

**IBERIAN MARKET ENTRY STRATEGY FOR A NEW BRAND  
FOR MATTRESS**

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## Abstract

This thesis is studying the possibility of the Eliconfort brand to internationalize for the Iberian market. It currently produces for several brands in Portugal and Spain but does not have its own identity as a brand. As Eliconfort has its own product, process and production knowledge, this is a great opportunity to assert yourself as a brand.

Based on previous literature, a conceptual model was proposed and tested that investigates the possibilities of internationalization, the importance of a brand, factors that influence the shopping experience, perceptions, satisfaction and intentions, in the B2C and B2B context. This study provides more information about the concepts.

An interview was conducted for 66 individuals in the context of the mattress industry. The research methodology used in this dissertation is qualitative. The results of this investigation reveal that the internationalization of the brand has to be very well studied and worked, since the creation of a strategy of adaptation to the Spanish market, understanding the characteristics of products in each market region and identifying the determining factors to enter the market.

**Keywords:** Mattress industry; Iberian market; Iberian market entry strategy; Mattresses;

**JEL-Codes:** F20; L67; L10

## Resumo

Esta tese estuda a possibilidade da marca Eliconfort internacionalizar para o mercado ibérico. Atualmente é produtora de colchões e almofadas para várias marcas, em Portugal e Espanha, mas não tem uma identidade própria como marca. Como a Eliconfort tem o conhecimento de produto, processos e produção própria, esta é uma grande oportunidade para se afirmar enquanto marca.

Com base na literatura anterior, foi proposto e testado um modelo conceitual que investiga as possibilidades de internacionalização, importância de uma marca, fatores que influenciam a experiência de compra, percepções, satisfação e intenções, no contexto B2C e B2B. Este estudo fornece mais informações sobre os conceitos.

Uma entrevista foi realizada para 66 indivíduos no contexto da indústria da colchoaria. A metodologia de pesquisa utilizada nesta dissertação é qualitativa. Os resultados desta investigação revelam que a internacionalização da marca tem de ser muito bem estudada e trabalhada, desde a criação de uma estratégia de adaptação ao mercado espanhol, compreensão das características de produtos em cada região do mercado e identificar os fatores determinantes para entrar no mercado.

**Palavras-chave:** Indústria da colchoaria; Mercado ibérico; Estratégia de entrada no mercado ibérico; Colchões;

**JEL-Codes:** F20; L67; L10

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## List of abbreviations

B2B – Business to Business

B2C – Business to Consumer

CEO - Chief Executive Officer

MBA – Master of Business Administration

WOM – Word-of-mouth

WTC - World Trade Organization

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# 1. Introduction

## 1.1. Relevance of the topic

Comfort, price, interaction, quality, value, satisfaction and dissatisfaction, loyalty - how do these features impact your purchase? In addition to be the requirements most consumers care about when they want to buy a good or service, they are the ones that easily help decision making when a customer selects a product. When consumers are looking for a certain type of product, they usually look for a sensation or experience where the sub conscious often helps us create an image or sensation of the product we want to suppress our need. Having such strong image associations in the minds of consumers allows the attraction of potential consumers when they want to suppress a specific need, thus creating a connection between the brand or product and the customer. This shows the importance of a brand building a strong image and, based on its characteristics, branding and marketing strategies, in order to attract and retain more customers for its products.

Today, every human being has a busy life with little time to rest, where he often does not rest because he has no time. Sleeping healthily and connecting to health has been a hot topic around the world. In general, companies increasingly face health interventions, even in other areas of health with stress and pressure at work. Over the years "sleep has been shown to be a predictor of shorter shelf life, weight gain and obesity, hypertension, hypercholesterolemia, risk of atherosclerosis, diabetes, mental health problems, smoking, alcohol misuse, unhealthy eating and activity. sedentary ". People's lifestyle has changed dramatically in recent decades mainly due to technological development. As a result of this change in people's lifestyle new business opportunities emerge to suppress these needs that need to be answered as soon as possible. Although sleep has a huge impact on brain functions that are extremely important, sometimes impacting our attention, decision making and more. Thus, according to Michael A. Grandner (2019), "insufficient sleep in the workplace has been related to workplace injuries, absenteeism, presentism / lost productivity, and health care costs." In workplaces should be promoted the idea that sleep is crucial to people's health. It can even be a time investment that certainly improves people's productivity. Michael A. Grandner (2019) says, "The available evidence shows that instead of being more productive, individuals who sleep less are less productive, even with more time. The culture of sleep being only "rest "and therefore a sign of weakness or lack of resistance. needs to change.".

We can say that there are several similar products in the mattress industry that compete, as consumers often choose their products based on similar trends and attributes such as comfort, price, speed of delivery, ease of payment etc. There are several factors that influence the choice of your final mattress, but as the literature review will prove later in this thesis, product perception and the feel it gives us is one of the most significant decision-making factors as it helps differentiate a place in the minds of consumers (Marchiori & Onder, 2017).

Good examples of mattress companies that typically draw the most attention to academic research are those that now have well-defined marketing strategies for both the company and its products that are already being put into practice. There are also companies that are growing in cement in other companies, such as the company in which I am developing my academic thesis, but that need to be developed and better understand the market in which they operate. The mattress industry is one of the ever-growing sectors, both in the Iberian Peninsula and around the world. World Mattress Industry Report released in July by the Milan-based Center for Industrial Studies. Although companies in Portugal and Spain lack a defined vision and strategy for the product but have not yet been implemented. This master thesis will focus on consumer study for entering the Iberian market.

The following thesis consists of six chapters. Chapter one serves as an introduction to the topic, purpose of the study, and research questions. Chapter two summarizes previous research on various topics related to the creation of a mattress brand in the Iberian market, internationalization, ways to internationalize, important factors in the internationalization strategy, success factors, what is a brand, factors that influence the experience. of purchase, perceptions, satisfaction and dissatisfaction and intention. Chapter three presents a summary of the conceptual model derived from the literature review. Chapter four explains the methodology adopted for the study. The conclusions are presented in Chapter five. Finally, Chapter six discusses the limitations of the study and suggests ideas for future research.

In recent decades, the world economy has been characterized by a sharp increase in international trade. Increasingly, national markets give way to a global market, new spaces for formal integration are created to facilitate exchanges, new companies in each sector emerge, and new business models. This new environment, while threatening the survival of companies operating in the market, also contains numerous opportunities. With globalization and

increasing international competition strategies must be updated and companies are looking to find new ways to be in the global marketplace.

Thus, internationalization has been the watchword for corporate strategies, not only for large companies but also for PMEs. It is in this context that in conjunction with the proposal presented by Elifoam, this dissertation intends to address the internationalization phenomenon, analyzing its determinants, the types of market entry and the factors that determine its choice. On the other hand, and given that the internationalization of a company must be framed taking into account the competences and competitive advantages of its products, we will try to analyze some of the factors that are determinant for the competitiveness of its products. The focus is to study the possibility of Elifoam products entering the Iberian market, understanding which are the most important factors for consumers to purchase their products.

## 1.2. Research problem and main objectives

The main objective of this work is to study a possibility of international internationalization for the Iberian market and to study the behavior of individuals with the brands of mattresses in the Iberian market. Assess the feasibility of launching a new mattress brand in the Iberian market with a view to establishing customer satisfaction and brand loyalty. As noted in the bibliography, customer satisfaction surveys typically fall on consumer goods, with customer satisfaction in industrial markets being an under-surveyed area (Homburg and Rudolph, 2001). In this sense, research is centered around a concept considered key to corporate business success, which represents the starting point for customer loyalty, satisfaction (Johnston, 2001).

## 1.3. Elifoam's brief presentation

Elifoam, a company belonging to the Indulutex Chemicals, S.A. group, which is the subject of the study, is a public limited company located in Porto. Elifoam was founded around the year 2008 is a company of the mattress industry is now affirmed as a producer and intends to evaluate the possibility of creating its own brand. According to the information on the institutional website, Elifoam is a manufacturer of latex and visco mattresses, as well as cushions and pillows. It is currently present in 10 countries. They have a high know-how on the market and still have specific labs and technicians to study the best combinations of materials and at the same time analyze people's sleep. The philosophy of the company is to

serve customers in the best possible way of adding value to their knowledge and innovations. Currently, have six more types of mattresses where all of them were designed and designed to be a perfect fit for just about anyone. In annex 1, the author made a competitive analysis of the Iberian mattress industry, highlighting the main players in the market. The author made an analysis of the Portuguese and Spanish markets, annex 2.

## 2. Literature Review

The purpose of this chapter is to establish a theoretical outline. The literature presented in this chapter deals with research results invalid research portals; and theories related to branding in a broader sense, detailed research of the Iberian market in a general format and focused on the mattress industry and brand awareness more specifically. All literature is described and explained to build a theoretical basis for this study.

The literature review is the theoretical basis for the entire case study. In this chapter, the author analyses three main themes that will later be applied in the rest of the thesis: Internationalization, Branding in the digital era, Social media, Shopping Experience, Motivations to use Internet, Perceptions, Satisfaction and Dissatisfaction, Loyalty and Satisfaction, Word-of-mouth and Intention.

The review will begin by explaining the most important concepts, such as internationalization, about branding, then social networking and social media, factors that influence the shopping experience, motivations for using the internet, perceptions and satisfaction, dissatisfaction and loyalty. In addition, online brand communities and word of mouth will be addressed.

### 2.1. Internationalization Concept

In a constantly changing world, with the progressive liberalization of world trade, international expansion has been the response of companies to widespread competition and threats to their survival. Welford and Prescott (1994) report that expansion is one of several growth strategies. Sousa (1997) reinforces this idea by stressing that internationalization is not considered a universal solution. Fernández and Nieto (2005) consider this to be the most complex strategy a company can adopt. Simões (1997) draws attention to the existence of several definitions of internationalization, based on two dichotomies: the micro-macro opposition, which confronts the perspective of the national economy with that of the company; inward outward polarization, which opposes “inside-out” operations (exports, foreign licensing, foreign investment) to “outside in” operations (imports, foreign

technology acquisitions and foreign investment). Among the various definitions of internationalization, the following can be highlighted:

*Table 1 - Internationalization definition*

<b>Author</b>	<b>Definition</b>
Meyer (1996)	Who defines internationalization as the process by which a company increases the level of its value-added activities outside the country of origin;
Calof and Beamish (1995)	Who report that internationalization is the process adapting the company's operations strategy, structure, resources, to international environments;
Ire Freire (1997)	Who considers that the internationalization of a company is the extension of its product-market and vertical integration strategies to other countries, resulting in a total or partial replication of its operational chain. For Chetty and Campbell-Hunt (2001), internationalization cannot only be a process of “increasing progression” but as a phenomenon with setbacks, in which companies can “de-internationalize”, either by ceasing to work on a product. either by giving up foreign direct investment and refocusing on the export modality or by reducing (or ceasing) its international activities.

In defining internationalization, it is equally important to differentiate it from other misconceptions such as globalization. The phenomenon of globalization is based on the idea that differences between markets are blurring and tending to disappear. As a result, companies to seize this opportunity must globalize their business strategies (example, having a single strategy, as it is a single market), to benefit from significant economies of scale. The “Lisbon Group” (1994) defines globalization from the economic point of view as “the set of processes that make possible the conception, development, production, distribution and consumption of processes, products and services worldwide, using instruments organized and made accessible on a worldwide basis (such as patents, databases, new technologies and information, communication and transport infrastructures); that works to satisfy the diverse and growing global markets regulated by “near universal” standardization and standardization; It is founded on organizations (networks of firms)

operating on a worldwide basis, whose capital increasingly belongs to a multiplicity of shareholders from different countries, whose culture is open to a global context and follows a worldwide strategy. It is difficult to identify a specific territoriality (legal, economic, technological) of these organizations despite having a headquarters, mainly because of the intensive forms of interrelationship and integration that occur between companies, infrastructures and rules at various stages of conception, production, distribution and consumption of goods and services.

**Preposition 1: The internationalization of a brand is the extension of its product integration and vertical market strategies to other countries (Ire Freire, 1997).**

### 2.1.2. Models of internationalization

Regarding internationalization models it is important to keep in mind that there is not a single theory that can explain the internationalization of companies. There are several works in this area, but all of them have limitations. Bearing in mind, on the one hand, that most of these models were conceived with reference to the internationalization of large companies, and, on the other hand, the changes in the economic reality, in which small and medium-sized companies gained great prominence, it must be concluded. that there is no theoretical body that perfectly explains the ongoing internationalization processes. Viana and Hortinha (2005) suggest that the explanatory theories of internationalization are grouped into four major types: those that address the stages of evolutionary internationalization; those that look at internationalization from the standpoint of investment, transaction costs and location; those that address internationalization from the point of view of networks and, lastly, those that interpret internationalization from the point of view of companies' strategic options with a view to improving competitiveness and maximizing their efficiency.

Lorga (2003) proposes the segmentation of these theories into theories of international trade; product life cycle theories; theories concerning business behavior and management; theories based on market imperfections and industrial organization and dynamic approaches to internationalization. Following is a brief analysis of some of the main theories of internationalization of companies.

## I. Classical Theories of International Trade

Adam Smith, in “Wealth of Nations” (1776), and David Ricardo (1817) explain the existence of international trade based on the relative price differences of the goods of the various countries. Price differentials would result from different supply conditions (production functions and factor endowments) and demand conditions (consumer preferences and income distribution). These theories are based on the analysis of each country's international specialization according to its resources (natural or technological), with the unit of analysis being the nation. In this sense, and according to Lorga (2003), they are not interesting to explain the internationalization of companies.

## II. Competitive Advantage Theory

Porter (1990) presents a new concept of competitiveness of nations, less focused on price, and Teixeira and Diz (2005) report that Porter broadened the concept of comparative advantages by including not only basic factors of production but technological differences, quality factor and the methods of competition. This theory has as its unit of analysis the industry. It advocates that no nation is competitive in every sector, and because each country's economies are very specialized, each country's success depends on how interconnected sector companies (clusters) organize and compete globally.

To assess a country's competitiveness, it is necessary to analyze the four factors of a nation that ensure competitive advantages (i.e., what Porter calls the “National Competitive Advantage Diamond” model): 1. Factor conditions (such as advanced human resources, technical infrastructure and other competitive inputs); 2. Demand conditions (such as the degree of sophistication of consumers); 3. Related and supporting sectors (existence of suppliers, distributors and related businesses in competitive locations); 4. Strategy, structure and business rivalry (forms of organization and management of activities, existence of strong competition). For Porter, nations that act as favorable bases for the development of these competitive advantages are the target of internationalization processes. Lorga (2003) states that this theory is still very focused on the competitiveness of nations.

### III. Product Life Cycle Theory

Originally developed by Vernon (1966) and later complemented by Onkvisit and Shaw (1983), it uses the product lifecycle concept to explain how some companies become multinationals. According to this theory, the dynamism of technology means that the comparative advantages of countries change over time. Initially, the products are tested and produced in high income and consuming countries, which then export them to other markets. Given that the markets have varying degrees of development, the imitation effect of the other rich countries, which were initially importers of the product, are now also exporting it. In a subsequent phase, the least developed countries enter the race, exploiting cost advantages. In the product maturity phase, where competition is intense, the most developed countries are importers of the product, launching themselves again in new products, so the model repeats itself. This theory thus seeks to explain the relocation of multinational companies from more developed to less developed markets but is not without criticism because it is deterministic and does not consider modes of entry beyond exports and direct investment (Anderson, 1997). Vernon even corrected his theory by stating that the new products of multinationals could be produced in their branches of the least developed countries and not in their host countries. Teixeira and Diz (2005) draw attention to the fact that the "waterfall" approach suggested by this theory (countries have different rates of development, which are replicating from the most developed to the least) makes no sense in the context of globalization.

### IV. Behavior Theories and Business Management

These theories relate international investment through company behavior and the importance of the management factor. For behavioral theories, the operation of the company results from the interests of the various groups, namely that of managers. Thus, according to Aharoni (1966), the decision to invest abroad is a complex process, composed of a large number of motivations, namely the mental models of managers; for Cyert and March (1963) investment tends to be in culturally and geographically closer markets which are more familiar to managers (reducing their risk in decision making). The main limitation pointed to these theories is that it explains internationalization solely based on management decisions.

## V. Theory of Market Imperfections

These theories associate the existence of multinationals with market imperfections. Hymer (1976) and Kindleberger (1969) argue that the motivation for companies to multinationalism results from having advantages in their market that they seek to exploit in other markets. Hymer (1976) seeks to explain how a foreign firm with limited knowledge of local conditions can successfully compete in the local market. According to him, the company when entering an unfamiliar market has a disadvantage, which translates into additional costs of dealing with a new framework, so to overcome it must have property advantages over the competition. This theory considers that market imperfections and company differentiation, which has comparative advantages, are catalysts for foreign direct investment. The following are considered market imperfections: 1) imperfections in the goods markets (brands, marketing skills, product differentiation); 2) imperfections in factor markets (unique resource acquisition capabilities, management skills and technology); 3) competition imperfections given internal and external economies of scale; 4) imperfections in competition caused by government policies aimed at attracting investment. Caves (1971) identifies the advantages of multinational companies as management skills, brand or reputation, patented technologies and economies of scale. Knickerbocker (1973) seeks to explain the internationalization of companies based on the imitation of competition, in the so-called Oligopolistic Reaction Theory. Thus, in oligopolistic markets, companies tend to mimic the behavior of competitors to minimize risk and uncertainty (“imitation” effect of leading company, for example “follow the leader”). In the same vein, Graham (1978) states that foreign investment represents a threat exchange between oligopolistic companies that, to reduce their uncertainty, mimic their rivals. Thus, for example, when US oligopolistic firms invest in Europe, European firms react by investing in the US. Casson (1987) sees investment as a domestic market defense strategy.

According to Malhotra et al. (2003), the limitations of the Market Imperfections Theory are based on considering only foreign investment, not referring to any form of agreements in the market. Oligopolistic reaction theory has an oligopolistic view of international competition, which is based on the application of uncooperative game theories and which does not recognize other forms of competition than imitation (Lorga, 2003).

## VI. Internalization Theory

Using the concept of “market imperfections”, the central idea of this theory, developed by Buckley and Casson (1976) and Rugman (1979), is that companies integrate operations that the market performs less efficiently (i.e., take advantage of the opportunities generated by imperfect markets). These companies have a set of differentiated competences, called “specific factors”, which guarantee them superiority over the competition. According to the theory, when the internalization of operations is beyond borders, we are facing a process of internationalization, which results in multinationals. The internationalization decision is thus a decision based on cost reduction (McDougall et al., 1994). The theory is based on two fundamental axioms:

A) The enterprise shall internalize its operations until such time as the transaction costs of such operations are higher than those resulting from their organizational integration.

B) The company grows by internalizing markets to the extent that the benefits of internalization outweigh the costs. Rugman (1979) broadened the theory's explanatory capacity to include international diversification (not just foreign investment), noting that multinationals use internalization to overcome capital market imperfections. For this author, this theory is the core of multinational theories, synthesizing works by several authors and being consistent with other theories (such as the eclectic, exposed below). in a static way and forgetting aspects such as forms of inter-company collaboration.

## VII. Eclectic Theory (OLI Paradigm)

Dunning (1995, 1998, 2000) tries to explain the internationalization process based on foreign investment, considering that the existing theories are incomplete. Thus, this author argues that a successful investment must meet three conditions (O.L.I. - Ownership-Location-Internalization paradigm):

- A) Ownership advantages, i.e. company-specific advantages over competition (eg control of strategic assets such as technology, private label, management capabilities);
- B) Location advantages, i.e. location advantages which relate to the benefits of exploiting the superiority of the business abroad (i.e. factor costs in the country, stability of the country);
- C) Internalization advantages, the advantages of internalizing transactions within the enterprise. It presents four decision criteria: risk, control, return and resources. This is a multi-theoretical approach, constituting as a synthesis of previous works. It includes concepts of Market Imperfection Theory (company comparative advantage), Internalization Theory (internalization advantage), and Product Lifecycle Theories (location advantage). Considering the political and technological changes of the 1990s, Dunning proposed the reconfiguration of the property-location-internalization paradigm. Included in the concept of property advantage are the costs and benefits that result from inter-firm relationships and transactions (alliances); considered new location variables (knowledge accumulation capacity and spatially related R&D standards); It has broadened the concept of internalization advantage with other dynamic objectives such as the pursuit of strategic assets and the pursuit of efficiency. Dunning concluded that there is a relationship between the country's level of development and its position in terms of international investment as well as a two-way relationship between both factors and foreign investment flows, in a dynamic interaction (“Investment Development Path”). This theory has very strong explanatory value for global companies. Based on the identification of the advantages in terms of internationalization of the company and for a given zone, it is possible to determine the most appropriate penetration mode according to a simple model that highlights that:
- A) Every mode of internationalization involves the existence of a significant specific advantage;

- B) The mode of investment is only feasible by combining the three types of advantages;
- C) In case the location advantage is insufficient, export and licensing modalities should be considered.

For Malhotra et al. (2003), although the model presents a multi-theoretical perspective, its explanatory factors (property advantages, internalization and localization) are somewhat redundant. For Andersern (1997) the use of several criteria (risk, return, control and resources) makes the decision input mode is complex. On the other hand, the model is mainly focused on multinational companies, forgetting smaller companies.

### VIII. Theory of Industrial Networks

The perspective of industrial networks was developed by several authors, namely Jan Johanson and Lars-Gunnar Mattsson (1988). Describes industrial markets as business relationship networks. According to Network Theory, companies in industrial markets establish, develop and maintain lasting business relationships with other companies.

A company's competitive advantage is measured by its resources and its ability to mobilize and coordinate resources from others (suppliers, customers, competitors, R&D centers), that is, a company's position in the network determines its opportunities and constraints as well as their strategies. Applying the network perspective to internationalization, the company is seen in the context of interorganizational and interpersonal relationship networks (Coviello and McAuley, 1999). Internationalization is thus the result of multilateral outsourcing through business and social (not internalization). The phenomenon of internationalization results from the establishment and development of the company's positions vis-à-vis partners in foreign networks. The degree of internationalization can be measured by the positions held by the partners of the network in which the company is, and if the partners are very internationalized, the greater the degree of internationalization of the network. According to Johanson and Mattsson (1988), a company to achieve a position in an international network can establish positions in several national networks with new partners for the company (international extension), can develop positions and increasingly commit

resources in foreign networks. where the company already held positions (penetration) or may increase coordination between positions already held in different national networks (international integration). The company's assets differ according to its degree of internationalization and the market in which it operates, find it. The situations arising from the degree of internationalization and the market are depicted in Table 2.

Table 2- Internationalization and the network model

Degree of internationalization of the company	Degree of market internationalization	
	Low	High
Low	The Early Starter	The Late Starter
High	The Lonely International	The International Among Others

Source: Johanson e Mattsson (1988, p. 310)

For Coviello and Martin (1999) networks influence the company's initial entry into the international market and its mode of entry. These authors concluded that small software companies use networks to ensure their rapid internationalization. Networks can be the basis of inward internationalization, which over time can become outward internationalization. For Malhotra et al. (2003) this theory, while more fully explaining the internationalization of PMEs and not being deterministic but dynamic and proactive, lacks predictability, and the basis for its proposed internationalization seems ad hoc. It does not explain the internationalization of companies that are not in networks.

## IX. Stage Theory

This theory arises to fill the gaps in internationalization research, to date based only on large companies and large foreign investments at one time. The internationalization process is seen as a gradual process that develops in stages (Melin, 1992). In this context two schools of thought stand out:

1. The Uppsala Models (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990; Welch and Luostarinen, 1988)

## 2. Innovation-Based Models (Cavusgil, 1980)

The Uppsala Model considers internationalization as a gradual process in which the company gradually increases its international involvement. The following steps are considered: 1) no regular export activities (direct export); 2) export through agents (indirect export); 3) establishment of local sales subsidiaries; 4) establishment of local production subsidiaries. The internationalization process evolves in terms of the company's increasing acquisition of knowledge about foreign markets and operations, as well as the company's increasing allocation of resources to markets (Johanson and Vahlne, 1990). Obstacles to internationalization (lack of knowledge and resources) are reduced through incremental decision-making (Luostarinen, 1990), at the expense of acquired knowledge (Johanson and Wiedersheim-Paul, 1975). The result of a decision is an input to subsequent decisions (Johanson and Vahlne, 1990), which causes that this is a dynamic process (Hadjikhani, 1997). Thus, two standards are considered in the company's internationalization form: its involvement is sequential, in stages, with increasing commitment (ranging from the existence of non-regular exports to the installation of a local productive branch); The company successively enters markets with greater psychological distance (cultural, political, linguistic differences). On the other hand, the model also comes into consideration with strategic choices and organizational forms, which are influenced by forces that facilitate or hinder export, information needs, selection and market entry and marketing strategies. The diversity of these factors makes it difficult to test the model. This model presents a dynamic perspective, with the ability to predict how a national company becomes a multinational.

### 2.1.3. Motivations for internationalization

Czinkota et al. (1999) point out as the main motivations for internationalization a set of eleven factors, which group together into proactive motivations (this includes the advantages in terms of profits, technology, unique products, exclusive information, management commitment, benefits and economies of scale) and reactive motivations (which include competitive pressures, overcapacity, domestic market saturation and proximity to customers and ports of landing). Already Brito and Lorga (1999) present a proposal that at first glance seems similar (in terms of nomenclature) to that of Czinkota, but it is not, being more comprehensive and complementary in nature. Therefore, they suggest that there are three

types of motivations: proactive, reactive and mixed (motivations that result from a mix of proactivity and reactivity). Proactive motivations highlight the company's growth strategies (in view of the difficulty of growing in the international market, given the increased competition, restrictive public policies for business expansion and the lack of sophistication of consumers, among others, the company choose to internationalize) and take advantage of opportunities created in a new market (usually these opportunities are detected by business partners of the company in a given market or are the result of poor performance of the partner, which leads to the reformulation of the company's strategy. They are also here considering the legislative changes in the market, which lead to the reinforcement of its attractiveness). Reactive motivations include internationalization by entrainment (as a result of the company's need to keep up with its client's movement to a new market) and the imperatives of the business itself (there are businesses that are by nature international, such as air transport companies; On the other hand, there are activities that are not in regular demand or require a larger market size than the domestic market. Mixed motivations include geographical proximity and cultural and linguistic affinities, risk reduction (through geographical diversification), cost reduction and economies of scale (the pursuit of cheaper factors of production and markets with less stringent legislation). environmental and tariff terms, proximity to sources of raw materials, as well as economies of scale in production), taking advantage of the country's image (can boost the internationalization of domestic companies due to its negative or positive international image) and government support (country of origin and / or destination). Teixeira and Diz's proposal (2005) go against the previous one, mentioning six factors: access to cheaper and “better” resources, higher return on investment, increased market share, flight to import or quota import, response to customers and competitors and access to skills. Douglas and Craig (1995) consider that there are internal and external factors to the company, based on three phases, which determine its internationalization process, as can be seen in Table 3.

Table 3- Determinant factors of internationalization

Phases	Detonators	Determinant factors
Phase 1: Initial Market Entry	Opportunistic company behavior responding to an unsolicited customer approach / passive company behavior over opportunity	International leverage of company assets already exploited in its market (innovative products, brand, management skills, distribution)
	Saturation or limitations of the domestic market company growth	
	Follow customers or approach customers	
	Follow competitors for better defense	
	Need for market diversification to reduce risk	
	Best Supply opportunities in the outside	
	Retaliation for foreign competitors entering the domestic market	
	Technology update & benchmarking	
	Harnessing incentives and fluctuations foreign exchange	
	Progress in transport and communications that lead to cost reductions	
	Phase 2: Expansion in the foreign market	
Need to combat competition		

	Initiation and motivation of the local management team	company's brand image
	Desire to use assets more effectively locations	
	Natural market constraints and barriers (transportation, distribution, financial aspects)	
Phase 3: Globalization	Cost efficiencies and duplication of efforts in subsidiaries	Harnessing synergies from global operations, with optimal resource allocation across markets, market segments, to maximize overall profit
	Product transfer opportunity, brand, experience from one market to another	
	Global customer emergency	
	Increased global competition	
	Better links between national marketing infrastructures leading to a global infrastructure	

Based on this matrix, the authors summarize three types of factors external to the company:

1. at the meta level - the importance of the triad; and the PEST analysis (Political, Economic, Social and Technological Factors);

2. at sector level - customers (more or less uniform requirements and marketing); costs (new product development, economies of scale and transport costs); country-specific factors (trade policy, technical standards and institutional and cultural barriers); the competitive

factors of industrial structure (competitive interdependence and competition through new entrants, shareholder pressures, mergers, alliances);

3. at company level - bipolarization between companies that choose global competition or focus on a niche or market segment.

Regarding internal factors, the authors highlight managers' international vision and mindset, organizational dynamics and change management. The dynamics of the organization include core competencies, market access (customer proximity), business integrity (ability to be faster, more flexible or reliable), product functionality, ability to adapt to new processes (learning) and inheritance and / or organizational crisis. In the management of change are implied the methods of education and communication, participation and involvement, negotiation and agreements, manipulation and coercion.

Viana and Hortinha (2005) point out six reasons why many companies with no tradition in the international market are currently, in the context of globalization, looking for foreign markets: increased invoicing; synergies in terms of cost structures (economies of scale); business risk reduction through market diversification; collaboration with companies and public institutions (the government is one of the largest clients in the world); market dominance (even if not financially advantageous in terms of image) and absolute advantages (resource dominance). These authors summarize in three groups the reasons that lead to internationalization: 1<sup>st</sup> strategic opportunities; 2<sup>nd</sup> desire for growth; and 3<sup>rd</sup> markets, customers, competitors, costs and nature of the business. The first group includes the image of the company's country of origin, ease of geographical or cultural access, opportunities for acquisition and emergence of new markets; government incentives; in paragraph 2 consider the company's brand image, non-transportable services, the success of local partners and risk diversification; The latter point to less demanding foreign markets, customer follow-up, weakening competition, overcapacity / reduced domestic sales, economies of scale, relocation of production and imperatives related to the nature of the business itself.

In short, the authors' proposals for motivations for internationalization vary, and these are closely linked to factors internal or external to the company and depending on the phase of the international expansion process in which the company is.

## 2.2. Forms of internationalization

### 2.2.1. Decision factors

An external market entry mode can be defined as an institutional arrangement that facilitates the entry of the company's products, technologies, human and management skills or other resources into an external market (Gao, 2004). Three different points of view can be synthetically identified in selecting the mode of entry (and development) in foreign markets:

- a) Economic optic - Rational analysis that weighs the costs and benefits of each entry to select the one that maximizes long-term profit. It seeks to balance the degree of control, resource investments, profitability and risk. Anderson and Gatignon (1986) developed a model based on transaction cost analysis that maximizes long-term efficiency, which is measured by the risk-adjusted return on investment rate. Jeannet and Hennessey (1988) also presented a model of financial analysis of entry strategies, based on financial variables (assets, liabilities, costs, sales), local values (values of new assets and new entry liabilities, fixed costs and input mode sales), other decreases due to the new operation (liquidated assets or reduced liabilities due to change of operations, diseconomies of scale, fixed cost contribution losses and sales losses in other units) and incremental values (net change of assets, liabilities, net total costs and additional sales arising from the new entry).
  
- b) Stages of development optics - Rational analysis, which relates the decision on the mode of entry with the evolution of the internationalization process. Thus, the greater the deepening of internationalization, the greater the commitment of resources. Brooke (1986) developed a model that identifies company options as it progresses at the stage of its international expansion. According to him, a given mode becomes inadequate, requiring the move to the next mode, an example of this is the so large

growth of exports that points to a development for direct investment. Also, at this level the Buckley and Casson (1985) models can be used, which relate the momentum of shifting from export to investment with service costs, demand conditions and growth rate in the target market.

- c) Business strategy optics - Pragmatic analysis, which results from uncertainty and the need for consensus in business decision making. From this perspective, companies choose satisfactory, non-maximizing decision-making processes, given the wide variety of factors that affect their decisions. Root (1987) enumerated a set of factors that affect company decisions (classifying them into internal and external). This author presented a mixed methodology (business strategy optics and economic optics), phased, for input mode selection. In the first stages it is the internal and external factors that allow to identify the various possible input modes; From there it uses economic variables to select the most appropriate input mode. Young et al. (1989) suggest a similar valuation method in which the objectives of the input are spelled out, assessing their relative importance from the firm's point of view, in order to define their weights, in order to order the various strategies.

As mentioned, the option for a market entry strategy is dependent on several factors. The Table 4. identifies fifteen variables that affect firms' choice of entry modes, based on conceptual and empirical studies.

*Table 4 - Factors Affecting Input Mode: Summary of Previous Studies*

<b>Factor</b>	<b>Reference</b>	<b>Results</b>
Entry Timing	Robinson (88); Robinson and Fornell (88); Ryan (88)	Late entries generate superior performance.
	Olleros (86)	Late arrivals are more efficient.
	Schmaars (86)	Nenhuma estratégia com timing único é boa.
Input Mode	Stopford e Wells (72)	Selecting the input mode depends on the company's international experience and product diversification.
	Caves e Metha (86)	Input mode selection is influenced by short- and long-term factors.
Company activity	Sharma (95); McCarthy et al (93)	The business sector affects the input mode.

Competition	MacMillan and Day (87); Yoon and Lilien (85)	There is an inverse relationship between the number of competitors and success.
Potential market	Mccarthy et al (93); Shama (95)	High market potential motivates entry into foreign markets.
Competitive Positioning	Green e Ryans (90)	Higher input placement positively affects performance.
	Day e Wesley (88)	There is superior positioning when the product offers superior customer value.
Competitive advantage	Ghoshal (87)	Efficient international strategies are based on competitive advantages.
	Cook (83)	Marketing strategy should focus on long-term competitive and customer-related advantages.
Relationship Performance	Porter (80)	The sector structure explains why certain sectors are more competitive.
	Drazin and Van de Vem (85); Miller (88); Galbraith and Kazarjian (86)	A good match between individual demand and strategy leads to better performances
Company Size	Cavusgil et al (89)	Small companies usually export.
	Cavusgil e Nevin (81)	The number of employees is a good predictor of exportability.
	Germunden (91)	Company size is positively related to export behavior.
Commitment	Daniels (70); Vernon (83)	There is a relationship between resource commitment and the growth of international activity.
	Anderson e Gatignon (86)	There is a trade-off between control mode costs and resource allocation mode costs.
Cultural problem	Datta (91)	Restrictive host country policies are more likely to prevent foreign investment.
	Rugman (79); Stopford e Wells (72)	Companies that have a valuable product increase their bargaining power with the host government.
Surrounding factors	Shubick (83); Ting (88)	Policy uncertainty reflects the threats and opportunities associated with changes in the political system.
	Brewer (83)	Government policies affect investments.
	Cyert e March (63); Mascarenhas (82)	Companies try to control the important contingencies of the environment to reduce uncertainty.

Investment	Chandler (90)	Industrial success depends on investments.
	MacMillan e Day (87)	High investments are reflected in better results and market shares.
Barriers to Entry	Karakaya e Stahl (89)	They identified 19 barriers to entry.
	Orr (74)	They proved that barriers affect the entry strategy.

Source: Shama (2000, p. 654)

Douglas and Craig (1995), like Root, highlighted two types of factors that condition the input mode, external and internal. In external countries, they highlight the country's characteristics (market size and growth, political, economic and infrastructure environment), trade barriers and government regulations, and product characteristics. In interns, they refer to the management objectives and the market selection strategy (focus on speed and sequence). Gao (2004), using the perspective of contingencies and considering the work of the various authors in terms of input modes, did a pioneering work in terms of systematizing the contingencies of the input mode decision process. The idea is that companies to define the input mode must go through three phases, the first is to use the antecedent factors to predict the most desired attributes of the input mode (i.e. its characteristics in terms of control and allocation). of resources); The second is to list, compare and map the various input modes according to the main attributes; and the third, based on the previous two, is to relate the antecedent factors to the input modes.

To define this model, Gao reviewed the literature in order to understand the main antecedents of the decisions regarding the mode of entry, having grouped it into factors related to the external environment, factors related to the internal environment, strategic objectives and factors related to relationships. It proceeded in the same way as to the desired attributes of the input modes, concluding that the input decisions are made regarding control and resource allocation. Subsequently, Gao evaluated the model and concluded that there was a failure in the “control” attribute. With the assessment of the attribute “control”, he found that the literature only associates it with the financial issue (financial involvement), forgetting non-financial sources of control such as bargaining power and trust. In this way, it suggested the reformulation of the contingency model applied to the input mode decision. This reflects a first effort to integrate all forms of control into the selection of input modes:

The implications of this new theoretical framework are significant. If the entrant's priority is the degree of control in entry mode, the company should be aware that there are sources of control such as trust and bargaining power that are less expensive than financial involvement. Therefore, it is important to look for a “trustworthy” partner that enables greater control without financial costs. Similarly, the company's bargaining power, hence control, can be increased by making the partner more dependent on the company's resources. Along the same lines as Gao, Simões (1997) states that the ability to manage international cooperative relations enables the leverage of company resources, limiting its financial constraint.

### 2.3. Important factors in the internationalization strategy

Companies, before entering a market, need to analyze several factors that influence the choice of their strategy, such as the mode of entry and consequently its performance (Annex 3). Peng (2009) suggests that companies should consider three broad dimensions that make up the three legs of the “strategic tripod”: industry, resources and institutions.

Industry-based considerations are primarily driven by Porter's five competitive forces (Porter, 1991) that affect the industry, namely rivalry between companies, barriers to entry, bargaining power of suppliers, bargaining power of buyers and substitute products. Thus, taking industry analysis into account, companies choose to enter markets for different reasons. The resource-based view states that the resources that companies present are fundamental to their performance and may explain the differences in companies' performance. According to Barney (1991), corporate resources are represented by three categories, namely physical, human and organizational capital resources. This view demonstrates that there must be an analysis of the competencies that companies have in the characteristics of their resources, which must be valuable, rare, inimitable and organized, so that companies gain competitive advantages in the markets, and consequently greater profits. For utilities, the key resources for the success of their internationalization are their skills in the business, highlighting the importance of their know-how in the sector in which they operate and their political capacities, in which the latter can easily be circumvented. the high regulatory and political risk, even allowing them to benefit from these market characteristics, as it helps these companies acquire more privileges on entering foreign markets and gain a strong competitive advantage to outperform their local market-adapted

competitors. We find that in this way there is a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), where industry considerations examine opportunities (O) and threats (T), and resource considerations analyze forces (S) and weaknesses (W). Many companies did not consider institutions as they considered them to be stable, but they have various volatilities across countries. (Peng et al., 2008; Meyer et al., 2009; Peng, 2009). Institutions represent “the humanly invented constraints that shape human interaction” (North, 1990), that is, the “rules of the game” (North, 1990), which are divided into formal and informal. Formal institutions bring together the coercive power of governments, such as laws, regulations and rules, while informal institutions are supported by the normative and cognitive, which is associated with norms, cultures and ethics.

Utilities are companies that develop their activities in regulated environments, that is, they are in a medium that has regulatory institutions that define some rules for the development of their activities (Parker, 2003; Valente, 2005). It is therefore very important for utilities to look at regulatory institutions when entering new markets, as they define the "rules of the game" for these companies, which may differ from country to country and thus help to define preference. countries to enter and their strategy in their internationalization process.

Some literature shows that most companies avoid investing in countries with high political risk, as the “rules of the game” can be easily changed (Henisz and Zelner, 2001), which increases investment uncertainty. However, there is other literature that states that there are companies, namely utilities, that operate in the opposite way, i.e., prefer to invest in countries that have a high level of political risk (García-Canal and Guillén, 2008).

Generally, the entry of utilities into foreign markets implies very high initial capital investments, for example in building infrastructure (Sarkar et al., 1999), since there is already a high sunk cost, which allows the government to have a greater bargaining power than companies after this investment.

Thus, we find that resources, such as political capacities, and the analysis of institutions, especially formal institutions, will be of high importance to utilities, since they are heavily dependent on the coercive power of governments. Therefore, with industry, resource, and

institutional considerations, companies feel able to choose a more appropriate strategy to achieve the best possible performance that will enable them to achieve better results and achieve success.

### 2.3.1. Strategies for choosing modes of entry into the foreign market

The word strategy is of Greek origin, usually used at the military level to refer to the "art of the general" (Peng, 2009), which leads to the need to "know yourself and your opponents" to "find a hundred battles". and have a hundred victories" (Peng, 2009). In this way, we can draw an analogy for business competition, requiring companies to be aware of their capabilities and their competitors, and the characteristics of the market so that they can have a set of means and plans to succeed (Peng, 2009).

Internationalization is a very complex foreign growth strategy (Fernandez and Nieto, 2005) because it deals with distinct and sometimes unknown environments, which requires companies to be very careful in the various choices they will have to make over time. internationalization process to achieve its success. The first decision that companies will have in their internationalization process will be the selection of the market, considering their different characteristics and the objectives they intend to achieve with this act. Following this important election, another major choice follows, namely the appointment of the mode of entry into the foreign market, which together with the other options could facilitate entities to achieve their internationalization purposes more efficiently. Thus, it will be important to analyze the possible chances of entering a foreign country, taking into consideration the various factors intrinsic to each.

In this sense, it follows an explanation and characterization of the different modes of entry in the foreign market, analyzing, later, the internal and external factors that influence the selection of the way of entry in the foreign country. Then follows the investigation of Uppsala theory, as it studies the evolution of ways of entering the foreign market.

### 2.3.2. Types of foreign market entry modes

In choosing external market entry modes it is important to consider external and internal factors as they influence the level of control, resources required, flexibility and risk that will be desired.

External factors refer to the conditions that the foreign market presents, namely market risk (includes regulatory and political) (Anderson and Gatignon, 1986; Agarwal and Ramaswami, 1992; Erramilli, 1992), market potential (Agarwal and Ramaswami, 1992), Demand, Volatility, and Psychic Distance (Hill et al., 1990). Thus, if we are facing a high risk, low potential and / or uncertain demand (embryonic or declining) nation and / or high market volatility, which is associated with rapid technological, macroeconomic, social, demographic and economic changes. companies prefer to reduce the need for resources and increase their flexibility, which consequently causes less control and risk of internationalization, so that there is no high commitment to the market and allows a rapid change of strategy without major sunk costs.

Therefore, in a country with these conditions there was a tendency to choose non-equity group entry modes. But if we were facing a market that manifested the opposite conditions to those previously mentioned, companies would tend to enter this foreign market with greater involvement, that is, through the equity group (IDE) entry modes. Another relevant external factor is the host country's legal environment, as certain restrictions that may exist on the entry of foreign companies by the government, such as property limits, will induce foreign companies to find partners, franchisees or licensees (Agarwal and Ramaswami, 1992).

Internal factors refer to the characteristics of the companies, namely the size of the company, the availability of financial resources (Agarwal and Ramaswami, 1992; Erramilli, 1992) and know-how (Agarwal and Ramaswami, 1992). Regarding the size of the company and the availability of financial resources, we find that there is a positive relationship with control, which implies that when entities are large and have high financial resources, there is an attraction to enter through FDI. When companies exhibit high know-how, they try to avoid sharing it with other organizations so as not to make it possible for partners to take advantage of it, so in this case there is a preference for high control to reduce the risk of knowledge

dissemination, which It also gives rise to a preference for modes of entering through the I&D.

Thus, through internal factors, as external factors are specific to the input markets, we can mention that utilities prefer to have high control because they are usually large companies that have had a long time to exploit the monopoly of their domestic market and sometimes supported by their home country government, enabling them to have and easily access financial resources. It should be noted that entry into the regulated industry in foreign markets requires strong resource commitment and rapid entry, as we are facing a very concentrated industry that generally requires high initial investments. In this way, there will be a tendency for utilities to enter through majority acquisitions because they allow them to enter the controlled foreign market quickly (Sarkar et al., 1999).

### 2.3.3. Characteristics of foreign market entry

The various modes of entry into the foreign market exhibit different control characteristics, required resources, risk (Anderson and Gatignon, 1986; Agarwal and Ramaswami, 1992) and flexibility (Anderson and Gatignon, 1986), with companies They must select the mode that presents the characteristics they desire and consider most relevant to achieve better performance in their internationalization process.

Control is referred to as the power to decide on the company's operability and strategy, which enables entities to apply their capabilities to enhance their benefits and competitiveness in the foreign market. This control allows entities to be able to understand market particularities more easily and quickly and to better interpret the risks and opportunities that exist in the new country, as this implies closer proximity to the foreign market. However, this greater involvement also entails for companies' greater risks inherent in the market (Anderson and Gatignon, 1986; Agarwal and Ramaswami, 1992).

Thus, the forms of entry of the non-equity and equity group (IDE) enjoy different degrees in these characteristics, and it is also important to highlight that there are disparities within each group. In exports there is no control on the foreign market or there is only a very

residual control if there is an own agent in the foreign market. In contractual arrangements there is a ceding of control for the partner, because there is only know-how to produce or market the goods for a specific period, in exchange for the payment of a royalty or other form of payment. Thus, there is little control for companies entering the foreign market through non-equity forms, namely exports and contractual arrangements. In contrast to these entry options, equity insertion (IDE) allows for greater control of the operation and the strategy to adopt. In this group, the creation of a subsidiary or acquisition of a company in the foreign market in which it holds all the capital allows full control of the operation and strategy, while the creation or acquisition of joint operations implies that the control is dependent on the percentage of capital that the company owns.

The resources needed refer to the tangible and intangible resources that companies need in their foreign market entry mode. Therefore, the non-equity set requires low resource requirements, because through exports there is only an increase in domestic production, which makes it possible to take advantage of the use of resources already existing in the domestic market, and in contractual agreements companies only need utilize intangible resources by providing training and monitoring of partner behaviors. Possible equity group inputs require high tangible and intangible resources. In a 100% subsidiary, companies carry all the needs, such as the management of know-how, the transfer of employees, the purchase or rental of equipment and offices. In the joint venture, the allocation of resources depends on the company's share of capital, but there will always be, to a greater or lesser extent, a breakdown of resources among the companies participating in the legal entity's capital (Hill et al., 1990).

Flexibility is how easy it is for companies to change their entry modes at lower costs. This dimension is strongly related to the need for resources, because when companies have to resort to the use of high resources there is a strong difficulty in changing their input mode without incurring high costs, with a negative correlation between the resource's characteristic and flexibility (Anderson and Gatignon, 1986).

Risk is also strongly associated with the level of control, resources required and flexibility that companies have in entering a new market, ie when there is greater control, resource

requirements and less flexibility, there is greater exposure of the company to which may lead to high costs in the event of market uncertainties and volatilities.

Anderson and Gatignon, 1986; Agarwal and Ramaswami, 1992). This will have a positive relationship between risk, control and resource need, and a negative relationship between risk and flexibility.

Thus, Annex 4 shows us the possible combinations of these four dimensions with the different input modes, but it should be noted that sometimes companies want to have different dimensions simultaneously which are not compatible, which leads to the need for companies to choose their priorities so that they can make the most of input mode (Driscoll and Paliwoda, 1997).

#### 2.3.4. Uppsala theory

The internationalization process of companies was pioneered in Sweden at Uppsala University by Johanson and Wiedersheim-Paul (1975), in which they developed a theory of internationalization through the analysis of the internationalization of Swedish companies, which was later complemented and refined by Johanson and Vahlne (1977). This theory mentions that the internationalization of companies is made through increasing involvement in international operations, which is important for companies to become more efficient and improve their results in foreign markets.

The internationalization theory of Johanson and Wiedersheim-Paul (1975) states that companies approach the foreign market in a progressive way, that is, they tend to enter a foreign market gradually. Thus, these authors mention that, normally, companies in the internationalization process go through four phases:

- Phase 1: Sporadic exports;
- Phase 2: Exports through a representative;
- Phase 3: Export through a commercial subsidiary;
- Phase 4: Creation of a productive subsidiary.

It is noticeable that the four phases presented expose different commitments of resources and accumulation of experiences, and with the advancement of the stages there is an increase of commitment of resources and accumulation of experience in the foreign market. As a result, we are increasingly seeing market insertion, which leads to a gradual increase in the management of resources across borders and to a closer proximity to the source of information, which makes it easier to acquire knowledge of it. Thus, it is noteworthy that there is a greater focus on the new market when more and more information about this market is available, because companies want to make the most of learning and other related factors (Benito and Welch, 1994) to improve their capabilities and skills. preparation for market entry, which reduces the risks of internationalization of companies. Thus, the previous steps are extremely important, as they are the basis for future growth (Welch and Welch, 1996), however, companies in their internationalization processes do not have to go through all these phases and may not reach the most advanced stages, due to the existence of markets that are not sufficiently large for this, or do not go through a few stages, as they have already acquired a high experience in other foreign markets (Johanson and Wiedersheim-Paul, 1975). Another aspect that Johanson and Wiedersheim-Paul (1975) consider important is the psychic distance, which is defined as the differences perceived by an individual between the culture of the home country and the host country (Sousa and Bradley, 2006). Given the sequence of phases of Uppsala's theory of market selection, we have seen a successive trend of entering markets with greater psychic distance, because companies prefer to enter markets with greater psychic distance when there is a stronger experience in foreign markets, in order to lessen the uncertainties of the more distant markets (Johanson and Wiedersheim-Paul, 1975).

However, the Uppsala school internationalization theory has been the target of some criticism, mainly because it has not followed certain changes that occurred in the last decades, since it originated in 1975. Several authors (Andersson and Wictor, 2003; Steen and Liesch, 2007; Weerawardena et al., 2007) mention that some companies that are in the international market do not fit this internationalization theory, because they are born with a global perspective and ignore the uncertainty of the markets. It is also noted that this model is only applicable to small and inexperienced companies (Steen and Liesch, 2007).

But despite some criticisms of this theory, it must be understood that it has made an important contribution to the study of the internationalization process of companies, in which it is important to emphasize the importance that this theory conveys to the growing involvement, continuous learning and psychic distance in the internationalization process of companies. Thus, we find that some utilities have processes similar to those mentioned in this theory, as they often choose to initially enter markets with less psychic distance (Holburn and Zelner, 2010) and through progressive acquisitions of the participation of a certain local company, that is, there is a greater bet on the foreign market when there is increased knowledge and reduced uncertainty.

## 2.4. Success factors in internationalization

In the analysis of the success factors of internationalization, three complementary perspectives must consider: industry, resources, and institutions. The first is based on the contributions of Michael Porter (1980) and focuses on the analysis of the five competitive forces that affect the industry, impacting all the companies in the sector. Are they:

- The rivalry between competitors;
- The negotiating power of customers;
- The threat of substitute products;
- The bargaining power of suppliers;
- Moreover, the risk of new entrants.

According to this view, the degree of competition is a determining factor of the company's performance. Looking at the companies in the mattress industry, differentiation is crucial because the more differentiated they are, the more protected they will be from the competition, and the lesser the bargaining power of the customers, the loyalty they have to the brand (Peng, 2006). It is therefore natural that in this segment are strategies of marked differentiation, or even of targeting (Porter, 1985); in fact, they are valued products by a well-defined and small niche market that is willing to pay a premium on the regular price for its quality, sophistication, prestige, and luxury (Kroll et al., 1999) allowing for high margins at a low production volume. According to the resource perspective, it is the individual company capacities that determine their internationalization decisions and their performance (Peng, 2001); In addition, for industry leaders (such as the brands in question), business- specific factors are more prevalent than the competitive forces that affect the entire industry (Hawawini et al., 2003).

## 2.4.1. Conclusion

As can be seen the theme of internationalization has been dealt with in the last decades by many authors, who analyze it in several aspects. Initially considered as a phenomenon unique to large global companies, it was closely associated with foreign investment. Currently, the literature already emphasizes other ways. Initially considered as a phenomenon unique to large global companies, it was closely associated with foreign investment. At present, literature already emphasizes other modes of entry, such as agreements between companies, as well as other actors. Apart from all this, there is not a single theory that can explain the processes of internationalization. The following prepositions can be suggested based on this literature review:

**Proposition 2: In building a mattress brand into the Portuguese and Spanish market B2B buyers believe that it is critical to adopt an adaptive strategy to must market, rather than a strategy standardization.**

## 2.5. What is a brand

### 2.5.1. Branding history

Today the words are very numerous, but they are not the same. "Mark" is a symbolic representation of an entity. This word comes from the old numbers "brandr" which means "to burn." Formerly all the data from the book is stamped with the brass for property registration. Now, it was not always the documents that were "stamped," but the slaves were also marked to show ownership. "In the Second World War, in the lost the presentations in the internship in fields of concentration articles" (Landa 2005, xx). Today, the same trademark registration is not the same, but it remains the same for today's dates, and distinctions and distinctions between trademarks allow consumers to distinguish their products. The same happened with the main indicators of brand identity and graphics came up with some spellings and symbols painted in Greece and Italy, plus some kitchen items such as pots. In the case of China, a color and identifications on the streets and parks, are an issue that has led to the present day. "The great quality of the great interest in painting and the well-known printing technology, allowed the Chinese to create the old forms of brand identification and advertising" (Landa 2005, xxi). It was in England that appeared the first newspaper with ads. The dreams were very limited, as the years went by and more and more

ads were appearing. Compared with the past, as the first brands to appear in the world, it was designed to differentiate its products and customer service, facilitating the process of choice (Landa 2005, xxi). Through the industrial revolution, this impacted the future of brands and advertising, and a large production was the path they adopted. The first ads were intended to advertise as products about quality and quality, arousing interest and driving demand (Landa 2005, xxii).

In the past, we made without brands in the products. The wire was made door-to-door, and the lights and the seal and quality of the products came from word of mouth and the suppression of the quality of the product seen from the customer's point of view. With the development of the economy and the introduction of some technology in the world, the packaging introduced that brought greater freshness and quality to the products. Companies grew to create brands for their products and then campaigned with visual perceptions of the products as if they were attractive packaging without the focus on the target audience. We can say that the best packaging was the best-selling product in the past, there was much dependence on the packaging and its contents. "The brand name differentiates the product from other products in the same category and those that evaluate its value before buying" (McDonough and Egolf 2003, 755). The more prominent the brands were to their audience, the more those brands were. Then with the appearance of the photograph, of the impressions, typewriters, positively changed the communication channels at that time and boosted the marks. The name and treatment of the brand image was a differentiating factor between a product of quality or inferior quality. Brand image work has become a trend in all brands. There was an exponential appearance of brands, and the economy began to grow a lot, consequent sub-economic power as well. Then with the impact of the media, it boosted people's consumption and desire to consumer brands. Be it on the radio, newspaper, magazine, television, among others. The idea that conveyed was that brands had improved people's quality of life and their lives would be much happier.

It was with television that the best brands affirmed themselves. It was a space where they could reach easily and with more tools in their publicity, a greater public. Many companies started to invest heavily, and their results were quite favorable. Creating a visual identity would create a specific style, 'look,' personality, and overall corporate image in the minds of its customers (McDonough and Egolf, 2003). The memorable 'Mad Men' season of the

1960s symbolizes the explosion of brands across all product categories - from soap to cars. It was at that time that thousands of brands began to appear that still exist today. Companies have experienced a desire for smart marketing and efficient branding activities to stand out among competitors. Companies such as Procter and Gamble, General Foods and Unilever were among the first packaged consumer goods industry to develop the discipline of brand management.

Just as in the past, brand managers were responsible for designing a graphic and visual identity of the products. Being that the objective was to facilitate the perception of the products in the eyes of the customers. The better the target audience, the better the return on our investment, we should be focusing on brand attributes, benefits, values, culture, personality and use of it. Some examples were the Suns kick that in the twentieth century the company had to "teach" the consumer to squeeze it to make juice, few people did not want to buy the number of oranges that grown because they did not need so much fruit. The solution was from the agency Lord & Thomas, who decided to put all fruit growers under one brand: Sunkist. Another example, "We can do it" an advertising campaign gains meaning that was originally not intended. That is what happened to this announcement from Westinghouse Electric. The company released the hospitalization piece in the period of World War II. The goal was to inspire the company's workers. In the 70's and 80's, the image gained other meanings and eventually became a symbol of feminism.

The Marlboro Man, The Marlboro Man or "Marlboro Cowboy" cemented the cigarette as a product for determined men. Nowadays, we may be surprised to know that the brand was considered a woman's cigarette. The creation was from the advertising agency Leo Burnett Worldwide. Moreover, Apple if today remains seen as one of the most creative companies in the world, much is due to the film below, directed by Ridley Scott and published in the Super Bowl of 1984. Inspired by the work of George Orwell, who reports a pessimistic metaphor for the future of humanity dominated by totalitarianism, Apple makes an analogy as if the "big brother" cited in the book was IBM, hegemonic in the computing business at the time. The director is the same as the classic Blade Runner film. The commercial received several awards, among them the best piece of Super Bowl and Grand Prix at the Cannes Film Festival in 1984. There are other good examples such as Nike, Daisy, Camel, among others.

## 2.5.2. Brand strategy

Brand strategy conceptualized as a processual social phenomenon that is interactively co-created by all involved stakeholders, including brand management. The article acknowledges that stakeholders profoundly impact the brand strategy co-creation process and proposes new ways of maneuvering brand in nonprofit contexts (cf. Chadwick-Coule, 2011; Melewar et al., 2012)

A well-defined brand strategy is the starting point in developing a relevant identity. The brand strategy materializes a cohesive central idea, around which all behavior, actions, and communication of the company defined. What does, and how does it. It is the set of elements that serve as inspiration and direction for all those who interacted with the brand, regulating the standardization of all the different expressions of it. The brand strategy begins with a deep understanding of the business objectives the company has (or should have) around its establishment, product or service. This in-depth knowledge of "where the company walks" allows us to create a brand consistent with business objectives and even aligned with other company brands (whether products or sub-brands).

A project executed on a well-defined brand strategy ensures that the company will not "look" (pretend not to be) or "cover-up" (to be without opinion), but rather to "appear" (to be what it is), aligning perception of its audience and collaborators with its essence. Just as people are "bio-psycho-social" beings, a brand relies on the trinomial structure, behavior, and perception, that is, what constitutes it (its graphic material, its buildings, its spaces, its employees) and how it is perceived (the impressions of its audience, its collaborators, partners, competitors and the society in which it inserted or interacted). Having the research in mind, the following hypotheses are suggested:

**Preposition 3: Buyers in a B2B context believe that the existence of a brand behind the product(mattress), strongly enhances penetration of these products in both the Portuguese and Spanish markets.**

**Preposition 3.1: Spanish buyers, B2B, believe that the Spanish mattress market is not uniform. Specifically:**

**Preposition 3.1.1: The northern part of the Spanish market prefers firm, warm mattresses.**

**Preposition 3.1.2: In Catalonia, consumers prefer medium and cold mattresses.**

**Preposition 3.1.3: In Madrid, consumers prefer soft and cold mattresses.**

**Preposition 3.1.4: In Andalusia and the south, consumers prefer firm and cold mattresses.**

## 2.6. Factors that influence the shopping experience

The concept of purchase was initially associated with the economic and utilitarian aspect of the products. However, following the changes in consumer behavior, this concept has evolved from its most utilitarian and rational to a more hedonic and emotional perspective.

Understanding how the consumer reacts to the different stimuli, product, price, place of sale, promotion and other events that are part of their surroundings is another focus of analysis of consumer behavior (Cardoso, 2009).

The author also states that there are several internal and external factors that influence the decision-making process in the purchase of consumers. Consumer behavior is complex and encompasses a process initiated by motivation, involving various activities that are influenced by intrinsic and extrinsic factors, where the consumer assumes the role of buyer, influencer and user.

The consumer is influenced through different factors throughout the buying process. Can be defined as consumer, any individual looking for some good or service to meet their needs. Marketing stimuli, such as advertising, are an example of its influence on consumers to facilitate and provoke the choice of a brand, good or service.

For the analysis of the influences normally identified in the consumer buying process, the literature refers to the existence of cultural, social, personal and psychological factors.

In cultural factors we can observe characteristics such as culture, subculture and social classes. The social part encompasses reference groups, family and social roles. Regarding the personal factor, age, life cycle, occupation, economic conditions, lifestyle and personality are the factors of analysis. Finally, psychological factors include motivation, perception, learning, beliefs and attitudes (Cardoso, 2009).

### 2.6.1. Cultural Factors

Cultural factors exert a vast and profound influence on consumer behavior, and it is therefore essential to understand the role of culture as a repertoire of basic values learned from the family and other important institutions, as well as subcultures, while these values are based on experience. and situations lived in groups (such as religions, regions, among others), and the social class in which one lives (Cardoso, 2009).

Social class is considered one of the variables that interferes with the act of consumption, and that cannot be neglected when trying to study the form of each consumer and how he / she acts in relation to certain choices. Social classes are determinants for the market, since behavior within them can determine the purchasing power of an entire group (Rodrigues and Jupi, 2004).

The sum of learned beliefs, values, and customs serve to direct the consumer behavior of members of a given society. Subculture provides the most specific identification and socialization for members. Social classes are relatively homogeneous and enduring divisions of a society that, hierarchically ordered, make members share similar values, interests, and behaviors (Kotler and Keller, 2006).

Cultural factors encompass the values, ideas, and attitudes that enable individuals to communicate and evaluate themselves as members of society through the cultural factors expressed in the consumer's behavior at the time of purchase, the way they act in the market and their intent. with the environment.

Consciously or unconsciously, cultural values put pressure on people to behave in an acceptable manner. Culture is considered a broad concept, including almost everything that influences people's thoughts, feelings and behavior.

Culture inserts the individual into society, and through it he can choose which group he wants to participate in, which friendships he wants to have, which place he will attend,

among other things. Through the culture of the people one can observe the consumer's behavior and try to identify the preferences of each one and thus the service and product provider is more likely to hit on its main goal which is to satisfy the consumer (Rodrigues and Jupi, 2004 ).

#### 2.6.1.1. Social Factors

Social factors are membership groups, whether primary, such as family, neighbors or friends, or secondary, such as religious or professional, and status, ie the role that people play in society. These factors also influence the decision to choose products and brands (Cardoso, 2009).

For Kotler and Keller (2006), a person's reference groups are those that have some direct or indirect influence on their attitudes or behaviors. Life-long participation in different social groups implies assuming different social roles and positions. And it is in this context that people potentially choose products that communicate their role and status in society.

Effectively, a person's position in each group can be defined in terms of roles and status. One role is the expected activities that a person must perform. Each role has a status, for example, a marketing director has more status than a sales manager, and a sales manager has more status than an office assistant. Individuals choose products that communicate their role and status, real or desired, in society (Kotler and Keller, 2006).

For the same authors, people are significantly influenced by their reference groups, but in different ways. They are differently oriented towards new behaviors and lifestyles and are influenced by their attitudes and self-image. Individuals are also influenced by groups to which they do not belong. Aspiration groups that are those to which they are expected to belong, and dissociation groups that are those whose values or behaviors are rejected.

In the same vein as Kotler and Keller (2006), Gherasim (2013) argues that the reference group is a social group that positively or negatively influences the aspirations, evaluations and behavior of its members, serving as a reference model. Consumer behavior is affected

in several ways, namely by consumer behavior patterns and lifestyles, the impact on their attitudes and their image.

The author also states that the family is the most important organization and it is relevant to mention that it is currently part of the study of consumer behavior, and its members constitute the most influential primary reference group. One can distinguish two families in the buyer's life, first the mentoring family, which includes parents and siblings. Parents are the people who give us a certain orientation about religion, politics and economics, personal ambition, self-esteem, and love. A more direct influence on daily buying behavior is the so-called breeding family, which corresponds to the spouse and children. Marketers are interested in the role and influence each family member has in buying different services and goods. The involvement of the husband or wife is variable, depending on the type of product, and the wife has traditionally been the primary agent for buying food, clothing and various household items for the family. This habit tends to change with the growing number of women who currently have a permanent job and the clear participation of their husbands in family shopping.

Thus, the husband dominates in the choice of life insurance, automobiles and televisions, the wife dominates in the choice of washing machines, furniture and carpets. The influence is equal in the choice of where to spend the holidays and housing.

#### 2.6.1.2. Personal Factors

Regarding personal factors, we can say that they relate to the characteristics of people, as well as the moments and experiences an individual is going through, which eventually interfere with their habits and buying decisions.

Factors such as age, occupation, economic conditions, and lifestyle all influence purchasing orientations, which may take on a traditional, materialistic, hedonistic, or self-centered basis. In turn, personality, as a consistent and relatively independent factor of environmental stimuli, and self-image as the basis of personal identity play a determining role in all human behavior. Age plays an important role in the analysis of consumer behavior, it also

contributes to understanding changes in markets and consumer values through changing age composition of the population, whose aging creates new needs (Cardoso, 2009).

Throughout their life's consumers make thousands of purchases of goods and services, and much of these purchases are directly related to age and family life cycle, far more than any other factor. For example, liking a food, clothing, or activity is often age-related (Kotler and Keller, 2006). The choice of a product is also severely affected by economic circumstances such as consumer income, savings, borrowing capacity and attitude towards consumption and saving. In fact, each human being has a distinct personality that will influence their buying behavior and needs, which in turn may change throughout their lives.

### 2.6.1.3. Psychological Factors

Consumer buying behavior is also influenced by factors that come from psychology. Motivation is the factor that most easily makes a purchase. Motivation can be said to be what drives people, and it is also the force of all human behavior in which enthusiasm provides the energy to act, and the target object provides the right direction to channel all the energy. Motivation is the state of excitement that drives consumer behavior toward its target object (Medeiros and Cruz, 2006).

For the same authors, a consumer who makes the purchase decision should seek in his mind to develop states such as the existence of a need, awareness of that need, knowledge of the object that can satisfy it, desire to satisfy it, and the decision to fulfill it.

Consumer behavior is further influenced by factors such as perception, learning, attitudes and beliefs. Thus, in addition to motivational factors, human behavior is also influenced at the level of perception by distinct types of reaction to stimuli. Perception is the process by which a consumer selects, organizes and interprets the information they receive from the environment. The perceptive process depends on characteristics such as the stimulus, context and characteristics of consumers regarding their prior knowledge and expectations (Durmaz, 2014).

For the same author, learning can be understood as the process by which experience leads to changes in knowledge and behavior. We can also say that a learning can be caused by the simple fact that one person wants to influence another in some action.

Attitudes and beliefs are important in making a general analysis of what consumers like and dislike, as this assessment determines the position of the product towards the consumer. Attitudes can shape consumer behavior, judge the effectiveness of marketing activities, evaluate marketing actions even before they are implemented, segment markets, and target. The fundamental ways in which attitudes are formed are comprised between beliefs and feelings (Durmaz, 2014).

Selective attention, the tendency to filter information, selective distortion, and people's tendency to adapt information to their personal desires are factors that influence people to retain only part of the information, usually the one that supports their habits and attitudes (Cardoso, 2009).

Cardoso (2009) indicates that for Maslow, what motivates people to act are unmet needs and which people recognize as basic before being motivated to meet other needs. People get their motivations through genetic inheritance and social interaction, some more important than others. So, Maslow classified needs into a hierarchy.

Maslow's theory, applying to human behavior in general, therefore constitutes an explanatory basis for consumer behavior, based on the following premises:

- Humans acquire a similar set of needs through genetic acquisition and social interaction;
- Some needs are more basic and critical than others;
- The most basic needs must be minimally met before other needs are activated;
- When basic needs are met, the most advanced needs come into play.

This hierarchy of needs, represented in Figure 2.1, consists of five levels.

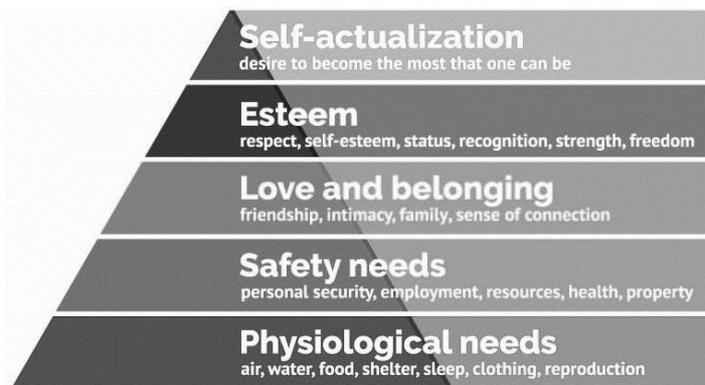


Figure 1 - Maslow's Basic Needs Pyramid

Source: Google, Maslow's Basic Needs Pyramid

The first level, the lowest, refers to the satisfaction of physiological needs, such as hunger, thirst or sleep, which can be translated in terms of consumption, for example, the purchase of food and medicine. It refers to the most elementary level of human existence (Cardoso, 2009).

Once their previous needs are met, people try, at a second level, to meet their security needs by obtaining protection. Products such as housing, alarms, life insurance or retirement plans are representative of acquisitions to meet the needs of this type.

In the next step, the human being seeks to satisfy social needs, such as acceptance, affection, friendship and love, which are associated, among many others, products related to entertainment, clothing or catering.

Concerning the needs of esteem, these include the desire for recognition, respect, prestige, independence, attention, importance and appreciation. Cars, mobile phones and drinks are some examples of products associated with meeting this need. The explanation lies in the fact that one wants to achieve respect and esteem from others, which implies the possibility of developing and affirming self-capacity and not experiencing feelings of inferiority or vulnerability.

Finally, at the highest level, it will seek to satisfy the needs of self-actualization, the goal of life, for the full realization of individual potential. To this end, products such as training or travel may contribute. From this theory, which represents a good guide to human behaviour, we can infer that the consumer always wants more and never ceases to consume. We cannot, however, understand it as a rigid rule or take it too literally, for although people tend to follow this hierarchy of needs, there will surely be reasons to skip levels. There are examples

of situations where people sacrifice more basic food or safety needs to purchase esteem or self-actualization products, such as sports cars, state-of-the-art mobile phones, travel or even training (Cardoso, 2009).

Recognition of the need or problem begins with seeking knowledge stored in memory or acquiring information from the surrounding environment. The data in memory remind the individual of past situations that may be similar to the moment. Memory can also appeal to friends and groups, where information is shared for the purchase decision. This master thesis aims to further develop this topic by testing the following prepositions:

**Proposition 4: Cultural, social, personal and psychological factors influence consumers most in the purchasing process.**

## 2.7. Perceptions

For the author, perception is the act, effect, or ability to perceive something; it is therefore a process of how humans analyze the environment around them. It is the selection, organization and interpretation of individual stimuli (Fill, 2002). All external stimuli are usually chosen, evaluated, and interpreted in a picture of the world around us. If two people feel the same stimuli and the same circumstance, surely the response will differ from one another depending on how they interpret and perceive those same stimuli. This is because the way we select, classify and interpret stimuli is grounded and governed by our needs, expectations, values, which are unique to everyone (Schiffman, Kanuk, Hansen, 2012). Kotler (2006) defines perception as "the process by which people select, organize, and interpret information in a meaningful picture of the world." Therefore, when the consumer looks for a product the brand must have a structured and effective work to send the perception that the individual has about the product. In the following points, the author will analyze and discuss the variables price, quality and value perceived at the time of integration and acquisition of a product.

### 2.7.1. Perceived Price

Price is the amount a customer pays for a product or the sum of the values that consumers exchange for the benefits of having or using a product or service (Bearden et al 2004). According to Rosa et al (2011), the importance of price as a stimulus to purchase plays a fundamental role in price management, as it not only determines the way prices are perceived and valued, but also influences consumer purchasing decisions (Rosa 2001; Simon 1989; Vanhuele and Dreze 2002). Studies have shown that price is an important factor in the purchase

decision, especially for frequently purchased products, affecting store, product and brand options (Rondan, 2004). The greater the importance of price in purchasing decisions, the greater the information intensity and the greater the amount of comparisons between competing brands (Mazumdar and Monroe, 1990). Pricing strategy is critical to every organization involved in the production of consumer goods and services, because it provides a hint about the company and its products, a company does not define a single price, but a price structure that covers different items from its line. (Kotler et al., 2001). According to Hinterhuber (2008), pricing strategies vary considerably across sectors, countries, and customers and can be categorized into three groups: cost-based pricing, competitive pricing, and customer value-based pricing. These will be discussed in detail in the next section. However, it is less clear how pricing activities can be guided by the concept of marketing. Certainly, customers prefer to pay less, in fact, they even prefer not to pay anything, but it is simply not feasible to offer priceless products (Sagepub.com 2009). If a company thinks it is communicating value through its prices and customers, on the other hand, do not perceive value as related to set prices, the company's pricing objective is defeated. Finally, the only constant thing about change, especially in the technological environment, has also posted its own challenges in the corridors of pricing strategies.

We classify price in two ways: objective price and perceived price. The objective price is the current price of the product, while price perception is individual, believe price in relation to product quality (Donald R., Lichtenstein and Scot B., 1989). Consumer perceptions of price are different and have a positive and negative influence on buying behavior. According to Hoch & Banerji (1993), the economic crisis affects the purchasing behavior of brands as income decreases, consumers become price conscious and shift their preferences to private labels rather than choosing domestic brands. Consumers who prefer to buy more brands than the national brand are price conscious. Zeithaml (1998) also mentioned that brand buyers are price seekers - those who seek low prices as a result, for some consumers with cheap products, want high value.

On the contrary, some consumers may associate low price with low quality. Consumers who think price is an indicator of quality and companies can reduce product quality to minimize costs. Thus, for them, the higher price is a sign of better quality (Bao.Y, Y and sheng, S, 2011). In addition, consumers report price and quality with self-esteem. Increasing quality content and higher prices have a positive relationship with our self-esteem. If the economic situation is good for everyone, most want to eat high quality food (forum, 2011). Zeithaml (1988) expresses quality-price ratio in combination of 5 factors. The first factor is how all the

information consumers perceive through advertising and brand reputation has power in the buying decision than in the price of the product. The second factor explains that consumers who are unaware of price do not use price as a quality reference. Third, less informed consumers about product quality use extrinsic tips such as price, brand name, and packaging to buy the product. Fourth, some consumers use price as a sign of higher quality, but when there is a price change in product assortment for a slight difference in quality, consumers prefer lower priced products. The price of private label products, particularly first-generation brands, is relatively lower than domestic products. Private label buyers are those who seek low prices, so they are not stable, they change every time they get lower prices (Baltas, 1997). If the consumer has doubts about the quality of the product, the smallest effect it will have on purchasing behavior (Urbany, JE, Bearden, WO, Kaicker, A., Borrero, MSD, 1997).

### 2.7.2. Perceived Quality

Quality, one of the most important marketing factors today, drive for customer decision making and player positioning. Quality in this text will be fragmented between perceived quality and actual quality. Consequently, perceived quality is the perception of quality from the customer's perspective, driven by their needs, expectations and how much they see quality in one product or service when compared to another. While real quality is the achievement of objectives set out in standards, standards and procedures, it is related to the quality of its components and the nature of its raw materials. Reliability, Durability, Performance and Maintainability are quality indicators that serve to measure the effective quality of the product or service.

Given the nature of consumer products (products often bought and consumed, implying a low-medium level of consumer-supplier interaction), the bottom line is that customers who buy often are in contact with prices more often. Pricing strategy is critical to every organization involved in the production of consumer goods and services, because it provides a hint about the company and its products, a company does not define a single price, but a price structure that covers different items from its line. (Kotler et al., 2001). According to Hinterhuber (2008), pricing strategies vary considerably across sectors, countries, and customers and can be categorized into three groups: cost-based pricing, competitive pricing, and customer value-based pricing. These will be discussed in detail in the next section.

Choosing a pricing objective and associated strategy is an important function of the business owner and an integral part of the business plan or planning process. It is more than simply calculating the cost of production and adding a markup (Roth 2007). Therefore, pricing

products is a strategic activity and the price or prices assigned to a product or product range will have an impact as consumers view the company's products and determine their subsequent purchase. However, it is less clear how pricing activities can be guided by the concept of marketing. Certainly, customers prefer to pay less, in fact, they even prefer not to pay anything, but it is simply not feasible to offer priceless products (Sagepub.com 2009). An organization that does this will run out of business and will not be able to create value for customers. These are later problems that provided a purpose for this research and will be discussed later.

The crux of this study is to understand how well customers perceive companies' cost-oriented pricing strategies. It is dangerous to assume that customers perceive a specific pricing strategy as fair; In addition, it is also inappropriate to claim that customers believe that any set price reflects the cost of producing a product. Another problem is rooted in the fact that consumers do not understand the company's value-based pricing strategy and is a strategy adopted by some companies (Hinterhuber 2008). If a company thinks it is communicating value through its prices and customers, on the other hand, do not perceive value as related to set prices, the company's pricing objective is defeated. Finally, the only constant thing about change, especially in the technological environment, has also exposed its own challenges in the corridors of pricing strategies.

The web emerged and companies went online, and prices for products and services also took another form. Today's customer exposure to online and offline pricing significantly influences their buying decisions. New technologically advanced distribution channels allow anyone to receive the most up-to-date multimedia information about the best connections and the best prices (Keller, 1996).

### 2.7.3. Perceived Value

Perceived value defined in terms of four attributes. That is, value is low price, value is what I want in the product, value is quality I get from the product and value is what I get when I give. These attributes were summarized and eventually the concept of perceived value is defined as the consumer's overall assessment of the utility of the product based on "what is given" and "what is received". However, these two factors are different from each individual consumer (Zeithaml, 1988, p. 14).

There is a relationship between perceived value, price quality and risk. The consumer can use price as an indicator of quality, this creates a price-quality ratio. If the price used in the function paper has a positive relationship to the perceived value and intention (Monika Kukar, Nancy

M, & Kent B, 2012, p. 65). And, the price difference between products creates perceived value (Kanagal). As the price of the product increases (within the price range defined by the individual consumer), the perception of value increases to some extent. On the contrary, the perception of value will diminish if price is beyond the price range established by the consumer (William B. Dodds, Kent B. Monroe, Dhruv Grewal, 1991).

Consumers consider the quality and price of the product before making their final purchase decision. If the product is unacceptable to pay, the perceived value is lower (William B. Dodds, Kent B. Monroe, Dhruv Grewal, 1991). As mentioned above, brands are lower in price. For some consumers, price is an indicator of quality, as a result, they may find it risky to buy brand products. This may persuade consumers to value brand less, while they may value domestic brands more.

Consumers evaluate the benefits they receive for what they sacrifice for satisfaction (Slater, pp. 162-167). Satisfaction measures the value of the product, some researchers find value superior to satisfaction, and others explain whether the consumer is satisfied, they realize high value.

**Proposition 5: Price, quality and value are the determining factors for Eliconfort to structure their strategy, to convey the best perception that the individual has about each mattress.**

## 2.8. Satisfaction and Dissatisfaction

Customer loyalty and satisfaction is vital for modern day business for two main reasons. First, customers are scarce resource it is far easier to obtain from an old customer than from a new one. Second, customer loyalty and satisfaction have a positive effect on the profitability revenues of the company (Rosenberg & Czepiel 2017).

Satisfaction is defined as an emotional state that occurs in response to the assessment (Cadotte et al., 1987) cited in (Tam, 2008). Another definition of satisfaction is “a judgment that a product or service feature or a product or service itself has provided, or is offering, a pleasant level of consumer satisfaction” Oliver (1997, p. 13) quoted in (Voorhees , James J. Zboja and Clay M., 2006).

Satisfaction is important for creating desirable consumer outcomes for manufacturers and retailers. Therefore, it is necessary to measure satisfaction. Aaker (1996) pointed out that the way to measure satisfaction is based on existing customers who have tried the product or

service within a certain period. The focus may be on the perceived experience from the last use or the point of view of the whole experience. Simply put, he is about to discover post-purchase attitudes by asking questions such as: “Do you feel satisfied, dissatisfied or satisfied with the mattress you bought during the last use of the experiment?” “The author believes that this type of question seems to be adequate for the purpose of this study to assess the degree of post-consumer satisfaction.

The relationship between consumer satisfaction and their repurchase intentions can be summarized by the following statement: “the higher the customer satisfaction, the more likely it is to repurchase the product” (Somasundaram, 1993: 216). From the bibliographic research it is identifiable the existence of numerous works that empirically demonstrate a positive relationship between satisfaction and repurchase intentions, turning satisfaction into the main base of future consumer intentions (Teo and Lim, 2001), acquiring a crucial role in establishing long-term relationships with customers and, consequently, the achievement of strategic company results (Patterson et al., 1997).

Satisfaction, because of the positive attitude of post-consumer evaluative judgment, is believed to be related to aspects of perceived quality, perceived price and economic situation. For example, a person who is satisfied with the product purchased thinks that the products were good is good business, others may be satisfied only if price and quality are considered valuable for what they pay. On the other hand, the concept of dissatisfaction contradicts satisfaction and is a negative result resulting from the latest experiences. Satisfaction / dissatisfaction can be considered as a pre-purchase measure and a key factor affecting repurchase behavior. Satisfaction can be accumulated by loyal buyers. Consumers are more likely to make repeat purchases only if they get a minimum acceptable level of satisfaction from their last purchases. Satisfied consumers are more likely to share their experiences with others, having a positive effect on purchase intent. An example might be word of mouth advertising. Similarly, dissatisfied consumers are more likely to complain or change their brand by participating in a negative WOM.

### 2.8.1. Customer satisfaction

The literature review on customer satisfaction investigations somehow highlights the difficulty in grasping this notion, despite the numerous research studies focused and developed in around this theme. According to the authors Peterson and Wilson (1992), customer satisfaction is one of the most intensely studied and embraced constructions in the

market, revealing that only during the seventies and eighties, more than fifteen thousand academic articles focused on this theme. Satisfaction is cited by authors Czepiel and Rosenberg (1973) as a complex term and a difficult concept. In 1976 Dufer and Setton claimed that no clear definition of the notion of satisfaction had yet been presented. According to Evrard (1993) and Aurier and Evrard (1998), satisfaction corresponds to a relative psychological state after purchase / acquisition. The psychological nature, not directly discernible of satisfaction, opposes researchers who focus on cognitive assessment (Howard and Sheth, 1969, quoted by Piqueras, 2003) and those who regard satisfaction as an emotional response (Westbrook, 1987; Cadotte et al., 1987). The author Hunt (1977) links these two extreme points of view, stating that satisfaction corresponds to a weighted judgment between experience that results from cognitive processes and the integration of affective elements (it is the evaluation of an emotion and not an emotion). itself). Certain researchers go further, for example, to Oliver (1980), satisfaction is the assessment of surprise regarding the process of purchasing and consuming a product. It is the psychological state of the consumer resulting from a comparison between his expectations about the product and the feeling obtained after purchase and consumption of the product. The authors Westbrook and Reilly (1983) stand by this logic: satisfaction is the pleasant state of mind that stems from the realization that a product, service, point of sale or consumer action has led to the realization of personal values. Evrard (1993) speaks of a psychological state resulting from the process of purchase and consumption. More recently, customer satisfaction is defined as the total performance assessment based on all prior (positive and negative) experiences with the company (Woodruff, 1997; Jones et al., 2000). In this context it seems appropriate to consider that satisfaction is a transient cognitive and emotional state resulting from a unique or accumulated experience with a service, consumption or use of a product, where a satisfied customer is convinced that the purchase of a particular product / service has been something positive, which facilitates the hypothesis of a continuity relationship between the customer and the company. That is, satisfaction is after purchase: it is impossible to give your level of satisfaction with a product or service if the customer does not use, consume or try it. The assessment may be based overall of consumer experiences (holistic approach) or on parts of this process, such as the actual purchase / purchase act, consumption, use of the product or service (analytical approach). Finally, satisfaction has a relative character, that is, its evaluation is a comparative process between the subjective experience lived by the client and an initial benchmark, substantiating the comparison of expectations and perceptions of product performance (Oliver, 1980). The

analysis of this comparison process is the foundation of the modeling of satisfaction formation, grouped under the paradigm of “confirmation / non-confirmation”. This model predicts three possible outcomes derived from this assessment:

- Confirmation, which occurs when the perception of current product performance meets the expectations generated, which according to Woodruff et al. (1983) leads to a neutral feeling;
  
- Positive non-confirmation, where performance perception is better than expectations, which leads to satisfaction;
  
- Negative non-confirmation when performance is worse than expectations set, leading to dissatisfaction.

The literature review indicates that non-confirmation of expectations is the predominantly investigated phenomenon in studies to understand the nature of satisfaction (Yi, 1990; Wirtz and Mattila, 2001). According to this theoretical scheme, customer satisfaction is determined by the difference or comparison between the perception of a product's performance and the consumer's expectations prior to purchase (Oliver, 1980). In the context of a purchase or consumption situation, according to the authors Thibaut and Kelley (1959), quoted by Llosa (1996), satisfaction is a link between pre-purchase and post-purchase expectations, since it is formed from the deviation between the results of a product and a given comparison standard. This difference, called non-confirmation, is what determines the degree of satisfaction (Latour and Peat, 1979, quoted by Llosa, 1996). Oliver (1981) also states that this benchmark or benchmark will be represented by expectations, which are compared with perceived performance, so that there can be positive non-confirmation (if performance exceeds expectations) and negative non-confirmation (if expectations exceed performance) and confirmation (when expectations and performance match). According to this paradigm of non-confirmation of expectations, the customer makes, after purchase or consumption, a comparison between the perception with the results obtained with the product and the previously created expectations. The level of satisfaction is then determined by this difference or discrepancy, called unconfirmed expectations (Oliver, 1980). Therefore, according to this model, non-confirmation foretells that satisfaction increases

with perceived performance and decreases with expectations, so these two factors constitute the essential patterns of this paradigm, where the combination of both determines the level of satisfaction of the client. client (Oliver, 1980). The investigations of Howard and Sheth (1969) and Howard (1974) support the theoretical basis for the elaboration of Oliver's (1980) cognitive model which, based on the paradigm of non-confirmation of expectations, is a reference point in the development of numerous investigations that address the origin of satisfaction, antecedents and consequences. According to Oliver's model (1980), the attitude of the customer before processing the purchase, as a result of previously created expectations, is modified by achieving satisfaction based on a positive experience, which leads to later intentions. According to this model, as the customer experiences different degrees of satisfaction, attitudes and intentions toward new experiences will also change. Additionally, there are studies that prove the existence of a relationship between past experiences and current levels of consumer expectations (Zeithaml et al., 1998) and that the level of expectations is strongly influenced by recent experiences with the product or service provider.

**Proposition 6: Consumer satisfaction when purchasing is only met when the product meets customer expectations (Woodruff et al., 1983)**

### 2.8.2. Loyalty and satisfaction

As discussed in the previous sections, there are numerous academic papers in the literature that analyze different backgrounds and consequences of the overall consumer satisfaction process. However, we have identified some empirical evidence on the possible moderating effect of certain variables on the relationship between satisfaction and loyalty. In the work developed by the authors Mittal and Kamakura (2001), it is of some. This void has been filled, presenting a conceptual model that relates satisfaction indices with repurchase behavior, concluding that this relationship between satisfaction and loyalty is not strict, and the demographic characteristics of the individual are the variables that can influence this affinity. age, sex, education, area of residence and employment category. This model assumes that the results observed in a typical customer satisfaction assessment are obtained from measurements that are prone to errors in the face of true customer satisfaction and may vary systematically based on consumption characteristics. The authors developed the model by carrying out a very extensive study involving a sample of 100,040 automotive customers,

and the results showed that consumers with different demographic characteristics have different attitudes, such that for the same level of nominal satisfaction, repurchase intentions are systematically different among the different customer groups analyzed. Mittal and Kamakura (2001) also recognize in their empirical study that the divergence of response in satisfaction ratings varies according to client characteristics, namely age and education.

In both groups the response bias was so high that satisfaction was not correlated with repurchase behavior ( $R = 0$ ). Investigations also focused on the study of consumer characteristics as a function of their reactions to a state of dissatisfaction with a purchase / purchase in order to identify the profile of complainers and those who choose not to complain (Mittal and Kamakura, 2001). Other authors, for example, Ratchford (2001) also studied the influence of age on satisfaction and loyalty, concluding that older customers show higher levels of satisfaction and less frequently express dissatisfaction through complaining to the company. to younger consumers. Ratchford (2001) further demonstrated in his empirical work that the most educated individuals are more likely to change brand / product, justifying this association through perceived risk arguments, indicating that individuals with a higher socio-economic level have higher information, are more self-confident and better identify risk. Mittal and Kamakura (2001) also report that the lack of representativeness of the sample also prevents to some extent that convincing results can be achieved related to the possible influence of some socio-demographic variables on satisfaction and repurchase behavior, so it is convenient to use samples that are aligned with population characteristics, i.e. providing information on customers who actually represent a given population according to the most relevant demographic characteristics.

**Preposition 7: Loyalty and satisfaction vary according to client characteristics such as age and education (Mittal and Kamakura, 2001).**

### 2.8.3. Word-of-mouth

Channeling new products and services interpersonal is also known as mouth propaganda the mouth (Schiffman and Kanuk, 1995, p. 395) and may occur in person, in a face-to-face meeting, or through communication technology, such as a dialogue by telephone. According to Cafferky (1999, p. 8), more than 80% of people follow the recommendations of a family

member, friend or a professional when purchasing a product or service. According to this author, each client has a relationship network, which is the main source for consumers get information about innovations.

Investigations into word-of-mouth (WOM, word-of-mouth, or word-of-mouth) defined it as “product talk” (Cox, 1967), “hearing about a product or service from friends.” (Traylor and Mathias, 1983) “the exchange of interpersonal information about a service or product” (Higie et al., 1987), “interpersonal communication where none of the participants is the source of marketing” (Bone, 1995). and “the act of telling at least one friend, acquaintance or family member about a satisfactory or unsatisfactory product experience” (Halstead, 2002).

In the literature review of word-of-mouth marketing, we came across, among others, the following seven notions:

*Table 5- Seven notions of word-of-mouth marketing*

Arndt (1967)	One of the first researchers on the influence of word-of-mouth marketing on consumer behavior, defines it as oral person-to-person communication between the receiver and the sender, so that the message received relating to a brand, product or service is non-commercial;
Kotler (1994)	Considers word-of-mouth marketing as a synonym for advertising; However, according to this author, this is not entirely correct, since the realization of advertising always presupposes a retribution;
Buttle (1998)	Distinguishes various types of word-of-mouth marketing, such as buzz marketing and viral marketing that, not being performed directly and orally, from person to person, are carried out through the world of technology. and give rise to virtual word-of-mouth;
Nyilasy (2007)	States that word-of-mouth marketing is a business conversation among consumers where none of them are marketers;

Rosen (2008) and O'Leary and Sheehan (2008)	Word-of-mouth marketing comes spontaneously and aims to transform the audience itself into their vehicle in word-of-mouth, helping in promotion and promotion. get the word out about the desired messages. Often, the acquisition of a product results from a social process that involves the exchange of information and influence between the people around the customer, having its origin in the interaction between company and consumer (Rosen, 2008);
Cota (2011)	Word-of-mouth marketing is about bringing together volunteer people and giving them an experience of using and testing a product or service in order to pass on that experience to people with whom they live together. the days;
Word of Mouth Marketing Association (WOMMA),	Is an "act of consumers providing information to other consumers." It consists of "giving people a reason to talk about your products and services, making it easier for conversation to emerge. It's the art and science of active, mutually beneficial building from consumer to consumer and consumer to marketers. "

Hence the relevance of Rosen's (2008: 14) opinion that “the absolutely crucial idea that a fundamental part of marketing is carried out by word of mouth and the validation of our choices by third parties - through important personal relationships - is ignored by most professionals”.

According to Arndt (1967), word-of-mouth can influence decisions positively or negatively. In your opinion, negative word-of-mouth has a greater impact than positive word-of-mouth, because customers who have an unpleasant experience who do not satisfy them will often tell people this story more often and unconsciously, these people are more likely to pin these negative messages.

Thus, companies should seek to cultivate their customers' opinion of the product or service, understanding what is least well in order to achieve greater customer success. The company itself can actively contribute to creating the message it wants to hear from customers that they will convey to the market (Rosen, 2008).

According to Katz and Lazarsfeld (1955), word-of-mouth marketing has more influence and impact than traditional marketing tools such as television and radio. Dye (2000) states that, according to several studies conducted around the world, word-of-mouth is considered as the most powerful tool to influence consumer behavior.

In short, word-of-mouth marketing is a tool that actively tries to induce, generate and stimulate word-of-mouth on its customers. Word-of-mouth is spontaneously generated, genuine, natural word-of-mouth, and it is free without marketers.

**Proposition 8: Word of mouth marketing has more impact than traditional marketing at the time of sale.**

## 2.9. Intention

Purchase intention is a planned behavior that a consumer willing to buy certain product (Ajzen, 1992). There is a relationship between brand image and purchase intention. Advisement is a major factor to increase brand image on consumer, for that reason some companies use different kind of advertisement stimuli to capture purchase intention. Consumers who are influenced by advertisement shift their interests to the other brand which advertises the products (Ajzen, 1992). Moreover, consumers who purchase the brand frequently resist switching to another brand. Consumers who are satisfied with the product will have a positive attitude towards the brand and later have impact on purchase intention. Because there is a relationship between attitude and purchase intention if consumers have a positive attitude towards the brand it will increase purchase intention and current purchase (Byoungho & Yong, 2005).

## 2.10. Demographic factors

The author considers relevant includes three demographic factors that influence the consumer's purchase decision will be considered for this study, they are: age, income, gender.

### 2.10.1. Age

In recent years consumer behavior differs greatly between ages (Dorota, 2013). The older ones have a profile of more buying experience she has than the younger one. The elderly considers the option

diversified through the experience they have developed. While less experienced young people depend on brand and price (Paul s., Trun K. and Alan, 1996). This young generation is easily influenced by the brand image.

### 2.10.2. Gender

There are differences between gendered consumer behavior. Male and female audiences have different behaviors in almost every sector, including the home or even the home Dorota (2013). They have different demands for certain products and behave differently in the consumption process. Women seek information; they want to consider all their options (Zelazna, Kowalczyk and Mikuta 2002, p. 94). Marketing strategies differentiate gender buying behavior, so women are more emotional and more easily attract ads compared to men.

### 2.10.3. Income

Income is the most determining factor in buying behavior (Dorota, 2013). Income level affects lifestyle and consumer attitude. A person with high incomes buys expensive products and those with low incomes prefer to buy products with lower prices. Higher income buying behavior has a negative relationship with brands. while lower income levels have a negative relationship with purchasing brand products (Paul s., Trun K., & Alan, 1996).

**Proposition 9: Young buyers tend to switch mattress more frequently than older buyers.**

## 2.11. Research questiones

Research questions are issues that require precise and specific answers so that each component of the problem addressed. How many more will be answered sooner (Malhotra & Peterson 2006, 50).

The author has created all the necessary information to allow better access to all concepts of the market in question, branding and internationalization. The proposal provides a contextualization of the market, an analysis of the most significant actors is the market at the time of the market, new and old companies. The brand, image and brands of a brand and the personality of the brand. He will also analyze the behavior of the Portuguese and Spanish, their shopping habits, as well as their workload, rest and sleeping comfort.

In short, the author will show best practices for creating a brand in the Iberian market. It will present examples from several industry experts to gather best practices for providing insight into building an efficient, categorized and innovative brand with a strong, future-oriented identity. Once selected as a search, we select the most appropriate search method and design. Qualitative research was chosen as a better approach for deep understanding of concepts, answering research questions and solving research problems, which is the main objective.

### 3. Conceptual model

As mentioned earlier, the aim of this study is to study the possibility of international internationalization for the Iberian market and to study the behaviour of individuals with mattress brands in the Iberian market. After reviewing the literature, the following conceptual model was created (Figure 2). A total of 9 prepositions have been proposed and will be tested.

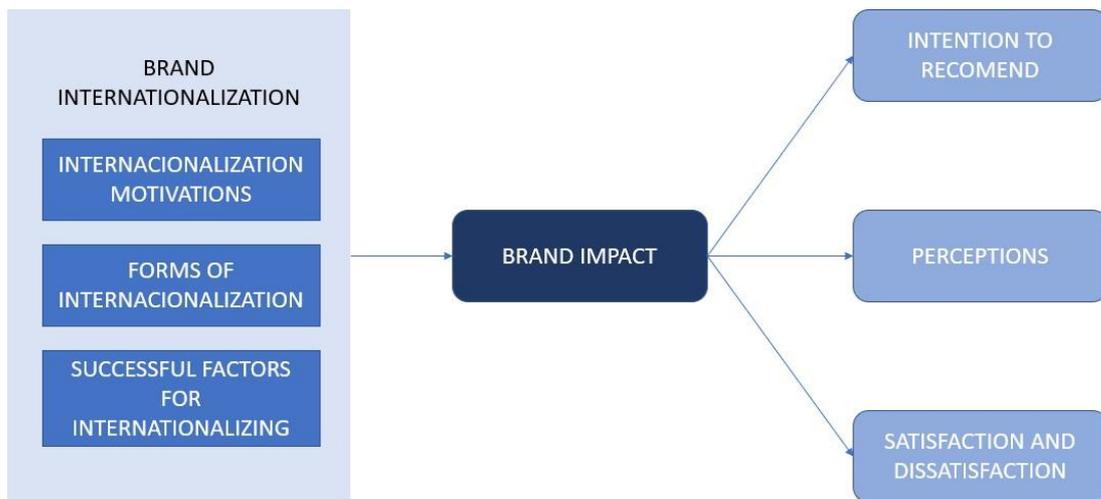


Figure 2 - Conceptual model

## 4. Methodology Approach

### 4.1. Introduction

In this chapter, we will cover the methodology used in this dissertation, the sample selection, and how sources are used to obtain the necessary information. In this analysis, we address both B2B and B2C context samples to explore the differences and perceptions of both consumers.

### 4.2. Qualitative Methodology

The methodology consists of a theoretically oriented choice of empirical analysis procedures. In social science research it can be divided into quantitative and qualitative. The research methodology used in this dissertation is qualitative.

Within the various possible qualitative approaches, the case study option was chosen (Ragin, 1987). There are several possible methodologies for conducting empirical research, the choice of which depends on the nature of the research questions, the investigator's control over behavioral factors and the emphasis of research on contemporary events as opposed to historical events. Associated with each methodology there are several advantages and disadvantages that condition its applicability. Since the issue under study implies the "discovery" of the structure and essence of the phenomenon of establishing relationships with the end consumer and it is the relationship with empirical reality that will allow the development of a testable, relevant and valid theory (Eisenhardt, 1989), the so-called 'case study' method seems most appropriate as it allows the study to be focused on how each individual consumer views and experiences the phenomenon in question (Shrivastava and Kale, 2002).

This method, case study, is defined by Yin (2009) as an empirical investigation that studies certain events that fit into a real context, where there is a huge difficulty in separating events from context. Therefore, this method is appropriate for the development of studies in real environments, where there is a need to answer "How" and / or "Why" questions of certain events, and there is no need to understand the impact of certain events (Eisenhardt, 1989; Yin, 2009; Tight, 2010). The case study when used to explore certain situations allows us to understand them, which enables us to increase our individual, organizational, social and political knowledge (Yin, 2009). According to Yin (2009), this method can be used for different purposes, i.e. to describe a situation, test a theory or generate a theory. However, the author sought access to more than 50 interviews to generalize with these data.

As this dissertation aims to prepare Eliconfort internationalization for the Iberian market, the qualitative case study method seems to be the most appropriate for empirical research, as it allows the understanding of the “How” or “Why” the adoption of certain strategies in actual engagement.

### 4.3. Information Sources

In case studies there are several techniques to access information, such as documents, interviews, direct observation, participant observation (Yin, 2009), and in this dissertation one of these techniques were used, specifically, interviews.

The interviews in-depth enables us to easily answer “How” and / or “Why” questions and gain additional insight into the perceptions of B2B and B2C business models that allow to understand both views and their impact on the Iberian market.

Because interviews can be structured in different ways, they can be open, closed or interview in-depth. In this case, a semi-structured interview was conducted to show a focus on the fundamental issues and address issues related to what occurs around it. Thus, the interviewer had to prepare and plan the interview very well and can listen and ask questions (Qu and Dumay, 2011). The interviews were conducted by a collaborator of Eliconfort in order to get closer to the biggest players in the industry and get more response and information.

### 4.4. Sample selection

To test the proposed model, it was necessary to conduct interviews on a sample of mattress industry workers, such as commercials, purchasing officers, shopkeepers, managerial positions, administrators, and even individuals interested in purchasing a mattress. Data collection took place over five weeks in January and June 2019. Interviews were conducted in person at two major international fairs, IMM in Cologne and Maison & Object in Paris, where it was possible to interview influential individuals in the mattress industry, such as heads of marketers, commercials, managers, managers and buyers of the mattress market and end consumers who, provided the necessary knowledge about B2B and B2C perceptions. They were also informed that the research project intended to collect data from companies and their customers on consumers 'perceptions of mattresses in Portugal and Spain, and producers' perceptions of end customers. In addition, Eliconfort helped select some of the interviewees. The author interviewed representatives of Portuguese and Spanish brands, who provided valuable information about the market and its perspectives. In addressing the B2B and B2C

businesses, we seek to explore the differences and perceptions they both have about the same products and about the marketplace. In this way, we seek to understand based on the information obtained, understand and leverage our study questions to centralize them to understand the vision of the reseller and the end customer.

#### 4.5. Interview guide used in the international fairs

Individual interviews are a direct way of obtaining information. A guide has been developed for each session, which is presented in annex 5. Although the chaining of topics was predefined, questions dictated the sequence in which they were placed in order to gain an accurate view of the facts and greater wealth of information. The first question was practically “content free”, as advised by Perry (1998) and invited the interviewee to report the company's experience in relational marketing in generic traits. However, topics were also set to be launched and points to focus on if they did not naturally arise from respondents' responses. This interview guide is used to define a search matrix usable for cross-case information (Yin, 2003). Respondents were interviewed in sessions of about one hour and the interviews were recorded in order to facilitate their later transcription and analysis.

##### 4.5.1. Interview structure

Annex 5 contains the guide for interviewing. As they are international clients, the English, Spanish and Portuguese languages were used. However, as the script was initially developed in English, this was the version that was put in this attached dissertation, as already mentioned. The interview is divided into 8 groups and segmented for both B2B and B2C perceptions and opinions, in order to collect information, collect clues in the interviewees' speeches that allow us to understand the clients' interpretation of the constructs already mentioned in the literature review, namely: internationalization strategy, brand, factors that influence the shopping experience, price perception, quality and value, consumer satisfaction, loyalty and satisfaction, word of mouth and purchase intention.

To find clues about Eliconfort internationalization for the Iberian market in Group 1, some questions were asked: “Please describe to me the behavior of Spanish shoppers in front of foreign products”; "Based on your experience in the market, how do you rate the entry of foreign brands into your store? What is the behavior of consumers towards these products?". By developing open-ended questions that allow the respondent to fill in the answer with illustrative examples, it is intended to get answers that go beyond merely informative /

enumerative. It is intended to draw conclusions from the feelings explained by the customer, realizing the impact of international brands outside the country's market.

In Group 2, regarding brand, includes issues such as: "As a shopkeeper and retailer, do you have a source preference when selecting a product to exhibit?"; "How can we make a new brand more effective?". In this way, we understand the importance that the consumer gives to the presence of a brand.

In Group 3, characterized by factors that influence the shopping experience, consists of: "When looking for a product do you prefer to be the same from your country, even if the price is slightly higher?"; "When customers come to your store and look for a mattress, they ask for the brand?".

In Group 4, characterized by perception issues, consists of: "Is price a quality factor when the customer looks for a mattress?"; "In your opinion, quality is associated with the price of the mattress?"

To understand the impact of customer satisfaction, group 5, consists of two basic questions: "Based on your last purchase of a mattress, how satisfied are you? Use 2 or 3 words / adjectives"; "Describe the moment you bought the mattress, from the person who sold it to now".

To look for clues about loyalty and satisfaction, Group 6 was created, which asks: "Next time you need the same type of product, who will you contact?"; "What are the particulars of your decision that make you buy again?" Again, customer responses may be influenced by track record. According to the literature review of this paper, from loyalty to the creation of strong bonds, it takes time.

In Group 7, word-of-mouth strength, consists of: "Do you feel that someone's recommendation has a decisive impact on buying a product?"; "Have you ever purchased a pig based on recommendation from family or friends?". With this study we understand the impact that word-of-mouth has when we want to buy a product.

Finally, questions about purchase intent are present in Group 8. Some examples: "Based on your store experience, what age range do you most often look for mattresses?"; "In your opinion as a commercial, what age range do you most often look for mattresses?". With this study, we hope to understand if there are any discrepancies between age groups when looking to buy a mattress.

## 5. Results

### 5.1. Samples characterization

Table 6 presents the distribution of respondents. Of the 48 B2B interviewees, 31 are male and 17 females. In the B2C context, of the 18 respondents the same happens, most respondents are male, in this case 16 respondents and six females.

Regarding the age of respondents, In the B2B context, most are between 30 and 44 years old, representing 54.2% of the total respondents and the second age group is between 45 and 59 years old corresponding to 22.9% of the total. of respondents. In the B2C context, 44.4% of respondents are 45 to 59 years old and 38.7% of 30 to 44 years old.

In the B2B context, more Spanish were interviewed, in a total of 48 interviewed, 28 are Spanish and 20 Portuguese. In the B2C context, 11 were Portuguese and seven Spanish.

Academic qualifications in the B2B context, most respondents had a Masters / MBA corresponding to 18 respondents, followed by 10 higher education, nine secondary education, six less than 12th grade, four less than 9th grade and only one did not respond. In the B2C context, six respondents had Master / MBA, six Secondary Education, four Higher Education and two Less than 12th grade.

The interviewed profession, B2B, was mostly salesman and shopkeeper, followed by purchasing officers, marketeers and CEO. In the B2C context, seven were accountants, five production, three managers, two technicians and one official.

Table 6 - Socio demographic characterization of 66 interviews

		<b>B2B (n=48)</b>	<b>B2B</b>	<b>B2C (n=18)</b>	<b>B2C</b>
		<b>N</b>	<b>%</b>	<b>N</b>	<b>%</b>
<b>Gender</b>					
	<i>Male</i>	31	64.6%	12	66,7%
	<i>Female</i>	17	35,4%	6	33,3%
<b>Age</b>					
	<i>18 – 29</i>	9	18.8%	3	16.7%
	<i>30 – 44</i>	26	54.2%	7	38.9%
	<i>45 – 59</i>	11	22.9%	8	44.4%
	<i>60+</i>	2	4.2%	0	0.0%
<b>Nationality</b>					
	<i>Portuguese</i>	20	41,7%	11	61,2%
	<i>Spanish</i>	28	58,3%	7	38,8%
<b>Academic qualifications</b>					
	<i>Less than 9<sup>th</sup> grade</i>	4	8,4%	0	0.0%
	<i>Less than 12<sup>th</sup> grade</i>	6	12,5%	2	11,2%
	<i>Secondary Education</i>	9	18,8%	6	33,4%
	<i>Higher Education</i>	10	20,9%	4	22,0%
	<i>Master/MBA</i>	18	37,5%	6	33,4%

<b>Profession</b>	<i>Other</i>	1	1,9%	0	0,0%
	<i>Salesman</i>	15	31,2%		
	<i>CEO</i>	6	12,5%		
	<i>Shopkeeper</i>	10	20,9%		
	<i>Purchasing Officer</i>	9	18,8%		
	<i>Marketeer</i>	8	16,6%		
	<i>Production</i>			5	27,7%
	<i>Accountant</i>			7	38,7%
	<i>Manager</i>			3	16,7%
	<i>Official</i>			1	5,8%
	<i>Technician</i>			2	11,1%

## 5.2. Interviewers content analysis

The interviews' analysis will be organized by B2B or B2C contexts in order test the formulated prepositions as presented in the table 7.

Table 7 - Perceptions and opinions of professionals in the mattress industry about market perception B2B and B2C

Categories	Prepositions
a) Perceptions and opinions of professionals in the mattress industry about market perception (B2B)	<p>Relative perceptions and opinions of customers with the industry:</p> <p><b>Preposition 1: The internationalization of a brand is the extension of its product integration and vertical market strategies to other countries (Ire Freire, 1997).</b></p> <p><b>Preposition 2: In building a mattress brand into the Spanish market B2B buyers believe that it is critical to adopt an adaptive strategy to must market, rather than a strategy standardization.</b></p> <p><b>Preposition 3: Buyers in a B2B context believe that the existence of a brand behind the product(mattress), strongly enhances penetration of these products in both the Portuguese and Spanish markets.</b></p> <p><b>Preposition 3.1.: Spanish buyers, B2B, believe that the Spanish mattress market is not uniform. Specifically:</b></p> <p><b>Preposition 3.1.1. The northern part of the Spanish market prefers firm, warm mattresses.</b></p> <p><b>Preposition 3.1.2. In Catalonia, consumers prefer medium and cold mattresses.</b></p> <p><b>Preposition 3.1.3. In Madrid, consumers prefer soft and</b></p>

	<p>cold mattresses.</p> <p><b>Preposition 3.1.4. In Andalusia and the south, consumers prefer firm and cold mattresses.</b></p> <p><b>Preposition 4: Cultural, social, personal and psychological factors influence consumers most in the purchasing process.</b></p> <p><b>Preposition 6: Consumer satisfaction when purchasing is only met when the product meets customer expectations (Woodruff et al., 1983)</b></p> <p><b>Preposition 7: Loyalty and satisfaction vary according to client characteristics such as age and education (Mittal and Kamakura, 2001).</b></p> <p><b>Preposition 8: Word of mouth marketing has more impact than traditional marketing at the time of sale.</b></p>
<p>b) Perceptions and opinions of individuals interested in breaking mattresses on market perception (B2C)</p>	<p>Relative perceptions and opinions of customers with the industry:</p> <p><b>Preposition 4: Cultural, social, personal and psychological factors influence consumers most in the purchasing process.</b></p> <p><b>Preposition 5: Price, quality and value are the determining factors for Eliconfort to structure their strategy, to convey the best perception that the individual has about each mattress.</b></p> <p><b>Preposition 8: Word of mouth marketing has more impact than traditional marketing at the time of sale.</b></p> <p><b>Preposition 9: Young buyers tend to switch mattress more frequently than older buyers.</b></p>

### 5.2.1. B2B Analysis

In this subsection, it is presented the analysis of the data obtained through interviews in the B2B context. The perceptions and opinions of professionals in the mattress industry about market perception is grouped by prepositions.

**Proposition 1: The internationalization of a brand is the extension of its product integration and vertical market strategies to other countries (Ire Freire, 1997).**

Through the elaboration of the interviews we tried to understand if the internationalization of a brand is related to the integration of products and vertical market strategies.

Regarding respondents' responses, 36 respondents say that when a brand internalizes it must integrate new products and define a strategy for that same market. For instance, an interviewed points out: "*When I internationalized my company's brand, we held a preparation meeting of about two years to understand the market, understand your preferences, consumption habits, consumption patterns., (...) and in the end we increased our portfolio of products to meet market needs*" (Marques, Salesman, Spain). In other words, "*The process of internationalizing the mattress brand that I am currently working on, started by buying a small company in Spain and then it was a matter of apprenticeship and adapting*" (Joel, CEO, Portugal).

It can then be concluded that research provides enough clues to suggest that the internationalization of a brand is the extension of its product integration and vertical market strategies to other countries.

**Proposition 2: In building a mattress brand into the Portuguese and Spanish market B2B buyers believe that it is critical to adopt an adaptive strategy to must market, rather than a strategy standardization.**

Through the elaboration of interviews, we tried to understand if for the internationalization of a brand of mattress one should adopt an adaptation strategy than a standardization one. In this context, of the 48 respondents, 43 share the same opinion about brands and their communication and the remaining 5 have a similar opinion. Regardless of nationalities, everyone responded similarly.

To understand what respondents, mean when they talk about consumer preference between communicating international brands with international communication and domestic brands with domestic communication, some statements are listed below:

*"Based on my experience and what I see in the market, the brands that remain in the market are the ones that adapt to it (...) the brand I work for, has launched an exclusive model to work in Spain and also all the communication has been adapted. Each market is a market, each person is a person. As a commercial I know that I must adapt my language and approach to the customer, and so do the brands"* (Miguel, CEO, Portugal).

*“One of the brands that is here at the fair in the United States, arrived in Spain about two or three years ago, and launched a new product line specifically for the Spanish market. It is a big mistake that brands do not adapt to the market, because even within the Spanish market there are differences between countries.”* (Murilo, Marketeer, Spain).

It can be concluded that the research provides enough clues to suggest that we should adopt a market adaptation strategy when we intend to internalize.

**Preposition 3: Buyers in a B2B context believe that the existence of a brand behind the product(mattress), strongly enhances penetration of these products in both the Portuguese and Spanish markets.**

Through questions related to those who believe that the presence of a brand in the product allows a stronger statement in the market one wants to enter. In this context, 38 respondents shared opinions that a brand is a great force to enter the foreign market. Statement as the follow confirms this opinion: *“I work with a brand that produces mattresses and pillows for a variety of customers and there are big sales contrasts. I used to work with the same products but with the customer's brand, and the results are completely different. Good brand policies and market strategy to value and convey more customer confidence to justify the differences for the white brands ”* (Miguel, Salesman, Portugal). The remaining nine respondents have the opposite view that a "white label" is easier to enter a new market because it can compete more easily and with less risk. For instance, one respondent said: *"When we try to enter a new market, the less well-known the brand, the easier it will be, because we have the adaptation period and the risk is lower"* (Jose, Purchasing officer, Spanish).

**Preposition 3.1.: Spanish buyers, B2B, believe that the Spanish mattress market is not uniform. Specifically:**

In the context of Spanish consumer behavior being different from city to city, we can say that there is a diversity of behaviors. Thus, 42 respondents state that *"Behaviors are different from city to city"* (Michael, Salesman, Spain), five respondents state that *"They sell any type of mattress, regardless of city or region"* (Isabel, Shopkeeper, Spain) and the remaining two state that *"No doubt there are differences between cities, were it not for the brand I represent adopting the mattress model to the market itself" "*(Marina, CEO, Spain).

**Preposition 3.1.1. The northern part of the Spanish market prefers firm, warm mattresses.**

In this context, 36 of the respondents share the same opinion, and the author points out that: *"At my team's business meetings, we often comment that we sell different products of the same brand in different cities of the country. (...) the northern client does not have the same preference as the southern client"*(Dias, Salesman, Spain). The remaining 13 mentioned that: *"I sell the same product in any city in Spain, central or southern Spain. It depends on the approach with the clients"*(Marilia, Saleswomen, Spain).

**Preposition 3.1.2. In Catalonia, consumers prefer medium and cold mattresses.**

In this context, 28 respondents said that in Catalonia consumers prefer more comfortable and fresh mattresses. The author points out: *"In warm areas like Seville, Valencia, Barcelona, (...), customers prefer more comfortable and fresh mattresses"* (Juan, Marketeer, Spain). The author points out: *"In warm areas like Seville, Valencia, Barcelona, (...), customers prefer more comfortable and fresh mattresses"* (Marco, CEO, Spain). The remaining 20 respondents mentioned that they do not have this information. They mention: *"No I cannot identify whether or not there are differences, I don't work in this market or I have this information."* (Pablo, Salesman, Spain).

**Preposition 3.1.3. In Madrid, consumers prefer soft and cold mattresses.**

In this context 34 respondents mentioned that since Madrid is the capital, they have many cultures and it is not easy to identify behaviors. It could be point out the following statement: *"I have been responsible for one of the largest Madrid mattress stores for over twenty years and I assume that we cannot standardize the products, we have many cultures and it is difficult to manage"* (Carlos, Marketeer, Spain). Ten respondents mentioned that *"In Spain's capital, the behaviors are a bit confusing because I find several profiles of people, although luxury products are best sold. The highest demand in terms of product characteristics is the mildest and with the best temperature"* (Rúbia, Saleswomen, Spain). The remaining 4 respondents said they are in a market they are unaware of and wish not to respond to.

**Preposition 3.2.4. In Andalusia and the south, consumers prefer firm and cold**

**mattresses.**

In this context, 26 respondents mentioned that the freshest mattresses sell the most to the market in southern Spain. The author points out the following statement: *"I'm from the southern market and the only products I sell in my catalog with more than 10 different mattresses are the freshest"* (Jordi, Salesman, Spain). The remaining 22 did not respond for lack of certainty in the answer. They claim to be a difficult and highly variable market in terms of behavior.

**Proposition 4: Cultural, social, personal and psychological factors influence consumers most in the purchasing process.**

When we think of factors that influence the buying behavior, we consider cultural, social, personal, and psychological factors. All respondents demonstrate importance and answer affirmatively when asked about the importance of understanding these factors when selling mattresses. However, when asked about the impact of cultural and all other factors, there was no consensus among all respondents at the fair. Some answers seem to be linked to the mentality of each country, such as *"When I look for any product, I always look for products from my country. My family and friends are all the same. Only when there are no national products, I look for alternatives like cell phones"* (Javier, Shopkeeper, Spain), whereas others are related to psychological factors; For instance: *"My mood when I am buying anything changes my standards and decisions when I want to buy a product"* (Santos, Salesman, Spain).

**Proposition 6: Consumer satisfaction when purchasing is only met when the product meets customer expectations (Woodruff et al., 1983).**

In this context, most respondents share the same view that a savvy customer is the one who bought and exceeded expectations. 43 respondents share the same view such as, for instance, *"The best sales are the ones that exceed our clients' expectations. They return easily and recommend them to their family members"* (Carmen, Saleswomen, Portugal), *"In my store there are customers who bring their families to buy the same mattress they bought six years ago, this is only because the consumer's expectations have been well fulfilled"* (Pedro, Marketeer, Portugal).

**Proposition 7: Loyalty and satisfaction vary according to client characteristics such as**

### **age and education (Mittal and Kamakura, 2001).**

When we analyze customer loyalty and satisfaction with age and education, we highlight the impact of age at the time of purchase. Most respondents said the older buyers may be more loyal, although satisfaction is more difficult. For instance, *"The clients I prefer to receive are young people, they are more direct, quick to make decisions and getting their satisfaction is easier"* (Manuel, Salesman, Portugal). However, 12 respondents stated that *"Young people have lower standards when they want to buy a product and are not as demanding as older people although they usually have less knowledge about the product"* (Juan, Salesman, Spain). Therefore, loyalty and satisfaction combined with age and education have an impact on consumer behavior.

### **Proposition 8: Word of mouth marketing has more impact than traditional marketing at the time of sale.**

Achieving word-of-mouth marketing requires a well-defined marketing strategy and strong relational work. Interviewees who claim to be familiar with word-of-mouth marketing, such as Cristian who stated that *"I'm a store saleswoman in Spain and I can say that most of my sales come from word of mouth from my customers. Sometimes I get calls from distant relatives of these same people"* (Cristian, Saleswoman, Spain), show that this marketing strategy has a great impact on both the brand and the customer.

## **5.2.2. B2C Analysis**

In this subsection, it is presented the analysis of the data obtained through interviews in the B2C context. The perceptions and opinions of professionals in the mattress industry about market perception is grouped by prepositions.

### **Proposition 4: Cultural, social, personal and psychological factors influence consumers most in the purchasing process.**

In the B2C context, we can see that the cultural factors in Spain are one of the indicators that most influences the process of buying a product. For instance, Daiana said *"Whenever I look for a product in a store, I always look for if it's my nationality; in this case Spanish nationality."*

*I'd rather spend a little more on buying a product but know that the product is my nationality."* (Daiana, Accountant, Spain). All the Spanish respondents responded in the same way as Daiana. However, the 11 Portuguese respondents and simply buy the product that most satisfies them. The author points out: *"When I buy a product in the mall always look for that gives me more confidence and sense of opportunity"* (José, Production, Portugal).

Thus, cultural factors are perceived by the Spanish public but the same is not true for the Portuguese public. Therefore, we cannot support this proposition, which leads us to investigate the next ones.

**Proposition 5: Price, quality and value are the determining factors for Eliconfort to structure their strategy, to convey the best perception that the individual has about each mattress.**

In this context the 18 respondents share the same opinion. Price, quality and value are determining factors when looking for or selecting a product. The author points out the following statements: *"Before purchasing a product, I always try to identify the best product on the market and then look for a similar one for my budget"* (Ricardo, Manager, Portugal) and *"For me the value I pay for a product is superior to the quality or the value it can give me, I always look for the best-price"* (Juan, Technician, Spain) and *"The last time I bought a mattress for my house, I researched and searched a lot of information in stores and internet before buying (...) I decided on the mattress that presented me the best price-quality and with the highest guarantee. I bought it 2 years ago and I am very satisfied"*. (Inês, Accountant, Spain).

**Proposition 8: Word of mouth marketing has more impact than traditional marketing at the time of sale.**

From interviews with 18 individuals, we realize that word-of-mouth has a major impact on buyers' decision making. The author points out: *"The last mattress I bought was at the Lisbon store, where my father bought his 8 years ago (...) I didn't look for alternatives, because my father always spoke well about the mattress he bought and didn't even want to think anymore"* (Ana, Accountant, Portugal) and *"It was through advertising on Instagram that I bought my mattress, by the way on my favorite athlete's Instagram, the mattress was at a discount and I bought it soon"* (Jaime, Official, Spain). Therefore, with this analysis we realize that this marketing strategy is very strong, because the words of the people we are closest to or adore

are best received by us as a recommendation and influence us in decision making.

**Preposition 9: Young buyers tend to switch mattress more frequently than older buyers.**

When we look at the behavior of young buyers and older buyers, we can easily see that older people have more buying power but hardly replace their mattress, unlike younger ones who buy cheaper, lower quality products but are more open to new purchases of the same products. For instance, it could be point out the following statements: "*My grandfather bought only one mattress to date, he says he bought the best mattress at the time and that it has to be worth the investment*" (André, Technician ,Portugal); "*I bought my second mattress to my apartment (...) I always look for low prices that allow me to replace more easily and not feel that I am losing money*" (Santiago, Manager, Spain); "My father moved into a new house and bought the same mattress in the same store. He likes the comfort of the mattress and doesn't want to change; he must be over 6 years old". (Dimas, Production, Spain).

Thus, research provides us with clues to partially justify younger consumers more easily replacing a mattress than older ones.

## 6. Conclusion

Based on the elements gathered, it is recognized that the internationalization mode selection strategy is a very important element for the success of internationalization, as it can help to overcome certain problems that may occur.

In this study, we focus on the strategy of understanding the internationalization alternatives that Eliconfort has and understanding the Portuguese and Spanish point of view regarding the mattress industry, that is, the study allowed us to understand the both B2B and B2C. regarding internationalization and the impact of a brand on an international market.

The literature review addressed the specificities of the sector and the possible strategies for the selection of modes of entry in internationalization, allowing us to better understand the Portuguese and Spanish markets in the mattress industry in both contexts. Consequently, we better understand the importance of a brand in buying a consumer product, such as a mattress, and the factors that influence the buying experience of a mattress. We also investigate the perceptions consumers have when looking for or purchasing a mattress, satisfaction and purchase intent. From the review of the literature, we found that there is a tendency for companies to select the mode of entry into the foreign market through research and development. A brand adapted to the market is an asset for selling products in the Spanish market. Cultural factors are one of the most important points to consider in the internationalization strategy of the brand, as well as studying perceptions, devising a simple strategy to suppress customer expectations and the impact of word-of-mouth.

In the analysis, 66 individuals were interviewed, of which 48 in the business-to-business context and 18 business-to-consumer. With these interviews we can understand the perceptions of consumers in both contexts. The Portuguese and Spanish have the same perception of the market. We also realize that a strategy of adaptation to the Spanish market should be adopted, as consumers rely more on branded products. Consumers have different preferences from region to region in the Spanish market, which drives companies to adapt to suppress consumer saturation. The behavior of the Spanish differs from city to city, because they are a more nationalistic people and value the products of their country, when they want to buy a product the first choice is always Spanish product.

After the investigation and as conclusions regarding the first preposition of investigation, in the B2B context, (Preposition 1: “The internationalization of a brand is the extension of its product integration and vertical market strategies to other countries” (Ire Freire, 1997). Most of the respondents are male, aged between 30 and 44 years old, Spanish nationals, hold masters or MBA degrees and their profession is salesman in the B2B context.

Regarding this preposition, all respondents' perceptions correspond with the author's opinion, which reveal the importance and the extension of their product-market and vertical integration strategies to other countries and in the total or partial replication of their operational chain. For an internationalization process must be framed considering the competences and competitive advantages developed by the company in its domestic market. In the case of Eliconfort, in view of market experience, its product knowledge is a great opportunity to internationalize and define a strong market entry strategy.

The second research preposition (Preposition 2: “Building a mattress brand in the Spanish B2B marketplace believes that it is critical to adopt an adaptive strategy to the market rather than a standardization strategy.”). It was found that the brands before entering the market should adapt their products to it, because as most respondents acknowledged that the brands that are older and remain in the market are the ones that have adapted. Still, through the results obtained the author corroborate with the second preposition of investigation.

In order to validate the third research preposition (Preposition 3: “Buyers in a B2B context believe that the existence of a brand behind the product (mattress), strongly enhances penetration of these products in both the Portuguese and Spanish markets.”). Found It is believed that the presence of a strong brand strengthens the entry of a mattress brand into the international market, such as Spanish. However, the greater the communication and the strength of the brand, the easier the perception and entry into the target market. On the other hand, nine of the respondents, mostly sellers, had the opposite opinion saying that entering a white brand in a new market is easier to give the brand time to know the market and adapt its strategy, reducing its risk. However, the author corroborates with most respondents because prior preparation before entering the market brings more benefits, both in terms of product perception and satisfaction measures.

Still in the third research preposition (Preposition 3.1.: “Spanish buyers, B2B, believe that the Spanish mattress market is not uniform.”). Based on the interview responses, we can conclude that consumer preferences differ from city to city. city, although the shop the seller has a very big impact on the mattress suggestion, even though the product is not entirely what the customer is looking for. The author corroborates with the responses of most respondents because, for example, weather affects mattress preference, in colder areas customers look for mattresses with warmer characteristics and vice versa.

In order to respond to the preposition followed by 3.1. (Preposition 3.1.1.: “The northern part of the Spanish market prefers firm, warm mattresses.”), (Preposition 3.1.2.: “In Catalonia, consumers prefer medium and cold mattresses.”), (Preposition 3.1.3.: “In Madrid, consumers prefer soft and cold mattresses.”), (Preposition 3.2.4.: “In Andalusia and the south, consumers prefer firm and cold mattresses.”), We found that they were corroborated. Spanish preference is different depending on the city. They have different tastes and preferences, such as mattresses sold in northern Spain are different from those sold in the south, regardless of brand. *"In warm areas like Seville, Valencia, Barcelona, (...), customers prefer more comfortable and fresh mattresses"* (Marco, CEO, Spain). Therefore, the author also concludes that climate impacts the choice and preference of the mattress.

The fourth research preposition (Preposition 4: “Cultural, social, personal and psychological factors that influence consumers in the purchasing process.”). Has been partially proven. It has been found that the Spanish are a nationalist people and that their preference is to buy Spanish products even at a slightly higher price. The author states that Eliconfort has all its communication and communication materials in Spanish.

In order to understand consumer satisfaction when purchasing is met when the product meets customer expectations (Preposition 6: “Consumer satisfaction when purchasing is only met when the product meets customer expectations” (Woodruff et al., 1983”). It has been found that the best sales are those in which the product and service exceed the customer's expectations, which in turn will pass the message on to family members, friends or acquaintances. Then the sixth preposition of investigation could be validated.

For the seventh preposition (Preposition 7: “Loyalty and satisfaction vary according to client characteristics such as age and education (Mittal and Kamakura, 2001”)), older buyers were

found to be more loyal, but satisfaction is more complicated than In this way, the author realizes that loyalty and satisfaction combined with age and education have an impact on consumer behavior. Loyalty and satisfaction are only fulfilled when the product and service exceed the customer's expectations. proposition and advises Eliconfort to create a strategy and approach for each age group.

And for the eighth research hypothesis (Preposition 8: “Word of mouth marketing has more impact than traditional marketing at the time of sale.”). It was found that respondents state that their sales are driven by WOM, as well as validates the eighth preposition of investigation.

In the present study, we also analyzed the B2C context, in which most of the interviewees were men, aged between 45 and 59 years old, Portuguese, with secondary education and accounts.

For the research of the (Preposition 4: “Cultural, social, personal and psychological factors influence consumers in the purchasing process.”). It was found that the Spaniards, as approached in the B2B context, are nationalistic and prefer to buy local products. Although the Portuguese responded mostly in the opposite way, they are more interested in product characteristics and price. Therefore, we cannot support this preposition, which led the author to investigate prepositions.

And for a fifth research preposition (Preposition 5: “Price, quality and value are the determining factors for Eliconfort to structure his strategy, to convey the best perception that the individual has about each mattress.”). Portuguese want Spanish when they want to buy a product that has comparable prices and realize the differences. Thus, or author validates the preposition.

For the eighth preposition (Preposition 8: “Word of mouth marketing has more impact than traditional marketing at the time of sale.”). Verify that WOM has an impact on the purchase of a mattress, for the Portuguese for the Spanish. Realize that this marketing strategy is very strong, because the closest or most adored words are best received by us, as recommendation and influence in decision making. The preposition is validated.

And for the ninth preposition (Preposition 9: “Young buyers tend to switch mattress more frequently than older buyers.”). It is found that, based on the clues that the research provides

us allows us to validate the preposition, because younger consumers replacing a mattress more easily than older ones.

This study is certainly important and beneficial for Eliconfort as it will provide them with useful information on brand internationalization for the Spanish market, the importance of the brand in entering a market, the importance of consumer satisfaction, as well as conveying some Spanish and Portuguese perceptions when they want to buy a mattress, in order to help prepare for the internationalization of the brand and increase the satisfaction of its customers, turning them into potential customers, retain them.

## 7. Limitations and directions for future research

The research in question has limitations:

- a case study, which limits the analysis;
- the lack of more specific information on the internationalization strategy of companies in the mattress industry;
- The selection of interviews was made by convenience criteria;

Thus, the results are limited to the universe in question. In other contexts, we could have obtained other results.

Regarding the possible future investigations in this area and considering the limitations of the present investigation, it will be interesting to carry out further research on the behavior, perception and preferences of Portuguese and Spanish consumers in each of the main cities. Finally, it would be pertinent to carry out another study, B2B context, aiming to understand the behavior of retailers in selling mattresses in their stores, thus helping companies to design mattresses that satisfy the largest audience.

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## Annexes

### **Annex 1 – Competitive analysis of the Iberian mattress industry**

#### 1. Overview of the competition

The mattress industry is a very competitive market. Very similar products, very similar value propositions and very similar communication. In order to make a framework of the main players of the Portuguese and Spanish market, the author decided to make a market analysis.

##### 1.1. Mindol

Mindol, headquartered in Vale de Cambra, Aveiro district, Portugal, mindol group company, started in 1973 and started its mattress production line in 1999.

###### - Type of management:

It is a family business whose management is equally familiar, with some precedents. Has 3 court cases I work Mindol as defendant in 3 years, not getting Personnel to work, explains well the management of this company in recent years.

###### - Regarding the typology of its clients:

they focus on partnerships with retail customers and store customers, have 7 salespeople and 2 sales directors, have 20 stores such as Colchões & Companhia, have a market in Spain that has been falling significantly, and in the hotel, industry reached year 1,650. 000 € 2015/16 year and currently has a turnover in this segment of about 450,000 €, in the domestic market is Mindoflex that resells the product in the furniture stores and mattress markets.

###### - Structure and facilities:

structure, facilities and presence in the industry, it is very under-cared, about 70000 m<sup>2</sup>, mostly reconditioned and others, few new and used machines, bagged spring manufacture, bonnell spring that only assemble, produce upholstery and pallets. of blades where Mindol has always stood out for its price. It has a warehouse and a showroom in Lisbon that is a bit abandoned. In the promotion and presentation of their products and sales, they focus on the range of natural / Nordic products, but without presentation, to add value.

###### - Presentation of products and sales in the Iberian Peninsula:

Sales in Portugal, mainly in greater Lisbon and something for Spain, do not reach 10% of total sales.

###### - Communication and marketing:

little updated, do not invest in communication on online platforms and do not convey a strategy

in the market.

- Investigation and development:

Have not evolved in nearly the last five years for all products.

### 1.2. Colmol

Colmol is a second-generation company established in 1972 that manufactures innovative, high performance and comfortable rest systems. It is a family business, with some organization. But with unconventional and much fewer contemporary policies and as needed today, to sell and create value. It has terrible customer service.

- Regarding the typology of its clients:

They are mainly resellers, they focus on the Portuguese market, they had commission salespeople and for lack of commercial attitude they lost all the people and now has commission salesmen and more distributors, with Colmol brand, for Spain which is their biggest market has only one salesperson of Spanish nationality that works great clients with their brand. In Lisbon there is a very small and badly located warehouse.

- Structure and facilities:

Very organized manufacturing, they spent about 9 years with a factory director who did an excellent job regarding industrial management and logistics, who left the model implemented and have followed it to this day. Chinese bagged spring machines also manufacture the biconic springs and a continuous wire rod spring that they call SPA. It has its own upholstery, buys the laminate platforms and other products and pillows.

- Presentation of products and sales in the Iberian Peninsula:

They are present in all media but have plenty of room for improvement in the various communication channels.

- Investigation and development:

Very little. Their strategy is to mimic their competitors' products.

### 1.3. Molaflex

Since 1951, the year that Molaflex starts its activity in S. João da Madeira, the company is a pioneer in the manufacture of mattresses, taking the leadership in the national market of rest systems. Internationally, it is present in the markets of Spain, England, Brazil, Chile and Cuba, through a partnership with the Flex brand.

- Type of management:

The management model is the largest in Portugal as it is a multinational organization. Structured by hierarchies and departments. Very old infrastructures who returned his

management to the supplier of FLEX of an important part of the models. All core mattresses are produced at Molaflex for the Flex headquarters.

- Regarding the typology of its clients:

All kinds of national market very strong in the hotel industry due to its seniority and people a lot of experience in the performance of the company and various functions. It has its own stores in Portugal. And is leader of national brand.

- Structure and facilities:

Already small for its production, they are building a new Industrial unit, but very focused on supplying Flex to Spain, the machines are a little obsolete and with lack of corrective maintenance almost daily, they have a customer service in Portugal. Too bad, if you study your national sales, we can see that. Exports have been increasing exponentially because of selling the products to Flex.

- Presentation of products and sales in the Iberian Peninsula:

Unlike most of the market, they are the few companies that take great care of the presentation of their products. There is a sales organization that is now mingling a bit with FLEX and FLEX in Iberia will oversee all operations in the future. Molaflex will be a sub-brand. For the last 2 years there has been an aggressive discount policy which is not a good indicator.

- Communication and marketing:

They are not present in all media, but in the main ones. They work more offline communication.

- Investigation and development:

Very little. Their strategy is to mimic their competitors' products.

#### 1.4. Novaqui – climax

Novaqui belongs to the aquinos group, founded in 1968 and is dedicated to the production of mattresses and similar products.

- Type of management:

Familiar but with some management traits by Hierarchies. Organized by Group of Companies each Company has its Operations staff and with a CEO.

- Regarding the typology of its clients:

Customer large areas, for example Ikea and low value added for the company counts more units. High risk operations for their size in profitability.

- Structure and facilities:

New factories with very up-to-date and high-end equipment, largely due to their IKEA

customer who will be their main customer, who also enter into the purchase of certain industrial machines through the merchant agreements they make. Well organized and also a very developed logistics.

- Presentation of products and sales in the Iberian Peninsula:

Novaqui works hard for the custom-made product of the client she works, Ikea, conforama, among others. It has a very high risk. It is the national company that exports the most.

- Communication and marketing:

They are not present in media.

- Investigation and development:

In recent years they have been able to stand out for developments and innovation in the sector, largely due to the Ikea customer.

### 1.5. Colunex

Colunex, headquartered in Recarei, Portugal, was founded in 1986.

- Type of management:

Familiar, based on a person Eugénio Santos.

- Regarding the typology of its clients:

It currently has 6 own stores. Above all this is where he sells his products in Portugal and then in stores like El Corte Ingles in Portugal.

- Structure and facilities:

Manufactures with quality machines and always with great care in the details. Factory with about 9.000m<sup>2</sup>. The upholstery is also very important in its invoicing.

- Presentation of products and sales in the Iberian Peninsula:

Presentation at the global level is quite positive. Sales has in Portugal a strong investment in selling hotels which has not been easy, because the experience in this market is not great. And wanting to be elitist may not be viewed with good eyes. Then the stores are the ones that sell your product and have some customers in the decoration. Its product portfolio is broad and with great added value.

- Communication and marketing:

Very careful, updated and very active communication. Website, stores, fairs always with very positive stands, are the most used communication channels by the company.

- Investigation and development:

Yes, a big bet, although it is more advertising than it is developed.

## Annex 5 – Portuguese and Spanish market analysis

### 2. Portuguese and Spanish market analysis

#### 2.1. Iberian market analysis

Table 8 - General indicators of the Spanish market

Country size	505000 km2
Population	The current population of Spain is 46,436,969 as of Tuesday, May 28, 2019, based on the latest United Nations estimates.
Official designation	Spain kingdom
State and government	Rei Filipe VI
Prime minister	Pedro Sanchez (since 2018)
Main political parties	They are represented in the Congress: PP (Popular Party); PSOE (Partido Socialista Obrero Español); United We Can; Citizens; In Comú May; Commitments We Can EUPV; ERC Esquerra Republicana de Catalunya- Catalunya Yes; Convergence. Demócratica de Catalunya; In Marea; EAJ-PNV Euzko Alderdi Jeltzalea-Basque Nationalist Party; EH Euskal Herria Bildu; Canarian Coalition - Canarian Nationalist Party. The PP won, without an absolute majority, the general elections of June 26, 2016 (the next are planned for 2020).
Capital	Madrid
Other important cities	Barcelona, Valencia, Sevilha, Bilbao, Saragoça, Málaga, Murcia
Territory organization	17 Autonomous Communities (Andalusia, Aragon, Asturias, Balearic Islands, Canary Islands, Cantabria, Castile-La Mancha, Castile and Leon, Catalonia, Community of Madrid, Comunidad Valenciana, Extremadura, Galicia, La Rioja, Murcia, Navarra and Basque Country) two autonomous cities in North Africa (Ceuta and Melilla). Each

	community is divided into Provinces (50 in total), formed by groups of municipalities, in a total of more than 13 000 local entities
Religion	Most of the population is Catholic (more than 70%), but the Constitution establishes that there is no official religion in Spain.
Language	The official language is Spanish - Castilian. There are also co-official languages in the respective Autonomous Communities: Catalan, Valencian, Basque (Euskera) and Galician.
Country risk	Country Risk - BBB (AAA = lower risk; D = higher risk) - EIU, October 2016 Political Risk – BBB

#### 2.1.1.1.1. Economy

##### - Economic status and perspectives

Spain is the 14th world economy according to the World Bank<sup>1</sup> and 5th economy of the European Union. The country occupies a prominent position in the world tourism sector, being the 3rd most visited destination and the 2nd most revenue generated in 2015. In the area of trade and international investment, Spain also positioned itself in the group of the 20 main world markets: 15th importer of goods and 19th of services in 2016 (and 11th exporter of services and 16th of goods in 2016). It ranked as 12th receiver and 13th largest issuer of foreign investment in terms of total stock (data for 2015).

With an area almost six times greater than that of Portugal, the Spanish economy is decentralized in 17 autonomous communities and in two equally autonomous cities in North Africa, with two of these communities (Catalonia and Madrid) together having more population than Portugal (close to 14 million people) and a GDP higher than Portuguese.

According to the Spanish INE, in 2016, the average Spanish gross domestic product per capita reached 23 970 Euros. However, the situation varies substantially according to the Autonomous Communities (Madrid has an average of 32 723 Euros per inhabitant, while Extremadura does not exceed 16 369 Euros per inhabitant).

Catalonia and Madrid were, in absolute terms, the Communities that contributed most to Spanish gross domestic product (GDP), with 19% of the total each in 2016. The Communities

of Andalusia (13.3%) and the Community Valencian (9.4%). These four communities accounted for more than 60% of Spanish GDP in 2016.

The contribution of the main sectors of the Spanish economy to the composition of GDP is as follows: services, with 74.1% of the total in 2016, industry with 23.3% and the agricultural sector with 2.6%.

Despite the climate of political uncertainty, the country experienced in 2016, the Spanish economy continued to grow by 3.2% (after 3.2% in 2015 and 1.4% in 2014). This development was mainly supported by domestic consumption and, to a lesser extent, by exports and corporate investment. Consumption dynamism was associated with job creation and increased spending on durable goods. Other external factors also contributed to strengthening domestic demand, namely the low oil price and the maintenance of favorable financing conditions.

It is noteworthy that last December the government approved a set of fiscal measures aimed at reducing the public deficit in Spain, from the current 4.6% to 3.1% of GDP in 2017, in an effort estimated at around 7 billion (EUR 4 650 million), special taxes (EUR 150 million) and the fight against fraud (EUR 2 000 million).

According to INE Spain, the Spanish economy grew 0.8% in the first quarter of 2017 (+ 0.1% compared to the previous quarter). The Spanish Government estimates that the dynamism of the economic activity should continue in the first months of this year, based on the evolution of the "Synthetic Indicator of activity" of the Ministry of Economy, having revised its forecasts at the end of last April economic growth to 2.7% in 2017 and 2.5% in 2018.

Several Spanish and international analysts have recently been revising forecasts for growth of the Spanish economy to 2017: The Bank of Spain estimates a growth of + 2.8% (+0.3 percentage points compared to previous forecasts), while BBVA Research points to 3% (+0.3 pp). According to BBVA Research, this evolution will be determined by the good performance of exports of goods and services, supported by favorable forecasts in the international context, and by a greater activity of the residential construction sector. In this scenario, the Spanish economy should be able to create about one million jobs over the next two years and reduce the unemployment rate to close to 15% by the end of 2018. In regional terms, the two most representative Autonomous Communities - Catalonia and Madrid - are expected to grow by 3% and 3.4%, respectively, according to the same source.

#### 2.1.1.2. Principal macroeconomic indicators

The outlook for the Spanish economy in 2017 and next year, released by the EIU - The Economist Intelligence Unit, are as follows:

- GDP growth of 2.6% in 2017 and 2.2% in 2018.
- Private consumption is expected to decelerate in 2017 and 2018 (+ 2.7% and + 2.2%, respectively). Public consumption is expected to increase more moderately (0.8% and 0.9% in 2017-2018, after having contracted between 2011-2014). Gross fixed capital formation is expected to increase by 2.5% in the current year and 2.2% in the next year (ie at a slower pace than in the last three years).
- The average inflation rate is expected to rise to 2.3% in 2017, falling to 1.7% in 2018.
- The level of unemployment is expected to remain high, but decreasing, not to exceed 17.6% in 2017 and 15.8% in 2018.
- Imports of goods and services may increase by 2.6% in 2017 and 2.9% in 2018, but these rates will be lower than in the last three years. Exports are expected to grow by 4.3% and 3.5% in the period 2017-2018.
- The positive balance of the current account will tend to decline to USD 20.3 billion in 2017, representing 1.6% of GDP (after USD 24.1 billion in 2016, 2% of GDP) .
- Public debt is expected to continue to deteriorate in the short term, to close to 98% of GDP in 2017 and 96% in 2018 (compared to around 40% in 2008 and 100% in 2014). In relation to the share of the public sector deficit in GDP, a gradual decrease is expected (from 3.3% in 2017 to 2.4% in 2018).

Finally, the European Commission (European Economic Forecast - Spring 2017) expects Spain to grow by 2.8% this year (2.4% by 2018); and the IMF (World Economic Outlook, April 2017) points to 2.6% in 2017 (2.1% in 2018).

#### 2.1.1.3. International trade

Spain holds a significant position in world trade, ranking 16th in the world ranking of exporters of goods in 2016 (with a share of 1.8% of the total) and 15th place in the ranking of importers (1.9% of the total). Within the European Union, Spain was the 7th largest exporter and importer in 2016.

The country traditionally has an unfavorable trade balance, with the deficit decreasing between 2012-2013, worsening in 2014-2015, decreasing again in 2016, when it stood at 18.7 billion (-22.4% over the previous year). Import coverage rates for exports ranged from 87.7% in 2012 to 93.1% in 2016.

- Evolution of the trade balance:

(13 <sup>^6</sup> EUR)	2012	2013	2014	2015	2016

Exportation	226 115	235 814	240 582	249 794	254 530
Importation	257 946	252 347	265 557	274 772	273 284
Balance	-31 831	-16 533	- 24 975	- 24 978	- 18 754
Coverage coefficient (%)	87,7	93,4	90,6	90,9	93,1
World ranking position					
As an exporter	21 <sup>th</sup>	19 <sup>th</sup>	18 <sup>th</sup>	18 <sup>th</sup>	16 <sup>th</sup>
As an importer	16 <sup>th</sup>	17 <sup>th</sup>	16 <sup>th</sup>	15 <sup>th</sup>	15 <sup>th</sup>

Table 9 - Evolution of the trade balance

Source: ICEX; WTC

- Principal clients

Market	2014		2015		2016	
	Share (%)	Position	Share (%)	Position	Share (%)	Position
France	15,7	1 <sup>st</sup>	15,5	1 <sup>st</sup>	15,1	1 <sup>st</sup>
Germany	10,4	2 <sup>nd</sup>	10,8	2 <sup>nd</sup>	11,3	2 <sup>nd</sup>
Italy	7,2	4 <sup>th</sup>	7,5	3 <sup>rd</sup>	8,0	3 <sup>rd</sup>
United Kingdom	6,9	5 <sup>th</sup>	7,3	4 <sup>th</sup>	7,5	4 <sup>th</sup>
<b>Portugal</b>	<b>7,5</b>	<b>3<sup>rd</sup></b>	<b>7,2</b>	<b>5<sup>th</sup></b>	<b>7,1</b>	<b>5<sup>th</sup></b>

Table 10 - Principal clients

Source: International Trade Center

The top five customers in Spain - France, Germany, Italy, the United Kingdom and Portugal - absorbed about 49% of total exports in 2016 (48% in 2014).

Portugal was the 5<sup>th</sup> customer market in 2016, with a share of 7.1% of Spanish sales abroad (3<sup>rd</sup> customer with 7.5% market share in 2014), according to data from the International Trade

Center (ITC).

In terms of export performance, the following is highlighted:

Exports of goods to these five main markets in 2016 grew 9% for Italy (compared to the previous year), 6% for Germany, 5% for the United Kingdom, 1% for Portugal, while falling 1% for France.

- In terms of the Top 15 customers, Spanish exports grew to the following non-EU markets: Morocco (+ 13% in 2016, compared to the previous year, according to ITC), China (+ 13%), Switzerland and Turkey (+ 2%). On the other hand, the biggest drops were recorded in exports to non-EU markets: Algeria (-8% vs. 2015), Mexico (-4%) and US (-1%).
- For the top five suppliers - Germany, France, China, Italy and the USA - they accounted for about 45% of the total imported by Spain in 2016 (40% in 2014).

Portugal ranked 8th in the ranking of suppliers in Spain, accounting for 3.9% of total imports in 2016 according to ITC, with Spanish purchases in Portugal down 1% on the previous year. In terms of import trends, four of the five suppliers reinforced their respective market shares in 2016 compared to the previous year, except for China. In absolute terms, there was an increase in Spanish imports from Italy (+ 4% yoy), Germany (+ 3%), France (+ 2%) and the United States (+ 1% 25% in 2015), stagnating in the case of China (after + 21% in 2015 and + 14% in 2014).

Among the top 15 suppliers, the growth of imports from the following EU markets, Poland (+ 12% in 2016 compared to the previous year), Czech Republic (+ 9%) and the Netherlands (+2 %). On the other hand, imports from the United Kingdom (-11% in 2016), Portugal and Belgium (-1% each) decreased. As regards imports from non-EU countries, the increases in the Moroccan markets (+ 14% in 2016 compared to the previous year), Turkey (+ 6%), Japan (+ 13%), and Algeria (-30% in 2016).

In terms of the structure of Spanish exports, intermediate goods accounted for 53% of the total (data for 2015), consumer goods 38% and capital goods 9%. As for imports, intermediate goods accounted for 66% of total Spanish purchases abroad, consumer goods 27% and capital goods 8%.

- Principal transaction products

The five main groups of products exported and imported by Spain in 2016 accounted for around 40% and 47%, respectively.

In terms of evolution, it should be noted that of the five largest groups of products exported by

Spain, only vehicles and parts registered an increase in 2016 (+ 9% compared to the previous year), sales of electrical and plastic machinery and equipment and its works stagnated, while fuels and machinery and mechanical equipment had negative variations (-21% and -1%, respectively).

In relation to the five largest groups of imported products, there were increases in 2016 in purchases of vehicles, machinery and mechanical equipment and electrical machinery and equipment (respectively, +6%, + 5% and + 2% compared to 2015). On the other hand, imports of mineral fuels as well as pharmaceuticals suffered falls (-23% and -5%, respectively).

Finally, according to information published by the Spanish press, the exit of the United Kingdom from the EU could have a strong overall impact on the Spanish economy (in the order of 4,000 million Euros), with a reduction in Spanish exports until EUR 1 billion, which could mainly affect the food and automotive sectors.

#### - Tourism

Tourism is a strategic sector for the Spanish economy, representing a total of around 119 billion Euros in 2015, or 11.1% of GDP, and generating 2.5 million jobs, 13 % of employment (compared with 10.2% of GDP and 11.6% of employment in 2010).

The World Economic Forum's "Travel & Tourism Competitiveness Index 2017" ranks Spain as the world's most competitive economy in travel and tourism in 136 countries (followed by France, Germany, the UK and Japan).

According to data from the World Tourism Organization (WTO), Spain's revenues from tourism amounted to € 54.5 billion in 2016 (+ 7.1% over the previous year). 2nd place in the world ranking.

Spain recorded 75.6 million tourists in the last year (+ 10.3% over the previous year, or more than 3 million arrivals), having been the 3rd most visited tourist destination in the world (after France and USA). The evolution observed in the first months of this year indicates that this record may be exceeded in 2017. The main countries of origin of international tourists were the United Kingdom, with a share of 23.5% of the total in 2016, an increase of 12.4% over the previous year, France (15.1%, +7 , Germany (14.8%, + 6.4%), Nordic countries (6.9%, + 10.9%) and Italy (5.3%, + 5.8%) . Around 2 million tourists came from Portugal (2.6% of the total in 2016, + 15.1% over the previous year). Among the main destinations of foreign tourists are the following Spanish Autonomous Communities: Catalonia, with around 24% of the total in 2016 (+ 8% compared to the previous year), the Canary Islands (18%, + 8%), the Balearic Islands ( 17% and + 12%), Andalusia (14%, + 13%), Comunidad Valenciana (10%, + 17%)

and Madrid (8%, + 14%). Europe concentrated 80% of the number of trips of the Spanish (20.6 million). The main tourist destinations were France (6.1 million, 24% of the total) and Portugal (2.7 million, 11%), followed by Andorra, Italy and the United Kingdom.

Spending on Spanish tourists abroad reached 15.7 billion euros in 2015 (the country has risen from 19th to 16th place in the world, according to WTO). In 2016, the expenses of Spanish tourists abroad increased again significantly to 18.2 billion Euros (+ 16.6% over the previous year).

## 2.2. Relations with Portugal

### - Trade with goods and services

#### 2.2.1.1. Goods trade

Economic relations with Spain are very relevant for Portugal. In 2016, approximately 21.4% of total Portuguese exports of goods and services were destined to the Spanish market (1st customer), while 31.2% of our total imports came from Spain (1st supplier). The trade balance of goods and services between Portugal and Spain is traditionally unfavorable to our country. It should be noted, however, that the average annual growth of exports in the period 2012-2016 was 6.8%, while that of imports was 3.5%. In 2016, the value of exports and imports of goods and services to the market increased, respectively, by 5.7% and 1.2% over the previous year, with the negative balance reaching close to 6.2 billion Euros. The rate of import coverage by exports was 72.4% in 2016, the highest in the last five years (compared to 64% in 2012).

In the first two months of 2017, sales and purchases of goods and services grew, respectively, 13.1% and 9.7%, compared to the same period of the previous year. The balance remained unfavorable to Portugal, 874.3 million Euros, and the coverage ratio was 76%.

The Spanish market is the first customer and supplier of Portugal, accounting for about 26.2% and 32.8%, respectively, of exports and imports of goods in 2016. The trade balance of goods is traditionally unfavorable to Portugal, a deficit of € 6.8 billion was recorded in 2016 (-8% compared to 2015). The rate of import coverage by exports was 65.7% in 2016, the highest in the last five years. In the period 2012-2016, the products shipped to Spain grew, on average, at a faster rate than those coming from the market (respectively + 6.8% and + 2.8%). In 2016, sales of goods to Spain reached close to 13.2 billion Euros (+ 5.6% over the previous year). In the case of products from Spain, they amounted to € 20 billion (+ 0.5%). It should be noted that in both cases the highest values were recorded over the period under review.

In January-February 2017, according to INE preliminary data, exports of Portuguese goods to

the Spanish market grew by 14.3% yoy and imports by 9.6%, resulting in a reduction of the balance deficit, which reached 946.4 million Euros (-0.4% compared to the same period in 2016). According to the GHG, in 2015 (last year available) around 38.2% of industrial products from Spain had a low degree of technological intensity, 32.5% a medium-high grade, 22% a medium-low grade and 7.3% a high grade. According to Spanish statistics, by Autonomous Communities, Portugal's main customers were Galicia (18% of total purchases from Spain to Portugal, + 3.4% compared to the previous year), Catalonia (around 16% (9.3%, -5.7%), Andalusia (8.7%, -9.9%), Castile and Leon (7%), %, + 18.4%) and the Basque Country (4%, + 13.3%). On the other hand, the main suppliers of Portugal were the Communities of Catalonia (24% of the total), Madrid (around 15%), Galicia (14%), Andalusia (10.2%) and Comunidad Valenciana).

#### 2.2.1.2. Services trade

Spain ranked as Portugal's 3rd and first supplier of services, representing 12.5% of total exports and 19.6% of imports in 2016. It is worth mentioning that Spain has become the first destination of our services exports, absorbing close to 16.5% of total exports in 2008. The trade balance of services with Spain has been favorable to Portugal in the last five years, presenting a surplus in the order of 722 million Euros in 2016 (+ 1,7% compared to 2015). In the period 2012-2016, exports of services to the Spanish market and imports grew, on average, by respectively 7.7% and 8.2% per year. In 2016, sales of services to the Spanish market reached close to 3.3 billion Euros and imports reached around 2.6 billion Euros, representing an increase of respectively 6.7% and 8.2 % over the previous year. Banco de Portugal's data on exports of services in the first two months of 2017 show an increase of 2.2% over the same period of last year and a 12.9% increase in imports, balance of services showed a surplus lower than the one obtained in the same period of 2016 (-43.5%). In terms of imports, the three types of services mentioned above accounted for 77.4% of the total in 2016, and only services related to travel and tourism and transport presented a positive balance for Portugal in the last year. In terms of evolution, travel and tourism (43.6% of the total) grew 11.9% over the previous year, other services provided by companies (21.2%) increased by 8.2% and transport (12, 7%) 6.4%.

#### - Investments

According to data from the Banco de Portugal, Spain's investment in Portugal (SDI), in accordance with the Directional Principle, registered a net value of 1 298 million Euros in 2016. In terms of stock, Spain's direct investment in Portugal amounted to around 25 650 million Euros at the end of December 2016 (compared with 20 886 million Euros in December

2012). Spain ranked as the second source country of FDI (22.9% of the total in 2016). The average annual growth rate in the period 2012-2016 was 5.4%. According to data from the Ministry of Economy and Competitiveness of Spain, Portuguese direct investment in Spain, considered productive, reached about 431 million Euros in 2016, that is, 1.8% of the total, which represented a decrease of 4, 3% over the previous year. The community of Madrid was the main recipient of this flow of investment with more than 80% of the total, followed by Catalonia (close to 10%) and Extremadura (4.3%). On the other hand, according to the same Spanish source, Spanish gross investment in Portugal, considered productive, reached 191 million Euros in 2016, in gross terms, which represented a fall of about 50% over the previous year. Our country ranked 18th among the destinations of Spanish investment abroad, with a share of 0.8% of the total in 2016. The main autonomous investing community in Portugal was Asturias with 76% of the total, followed by Madrid (12 %) and Galicia (6%).

The number of Spanish companies in Portugal is approximately 1,200, according to the Spanish Luso Chamber of Commerce and Industry, many of them SMEs.

#### - Tourism

The Spanish market is also of great importance as a source of tourists to Portugal, having been one of the main ones as a revenue generator, contributing around 1.6 billion Euros in 2016 (+ 12.6% compared to 2015). In that year, the Spanish market accounted for a share of 12.9% of total revenues. In 2016, there were also 3.9 million overnight stays (+ 8.3% in relation to 2015) originating in the Spanish market.

It should be noted that, in the last five years, revenues and overnight stays from Spanish tourism grew by an average of 10.5% and 6.7% per year, respectively.

Between January and February 2017, revenues and the number of overnight stays of Spanish tourists grew very favorably (9.8% and 6.3% respectively, compared to the same period of the previous year). According to the Instituto de Turismo de Portugal - ITP ("Market Data Spain - December 2016"), in terms of the representativeness of the various regions in attracting flows, Spanish tourists preferred the following: Metropolitan Area of Lisbon around 1,252 thousand overnight stays registered in 2016, + 9.3% over the previous year), the North (890 thousand, + 16.1%), the Algarve (848 thousand, -0.4%), the Center (+16.7%), Alentejo (118 thousand, + 18.6%) and the Azores (100 thousand, + 50.7%). By type of accommodation, Hotels accounted for 75% of Spanish nights (data for 2015), Hotels-Apartments (10%) and Apartments (7%). According to ITP, Madrid is the main source of tourists to Portugal, with more than 46% of Spanish tourists repeating their visit to Portugal. On the other hand, 91% of the Spaniards

declare to be very satisfied with the vacations in Portugal and 100% have seen their expectations satisfied or surpassed.

### Annex 3: “Strategic Tripod”

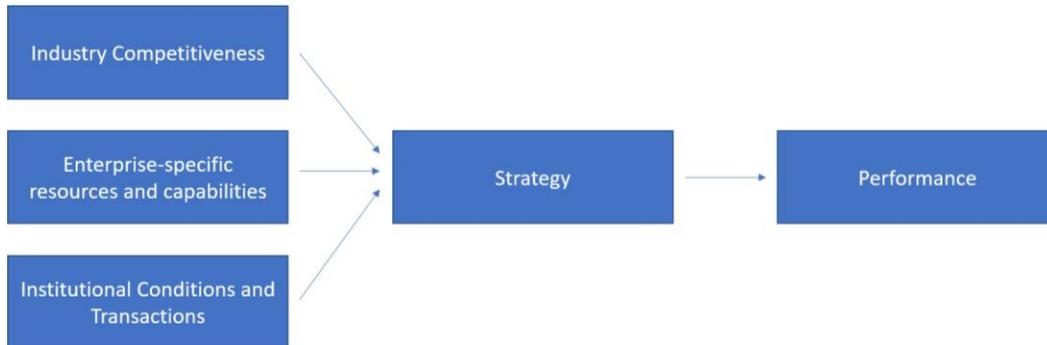


Figure 3 - Strategic Tripod

Source: (Peng, 2009)

### Annex 4: “Relationship of foreign market entry modes to the four dimensions”

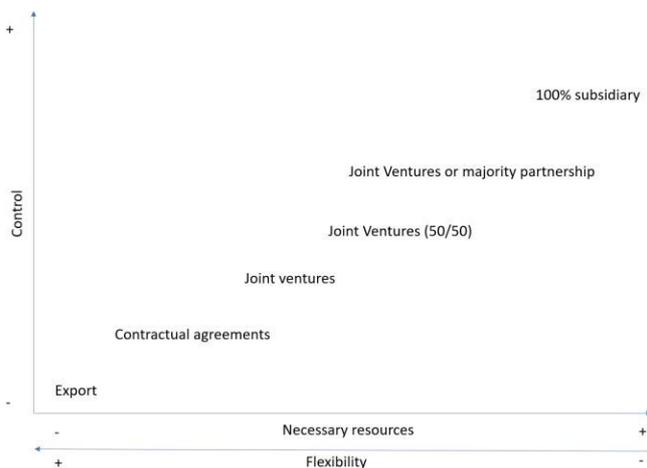


Figure 4 - Relationship of foreign market entry modes to the four dimensions

Source: Adapted (Maignan e Lukas, 1997)

### Annex 5: Interview guide

- Introduction to theme and objective;
- Interviews are planned to take about 45 minutes;
- Ask permission to record the interview on tape;
- The interviewee's anonymity will be protected.
- There are no right or wrong answers! I am asking for experiences, opinions and feelings;
- Briefly explain the topic and focus of the study;

**Get the interview started:**

- Is your work related to the mattress industry? If yes, interview A (B2B). If not, interview B (B2C).

**Interview A:**

- What is the reason for your visit to this fair?
- How do you consider the current mattress market in Portugal and Spain?
- What is your opinion about the market?
- How do you evaluate the market evolution?
- What are the trends and preferences in the mattress industry?
- If you work in both markets how do you distinguish the preferences of the Portuguese and the Spanish?
- Are there any differences?
- Are the products between competitors similar? What are the biggest differences?
- Who is the benchmark in the current Spanish, Portuguese and world markets?
- What do you think are the characteristics that the customer values most?
- In the last 5 years have the characteristics of mattresses changed. And in the last 10?
- What is your vision for the next 5 years?
- How can we make a brand more effective?
- How do you evaluate the digital presence of the largest players in the Iberian market?
- How do you consider the e-commerce model in Portugal and Spain?
- Do you consider it a competitive advantage to communicate better in the mattress market?
- Any mattress fit anyone?
- Are there differences between consumers between cities in the country?
- What are the most valued characteristics in a mattress?
- Does the mattress cover decisive for selling the mattress?
- Do you consider the customer "smart" when buying in store? And online?
- Do you consider a physical store important for a sale?
- Does the strongest positioning of a brand imply a physical store?
- Does an online store consider it enough for the Iberian market?
- Do you work in any mattress company?
- Have you participated in any internationalization process? Describe me, please.

- In your opinion, should a brand adopt a specific strategy for each market? Can you give me an example?
- What are the bestselling models for you?
- What do you know about the past, present and future mattresses?
- Do you think consumers prefer to buy local products? In the case of the mattress sector?
- How do you manage the expectations of your customers?
- Describe me "normal" behavior when a client looks for a mattress.
- Are there differences in behavior among younger and older consumers?
- Exposure on large surfaces?
- What type of communication is ideal in the Spanish and Portuguese markets?
- Is offline communication important? And online?
- What do you think is the strongest communication channel to communicate in this industry?
- Which communication channels are the most reliable in the market?
- Respondent Profile;
- Age;
- Nationality;
- Literary abilities;

**Interview B:**

- How often do you change mattresses?
- Explain the whole process to me since you bought your mattress?
- When was the last time you bought it?
- The. Promotion channels (stores, magazines, website, recommendation)
- Liked your purchase?
- When we talk about mattresses which brands do you remember?
- What features do you value most in a mattress?
- What prices are you willing to pay for a new mattress?
- Where are you informed when looking for a mattress?
- Describe to me the last person who sold a mattress.
- Describe the process for me last time you bought a mattress. Why did you choose this mattress? Sites, magazines, stores, recommendation.
- Do you consider the speed of delivery to be a determining factor when buying a mattress?

- Respondent Profile;
- Age;
- Nationality;
- Literary abilities;