 % |
| September | 6,140 % |
| October | 6,272 % |
| November | 6,487 % |
| December | 6,480 % |

**Source:** Global Rates, 2014

**Figure 1 – Graphic IPC Russia 2013**


**Source:** Global Rates, 2014

## APPENDIX 5 – RUSSIAN SOCIAL NETWORKS



# APPENDIX 6 – EXAMPLE OF INFORMATION PROVIDED IN USB STICK

## Tejo' s Region

Tejo is the main Iberian river, called Tagus in Latin and English. The Tejo region has been known as a wine-producing region since the middle age. The name of the province, Ribatejo *(meaning Tejo Bank in Portuguese)* was, was chosen 15 years ago to call the new wine region that was being created from the joining of smaller Denominations.


In the meantime, substantial improvement has been achieved, both in the vines and in the winemaking, and it was decided to return to TEJO, the original name for this wine producing area, to highlight the region tradition and new ambitions.

The main river, Tejo, marks the "terroir". The river separates the **3 distinct zones of wine production:**

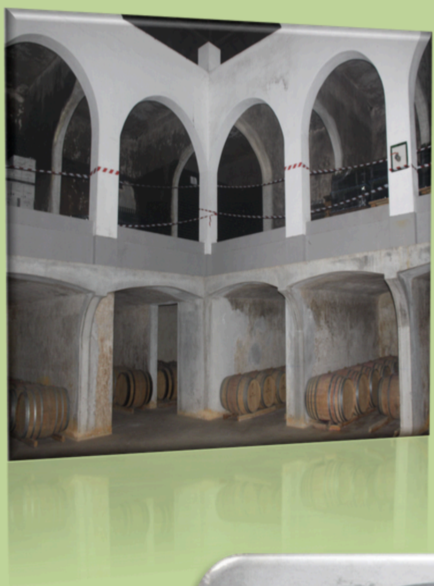
- ✓ **"Bairro"** on the right bank of Tejo, where there are two different kind of soils:
    - Soils of limestone and clay, disposed in more irregular fields where the hills alternate with plains reaching out until the north border of the region, here, the vine and olive-tree dominate; schistose soils, located up north, in a small area near Tomar;
- ✓ **"Charneca",** on the left bank of Tejo, further down south, this are not very productive sandy soils. It is a very dry zone, with higher temperatures than the rest of the region, and where the maturation of the grapes is faster;
- ✓ **"Lezíria",** it is a zone of plains, flooded periodically by Tejo River. These floods are responsible for the high fertility of the area.

Visit the Website: http://www.cvrtejo.pt/index.shtml?lang=en

***From this Vine…***

***To the cellar…***

… and a stage in a cave with best temperature conditions…



*… on the best oak barrels…*


*Born a unique and exclusive wine…*

## 2 Worlds Reserva 2008


**Classification**

DOC Wine from Tejo

**Type**

Red

**Castes**

Touriga Nacional, Touriga Franca, Cabernet Sauvignon and Merlot

**Type of Soil**

Majority sandy and clayey

**Wine Production**

10.000 bottles

**Characteristics**

**Tasting**

Presents a sharp ruby color, mature red fruits, minerals, graphite, cocoa notes, complex and compact texture, soft tannins, good acidity and good end

**Vinification**

Vinified by the traditional process of tanning, with a soft maceration, having aged in French oak barrels, not having been filtered

**Longevity Provided**

15 years

**Analysis:** Alcohol Level: 14.0%

Total Acidity: 5,7g/L in tartaric acid

pH: 3,49

Residual Sugar: 3,3 g/L

**Service**

Should be served at 18º C temperature, following with well seasoned meat and cheese dishes

**Conservation:** Bottles lying in a cool place between 12º and 13º C with a relative humidity close to 60%

## APPENDIX 7 – WINE SPECTATOR STATISTICS AND PRICES

### OVERVIEW (http://www.mshanken.com/winespectator/)

Thank you for your interest in *Wine Spectator* magazine.

Published 15 times per year, ***Wine Spectator*** offers an exciting, insider's view of the good life, including fine dining, wine travel, and entertainment. With more than **3.05 million readers** (MRI), *Wine Spectator* reaches business leaders, trendsetters, epicureans and connoisseurs. Our readership also comprises the billion-dollar trade – the key buyers in the wine and spirits industry.

Consumer readers who participated in a **Luxury Brand Status Index Survey*** had this to say about *Wine Spectator*:

"It is the industry benchmark."

"I consider it the foremost guide to its subject matter."

"… great recommendations for wines at all price levels, and great travel recommendations too …"

About our subscribers:

> ***Wine Spectator* is #1 in dining and affluence**
>
> **Median HHI $164,667**
>
> **96% took a recent trip**
>
> **90% have a valid passport**
>
> **77% enjoys cooking for family and friends**
>
> **66% visit food and wine festivals**
>
> **65% feel comfort and service are worth paying for when traveling**
>
> **58% have a wine cellar**

**Our readers are influencers and brand ambassadors not only for wine, but for the luxury products they enjoy and consume. To put it simply, those who enjoy wine and spirits, food, travel and the good life read *Wine Spectator*.**

# WineSpectator.com Classified Advertising

## Rates and Information

**WineSpectator.com**, the most authoritative source of wine information in the world, will place your classified ad on our website. Here your ad will be seen by your best customers! Known as "America's most popular wine website" our subscribers are world travelers who wish to expand their knowledge and appreciation of wine, fine dining, cooking and entertaining. Don't miss the opportunity to reach our educated, affluent and sophisticated audience!

**WineSpectator.com AUDIENCE**: 6 million+ monthly page views, 800,000+ monthly visits, 500,000+ monthly unique visitors, Male/Female: 81% / 19%, Median Age Range: 40–44, Median HHI Range: $150,000–$200,000 (*MRI 2009)

### CLASSIFIED LISTING INCLUDES:

- Name
- Address
- Phone/Fax
- Web Site URL
- E-mail
- 50 words of text
- Graphic

### GRAPHIC SPECIFICATIONS:

- 120 pixels wide by 60 pixels high
- 5k maximum file size
- Format: GIF or JPEG only
- Graphic is to be emailed to cchiaffitella@mshanken.com

### CATEGORIES:

- Auctions
- Wine Jobs
- Dining & Travel
- Real Estate
- Wine Accessories
- Wine Clubs
- Wine Shops
- Wine Storage

### SAMPLE LISTING:

California Wine
387 Park Avenue South
New York, NY 10016
Phone: 212-684-4224
Fax: 212-779-3383
http://www.winespectator.com ← *This will link directly to your web site*
info@winespectator.com

120x60 pixel sample ad

The first edition of this comprehensive guide was the 1996 winner of the James Beard Award for Best Wine and Spirits Book, and this brand new second edition is even better. At 672 pages, it has everything you need to know to enhance your appreciation of California's premier wines.

### PRICING:

| | |
|---|---|
| Listing for 1 year | $1,200 |
| Listing for 4 months (minimum) | $500 |
| Fee for change to existing listing | $100 (per change) |

- Prepayment is required.
- All ads or changes must be prepaid by check, Visa, MasterCard or American Express. *Wine Spectator* is not responsible for ads submitted without payment.
- There is no agency discount on classified advertising.
- Ad will appear within 3–5 business days of receipt of payment, insertion order, and graphic unless otherwise specified.

Wine Spectator
www.WineSpectator.com

# production specifications

## PRINTING

Web Offset (SWOP)

Binding: Perfect Bound

Publication Trim Size: 9.875" x 13"

## DIGITAL FILE SPECIFICATIONS

### PDF/X-1a

- PDF/X1a file (Only one ad per file)
- Images must be CMYK or Grayscale TIFF or EPS prepared for the SWOP3 color environment
- Total Area Coverage for CMYK color builds should not exceed 300%

## DELIVERY OF AD MATERIAL

Digital files uploaded to our ad portal
http://mshanken.SendMyAd.com
(uploading tutorial available on site)

Advertising material will be retained for one year, unless return is specifically requested. M. Shanken Communications is not responsible for keeping material beyond one year.

## MECHANICAL SPECIFICATIONS

| Ad Size: | Width | Depth |
|---|---|---|
| Trim | 9.875" | x 13" |
| Spread Bleed | 20" | x 13.25" |
| Spread Trim | 19.75" | x 13" |
| Spread Safety | 19.25" | x 12.5" |
| Full Page Bleed | 10.125" | x 13.25" |
| Full Page Safety | 9.375" | x 12.5" |
| Full Page Non-Bleed | 8.875" | x 12" |
| 2/3 Page Vertical | 6" | x 11.25" |
| Junior Page Vertical | 6" | x 7.5" |
| 1/2 Page Horizontal | 9" | x 5.625" |
| 1/3 Page Vertical | 3" | x 11.25" |
| 1/3 Page Horizontal | 6" | x 5.625" |
| 1/6 Page Vertical | 3" | x 5.625" |
| 1/6 Page Horizontal | 6" | x 3.75" |

### Insert Specifications:

| | |
|---|---|
| **Tipped Inserts** | |
| Mailable Minimum Size | 3.5" x 5" |
| Non-Mailable Minimum Size | 3.5" x 3.5" |
| Maximum Size | 9" x 12" |
| **Blow-In Inserts** | |
| Minimum Size | 3.5" x 4.25" |
| Maximum Size | 5.5" x 6.25" |
| Minimum Paper Stock | 60# |
| **Bind-In Inserts** | |
| Minimum Size | 4" x 6" |
| Maximum Size: | 10.125" x 13.375" |
| Jogs To Foot | .1875" Trim |
| Scuff | .375" |
| Perf | .625" (Scuff + .25" To Perf) |
| **Multi-Page Inserts** | |
| Minimum Size | 4" x 5" |
| Maximum Size | 10.125" X 13.375" |
| Head/Foot Trim | .1875" |
| Magna Strip | Required for 8 Pages or More |

*Note: All inserts must be delivered cartoned and identified with name of advertiser, publication and issue date.*

## FOR FURTHER INFORMATION

Go to mshanken.com, or contact:

Connie McGilvray
cmcgilvray@mshanken.com
tel: 212-481-8610 x344

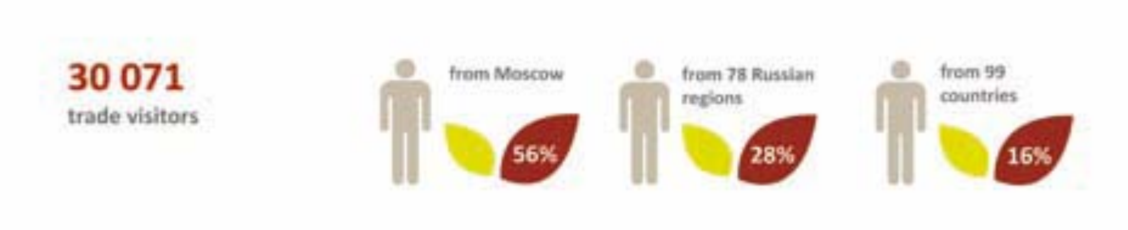
Carolyn Plouffé
cplouffe@mshanken.com
tel: 212-481-8610 x365

## APPENDIX 8 – "WORLD FOOD MOSCOW" QUICK FACTS

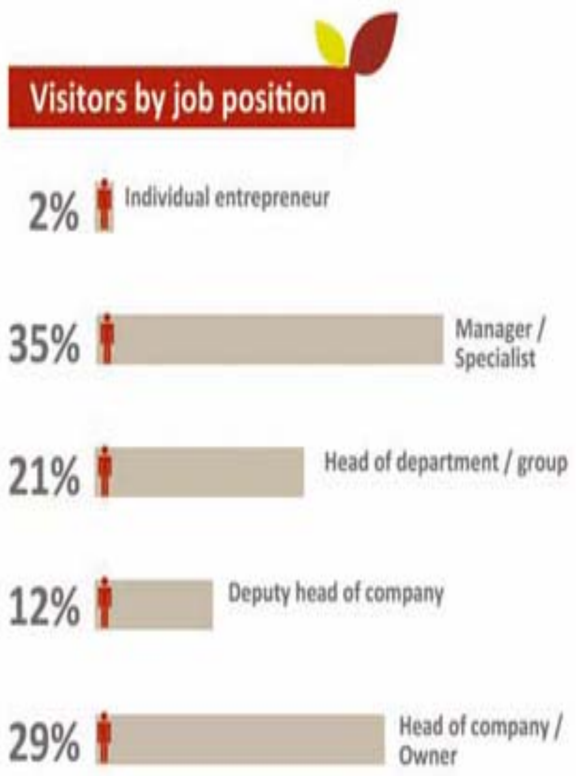
**Facts & Figures**
**QUICK FACTS**

| | |
|---|---|
| **Exhibitors** | 1,674 companies from 72 countries |
| **Visitors** | 30,071 trade visitors from 78 regions and 99 countries |

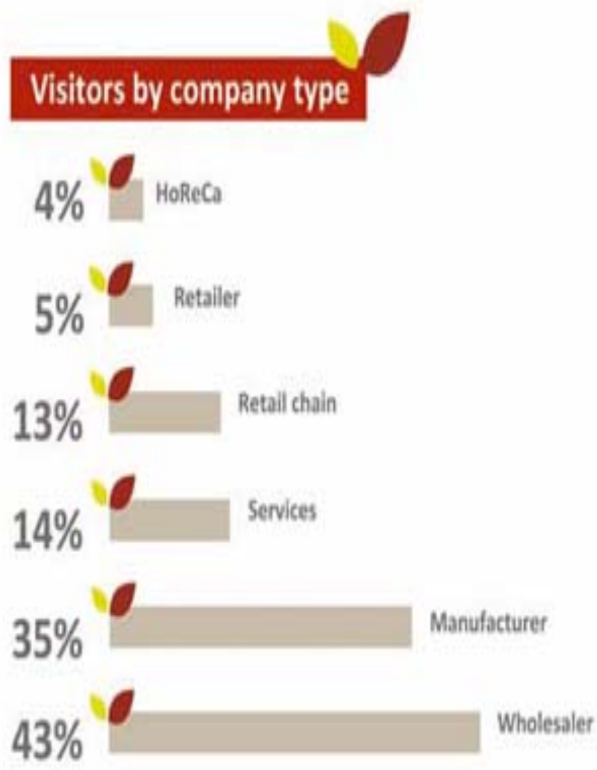
### ORIGIN OF EXHIBITORS




**Source**: http://www.world-food.ru/

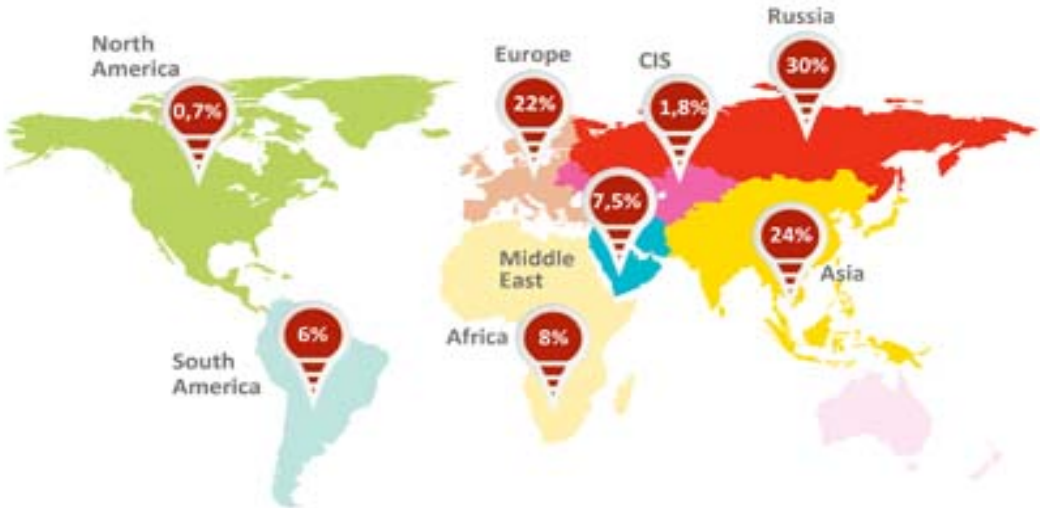



**Source**: http://www.world-food.ru/




**Source**: http://www.world-food.ru/

# VISITOR PROFILE
## ORIGIN OF VISITORS




**Source**: http://www.world-food.ru/

# APPENDIX 9 – PHOTOGRAPHY'S OF PINHAL DA TORRE

**Quinta de São João Vineyards**






**Cellar**





**Cave**





**Bottling and Packaging Line**


**Quinta de São João - Overview**