Msc in Business Administration

How firms develop resources/capabilities that are in the origin of its competitive advantage over time.

Case Study: José Maria da Fonseca – Vinhos SA

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Abstract

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Nowadays, going global is one of the finest solutions to conquer a superior and stable position in such globalized world. When companies are concerned about their businesses and growth, the diversity of geographies becomes an important issue, since it can multiply revenues and create greater brand awareness. Therefore, it is necessary to develop capabilities that allow a company of having sustainable competitive advantage in changing environments. Thus, it is through firm's internal organization of its critical resources that companies can gain such advantage.

This dissertation aims to analyze how a medium-sized enterprise developed capabilities that underlie its competitive advantage over time. During the analysis, the resource-based view and the dynamic capabilities theories helped addressing the research question, focusing essentially in the internal and external context to the company, respectively. In this case, we tested how José Maria da Fonseca, a Portuguese wine producer, developed its capabilities in order to triumph either at national or international level.

This study, not only identifies José Maria da Fonseca's strategies on becoming a recognized brand over the years as well as its international-market dependency; but also its capability's development which allowed it competing in new markets.

Keywords: Resource-based view; Dynamic capabilities; Competitive Advantage.

Resumo

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Num mercado tão globalizado como aquele em que vivemos nos dias de hoje, é necessário marcar uma posição forte e sólida em relação aos nossos concorrentes que operam na mesma indústria. Diversificação, tanto em termos de modelos de negócio como de geografias, é um dos caminhos mais sustentáveis para prosperar, criando reconhecimento da marca no mercado. Assim, é necessário desenvolver bem como organizar capacidades que permitam à empresa ter vantagens competitivas em envolventes em mudança.

A presente dissertação pretende analisar como é que, num contexto de pequenas e médias empresas, é possível desenvolver capacidades que resultam em vantagem competitiva ao longo do tempo. A teoria baseada nos recursos e a teoria das capacidades dinâmicas, estando relacionadas, respectivamente, com o contexto interno e externo à empresa, ajudaram a responder à pergunta de investigação associada a este case study. Neste caso, é feita uma aplicação concreta ao caso da José Maria da Fonseca, uma produtora portuguesa de vinho, que desenvolveu capacidades ao longo do tempo, de maneira a vingar tanto a nível internacional como a nível nacional.

Este estudo, para além de analisar as estratégias da empresa José Maria da Fonseca que contribuíram para uma fortificação da marca em termos nacionais e internacionais; proporciona também uma investigação ao desenvolvimento da sua capacidade o que permitiu à empresa competir em novos e existentes mercados com mais eficiência.

Palavras-Chave: Teoria Baseada nos Recursos; Capacidades Dinâmicas; Vantagem Competitiva.

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I. Introduction

The present dissertation intends to develop and analyze a case study of one of the first and most successful Portuguese wine producers – José Maria da Fonseca. The case study attempts to answer the following research question: "How has the firm developed the resource/capability that is in the origin of its competitive advantage over time?"

Pioneer in the internationalization and innovative in cultivation and production techniques of wine, José Maria da Fonseca became a national reference and has been achieving worldwide reputation. According to the European Commission, this company is qualified as a medium-sized enterprise since it is within the Commission's limits concerning the turnover[1] - the firm accounts for almost €20 million. At the moment, the company is facing an interesting dilemma of €18 million of debt due to its substantial investments in winemaking facilities and cellars over the years as well as in new business opportunities and markets. Thus, the flexibility and aptitude that the company has been showing to overcome this challenge and exogenous shocks is what makes it a success in such dynamic industry.

In order to continually maintain a competitive positioning and gain a first mover advantage to ensure sustainability, it is crucial for a company to act fast and use dynamic capabilities either at internal or external context. The resource base theory (Barney, 1991), related to the company's internal environment, notes that it is through the organization of key resources (valuable, rare, inimitable and non-substitutable – VRIN resources) that the company yield competitive advantage. However, the theory presented by Teece, Pisano, and Shuen (1997) or by Barreto (2010), not only looks for the internal resources but also introduces the external ones.

According to Teece et al. (1997), dynamic capabilities are *"…the firms' ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments"*. 'Dynamic capabilities' is a particularly recent concept that has been the centre of several empirical works and educational studies. If the resource based view failed in addressing the question of how the firm's VRIN resources can be altered into competitive advantage, the theory of dynamic capabilities came to complement it.

[1] European Commission adopted in 2003: Recommendation 2003/361/EC, regarding SME's definition. Commission turnover ceiling's criteria: €50 millions

More and more, managers are forced to develop personal, functional and business competences or specific routines in high-velocity markets (Eisenhardt e Martin, 2000) to create revenue-producing products and services (Clark e Fujimoto, 1991). The following case demonstrates a real situation – José Maria da Fonseca's – of how strategic decisions and company's management affect and support the efficiency of the business. It is also possible to understand the importance of international markets in the wine sector; but could these strategic moves be the best solution for a company that, despite being able to construct a positive image among its customers, is now facing an insolvency problem?

This paper is structured as following: first, the Literature Review presenting the main theoretical concepts and ensuring reliability to the case. Then, the methodology section will describe how all information and data were gathered and analysed. In chapter IV it will be enlightened in detail the main events, characteristics and strategic moves of the company, as well as a comparison of its findings alongside with the existent literature. Finally, the main conclusions of this study will be presented and further recommendations on how to improve the company's efficiency will also be given.

II. Literature Review

2.1. Introduction

This chapter of the dissertation will focus on accurately understand the different roots that a company can pursuit in order to get competitive advantage vis-à-vis with its industry characteristics as well as its strategy processes.

This review starts with a brief introduction to the researchers-findings over the years regarding firms' strategic positioning within an industry or a group in line with the Resource-based view (Barney, 1991) and enhancing the concept of dynamic capabilities (Teece, Pisano and Shuen, 1997). By addressing these two theories, it is crucial to understand the link between resources and capabilities developed by a firm that could lead to competitive advantages.

The Resource-Based View (RBV henceforth), as a business management tool, primarily examines which specific resources, regarding four main attributes - value, rareness, inimitability and organization - possessed by a company would generate sustainable competitive advantage (Barney, 1991). Later, the dynamic capabilities' framework will analyse the possible sources and techniques that a company can use or attain to create and capture value (Teece et al., 1997). Furthermore, Cardeal's (2010) model will complement the dynamic capabilities approach by addressing the importance of a leader at monitoring the environment to better identify opportunities and threats. (Cardeal, 2010)

2.2. Strategic Positioning to Sustainable Competitive Advantage

Since the 1960's that competitive advantage stems from identifying opportunities and threats (Porter, 1985) as well as strengths and weaknesses of a company (Hofer & Schendel, 1978) or even from creating conditions for an efficient mapping business strategy. Peter Drucker (1954) was the first author suggesting the use of a SWOT Analysis (strengths, weaknesses, opportunities and threats) to evaluate the current position of a company and find areas that need to be improved. This tool analyzes the firm's external (government policies; competition; market) and internal (organizational processes; human resources) environmental variables. However, traditional researchers (Learned, Christensen, Andrews, & Guth, 1969) came up with another concern regarding the impact of companies' external environment that it is aligned with the firm's values, mission and vision in order to successfully create value for the company's shareholders. (Ansoff, 1965)

Furthermore and according to Porter (1980), firms can achieve above average profits if they manage to position themselves better than the competition in an attractive industry. For Barney (1991) for instances, what relies on superior average profits is the firm's internal ability on organizing its critical resources and capabilities.

But if companies are identical in using its resources, how can they gain first-mover advantage? According to Barney (1991) a firm enjoys sustained competitive advantage when it is *"…implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these firms are unable to duplicate the benefits of this strategy."* (Barney, 1991, pg.102)

The ability to manage effectively capabilities emerges as an important competitive advantage. The truth is that, if a company implements a strategy that generates value, which cannot easily be implemented, in a direct or indirect way, by any other competitor, and its profits cannot be replicated, it is said that the company has sustainable competitive advantage (Barney, 1991). As Porter (1996) sustains, a firm can only outperform its rivals if it establishes a difference that can be preserved. However, while, sustainable competitive position looks essentially to firms' environmental conditions by trying to make recommendations regarding positioning, the RBV looks inside the organization to find the source of its competitive advantage (Cardeal, 2010).

The key point is to identify and gather information of an opportunity before the main competitors do and implement a strategy that is not yet detained by its rivals (Lieberman & Montgomery, 1988). Thus, for a company to succeed in such a competitive marketplace, as Barney (1991) sustained, "…a firm must *be heterogeneous in terms of resources they control"*. Nevertheless the uniqueness of these relevant resources would be short lived since they are highly mobile (Barney, 1986a).

2.3. Resources and Capabilities

2.3.1 Resource-Based View

In order to enable the reader to understand the importance of the resources-concept and the way that a company uses and chooses those [resources] to get profits in such a competitive marketplace, let us assume the following definition of Barney (1991), who identify firm resources as being *"… all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness."* (Barney, 1991, p. 101)

For the following analysis one can assume three different categories for possible firm resources proposed by Barney (1991):

i) Physical capital resources (Williamson, 1975), such as physical technology (hardware), equipment, geographical location and access to raw materials;

ii) Human capital resources (Becker, 1964), including training, experience, intelligence, critical skills, managers and workers specific skills;

iii) Organizational capital resources (Tomer, 1987), counting for company's reputation, hierarchy, formal and informal planning, relationship within company's workers and outsiders.

However, not all the variables can be considered firm's relevant resources to conceive and implement their value-creating strategies (Learned et al., 1969) once they have to really enhance the efficiency and effectiveness of a firm (Wernerfelt, 1984) by assuring the four attributes sustained by Barney (1997): valuable, rare, imperfect imitable and organization – known as VRIO resources.

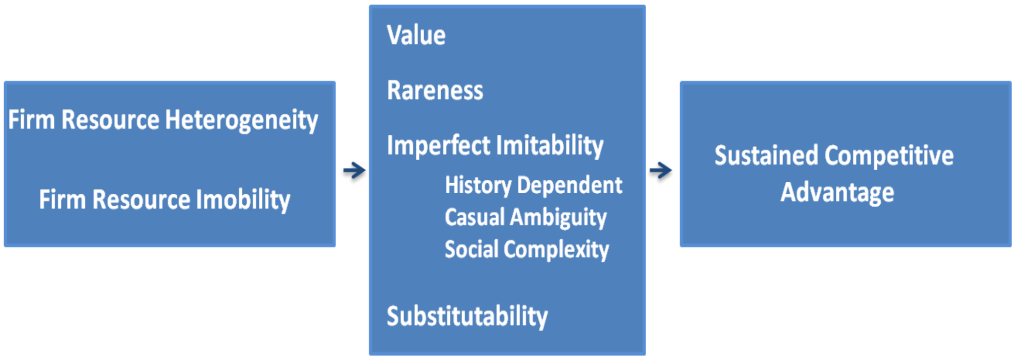
In Barney's (1997) VRIO model, the potential resources must be valuable by taking advantage from opportunities and counteract threats; must be rare and imperfectly imitable within the group or industry that competes and cannot have equivalent substitutes. This way, a company that possesses this type of resources and the internal ability of transforming those in competitive advantage, will be able to succeed avoiding therefore other companies to question or even copy its strategies, fact that would compromise its positioning.

But how can specific-firm resources be transformed in competitive advantage? Researchers as Barney (1997) or Teece et al. (1997) addressed this dilemma with new approaches. Barney (1997) with the VRIO model, while, Teece et al. (1997) defined dynamic capabilities as the firm's ability to integrate internal and external competences when dealing with dynamic markets.

Several researches agreed that a firm is able to generate competitive advantage by understanding the link between its resources and its advantages (Barney, 1991). Nevertheless, its competitors might be capable of imitating this relationship and therefore the advantage will be lost. If a firm does not recognize the source of its advantage, as well as the competition, ironically that competitive advantage can, in fact, be sustained (Lippman and Rumelt, 1982). Even so, Wernerfelt (1989) defended in Barney's (1991) work that there are some resources that are hard to replace or to imitate due to its nature or its intellectual property rights and yet, are considered critical resources since they generate greater value.

Barney's (1991) RBV framework, evaluates whether or not particular resources can be sources of competitive advantage, assuming that they are rare and superior in use, in a sense that they are not perfectly mobile and that firms may be heterogeneous among them. This model will examine the implications of these mobility and heterogeneity on the firm's strategies for exploiting the existing firm's assets in order to gain sustained competitive advantage (Barney, 1991). The ability of using resources in a superior way is directly linked to efficiency (Barney, 1991). If a company is able to protect its resources and its knowledge by means of using them to outperform its competitors (by making impossible for them to duplicate its strategy), then it will be able to pursuit a sustained competitive advantage (Lippman and Rumelt, 1982). Having capabilities and competences that are different from other organisations is not, itself, a basis of competitive advantage. Barney's (1991) approach between heterogeneity, imitability; value, rareness, and substitutability with sustained competitive advantage is presented in figure 1.

Fig 1- Resource-based view of sustainable competitive advantage



Source: Adapted from Barney (1991)

By definition, if these resources deliver greater value to the firm's customers or create comparable value at lower costs than its competitors, or even both (Peteraf and Barney, 2003) the firm will be more efficient and will yield competitive advantage.

2.3.2. Dynamic Capabilities

Achieving an advantage is not only about performing faster and cheaper than others but it is linked with the value your operations create while the environment changes and how effective are they (Porter, 1996). But how can firms successfully survive to this constant challenge? According to the latest definition from Barreto's (2010) work if a firm has "*… potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to chance its resource base.*" (Barreto, 2010, p.271) then it will have the ability to conquer advantages in such dynamic environments. This is a learning and stable process through which an organization, generates, modifies and adapts its operating routines in order to improve its efficiency (Zollo and Winter, 2002).

As Teece (2007) noted, in order to an enterprise be dynamically competitive, it requires building a defence, through innovation, business reconfiguration or a constant operational-learning process to outperform the competition; along with entrepreneurial management. The firm's internal capability of sensing and seizing opportunities as well as reconfiguring and managing its intangible assets[2] is what enables the organization, in the long-run, to explore and exploit superior business performance (Teece, 2007). It is then vital, for a company that intends to sustain competitive advantage, to possess VRIO resources (Barney, 1997) and match, integrate, create or modify them in order to be in line with its organizational and strategic routines (Teece et al., 1997). Overall, if a firm does not develop capabilities and does not demonstrate accuracy on adjusting, it might become vulnerable to external environments.

Exploring the idea that *'nothing is static'* one can conclude that the modern environments are changing much faster. For that reason, the existence of internal and external firm-specific skills is a requirement to determine firm's distinctive competence and dynamic capabilities (Teece et al., 1997).

Thus, the dynamic capabilities' framework proposed by Teece et al. (1997) provides an adequate insight about the firm's ability to achieve new forms of competitive advantage,

[2] Intangible assets: skills, processes, disciplines and procedures (Teece, 2007)

since Barney's (1997) VRIO framework and the resource-based approach (Barney, 1991) had the incapability of dealing with dynamic environments. The main goal was to complement the RBV model by explaining how some firms and not others, in a rapidly changing environment, have the talent to build dynamic capabilities to sustain competitive advantage (Barreto, 2010) through enhancing, combining, and when necessary reconfiguring the business enterprise's tangible and intangible assets (Teece, 2007). Bearing in mind that these dynamic capabilities are heterogeneity across firms are built rather than bought, Teece et al. (1997) explicitly stated that sustained competitive advantage is a direct outcome of dynamic capabilities.

However, due to the ambiguity of the concept [dynamic capabilities], it was important to conceptualize and confer congruence to its different dimensions and respective challenges. Therefore, Barreto's work (2010) can be considered as the 'starting point' for an in-depth vision towards this concept.

Barreto (2010) considered that dynamic capabilities were anchored to the firm's propensity (1) of changing the resource base, (2) of sensing opportunities ahead of competition and (3) of making timely and (4) market-oriented decisions. Each of these four distinctive, but related, dimensions of dynamic capabilities cannot alone represent the main construct. A company also has to generate and implement innovative organizational and management practices related to product and process, which are needed to leverage and sustain competitive advantage (Teece, 2007).

In a similar line of Barreto's (2010) work, Teece (2007) defends that in strategic management it is key to identify new ways of increasing value, either within or between enterprises as external support to the company. In this work, he developed a framework on the origins of dynamic capabilities in environments of open economy with rapid innovation changes, making an extensive integration between exogenous and endogenous factors to the company. (Teece, 2007)

Teece (2007) identifies three different dynamic capabilities as steps in the process of change over the long run: (1) sensing opportunities; (2) seizing opportunities and (3) manage threats and reconfiguration. The first two steps undergird "…*the necessary resources and the formulation of strategy and organizational infrastructure to meet opportunities*" (Cardeal, 2010). The last one requires the allocation and recombination of resources and assets. This model is especially relevant for companies within a context with the following characteristics:

- The environment is open to international commerce and fully exposed to opportunities and threats associated with rapid technological change;

- Technical change itself is systemic and must be combined to create products and/or services that address customer needs;

- There are well-developed goods and services;

- The business environment is characterized by poorly developed markets in which exchange technological and managerial know-how.

In this process of change, managers have a key strategic function to create value that cannot be replicated in a market (Teece, 2007) by seeking new processes and structures that will have impact in current and future performance. The proposed model by Cardeal (2010) highlights the importance of a leader during the different stages of the process especially in building loyalty and commitment; in selecting the firm's boundaries when managing complements; in the implementation of functional policies; in knowledge management and last but not least in decentralization. (Cardeal, 2010) In this regard, the model also includes a link between firm's new capacities and internal opportunities (Cardeal, 2010), which by identifying opportunities, it is possible to outline a proper business model to take advantage of each different occasion.

Fig 2 - Categories of dynamic capabilities

Drivers of Change	- Internal market opportunity - External market opportunity - Top manager
Detection of opportunities	- Outline the business model - Select firm's boundaries - Build loyalty and commitment
Reconfigure and Adapt	- Decentralization - Perseverance - Functional Policies - Knowledge Management

Source: Adapted from Cardeal (2010)

Figure 2 outlines, as Cardeal (2010) presented, the different categories of each stage in the process of change for an effective and efficient ‘strategic architecture’ of a firm’s business model (Teece, 2007). It is decisive for dynamic capabilities, that an enterprise has the capability of creating and adjusting or even replacing business models to capture value (Teece, 2007).

Cardeal’s (2010) model for small and medium enterprises is particularly for “clusters” context, meaning, a context where concentrations of companies and institutions are linked and operating in a given area (Porter, 1990). In “clusters”, companies tend to be of small or medium dimension and specialized in specific areas of the value chain, resulting in competitive advantages the way the company organizes itself (Cardeal, 2010). Moreover, firms are constantly seeking for innovative capabilities in order to gain competitive advantage and while they are finding them out, other industry players will follow this same course of action by adapting or improving these capabilities (Cardeal, 2010).

Indeed, to be dynamically competitive over the long-run is a difficult task for the majority of the organizations, and many of them actually fail on doing it. Therefore, I proposed myself to evaluate, in the following chapters, the origin of specific methods that a company has to found over the long run to outperform others in order to have competitive advantage, taking into consideration the internal and external environment of its industry.

III. Methodology

In order to outline the methods utilized during this dissertation, it is important to include in this chapter three distinctive parts: (i) a simple review of the research question that aims to be developed; (ii) an overall definition regarding the approach that is being conducted - a case-study methodology, and finally (iii) a description and analysis of how the necessary data was collected and its own conclusions.

In such a globalized world, it is crucial that companies find a way to adapt and adjust its internal resources in order to keep competing in a persistently way. However, this process is difficult, complex and requires internal flexibility that not all firms are able to accomplish. Trying to explain how a company develops different resources and capabilities to generate value, in such an environment, is the question that is being study here, in specific, for José Maria da Fonseca (JMF), a Portuguese wine producer. It is noteworthy to understand how the company was able to develop its capabilities, when competing in a highly dynamic sector. In this sense, the research question that is being investigated is the following: *How has the firm developed the resource/capability that is in the origin of its competitive advantage over time?*

The accurate way to answer and study this situation is the case-study methodology, by taking always into account the firm's context. As Yin (2009) defended, the more answers you seek to explain social phenomena's, the more appropriate the case-study method is. While Robson (2002) denoted it as a research strategy and stresses the use of several sources of evidence – explanatory, descriptive, exploratory and improving, for investigating facts in their context, Yin (2003) mentioned that the "…*boundary between the phenomenon and its context may be unclear".* This systematic study requires collecting data and analyzing information for an in-depth assessment of the research question. The interest of this case study relies in understand how the processes are influencing and influenced by the context (Hartley, 2004).

Portugal is a country with enviable potential for producing quality wines and it is one of the most consumed goods by the Portuguese, according to the *Instituto do Vinho e da Vinha* (IVV). Over the years, the consumption of this good as well as its national production has been showing significant numbers as it is illustrated in exhibit 1.

The numbers indicated by ViniPortugal[3] showed that in the last years the sale of the Portuguese wine has grown in all markets, accounting for €700 million in 2008[4] and despite of the economic crisis, it holds the prospect of reaching, in 2012, one billion of sales abroad. IVV also indicates an output of 2.56 million hectoliters, representing a growth of 9% in volume and 16% increase in wine exports in 2010.

These information and figures are relevant to explain and familiarize ourselves with the reality of the wine industry in Portugal. Besides, it has made possible to identify a set of factors that might contribute to the value creation for the potential market of Portuguese wine industries such as: quality at reduced prices, market knowledge and brand equity as well as production flexibility.

Always investing in research & development for new production techniques, JMF was able to combine the most modern techniques with traditional wine production methods, ensuring a strong competitive positioning in the wine industry. Another argument that sustained this choice was the geographical location of JMF's winery – Azeitão, Portugal - which not only facilitated the face to face interviews but also enabled direct observation. To provide historical knowledge and find out under which conditions JMF has been working, secondary data was collected through archival research in the firm's website and in different press releases.

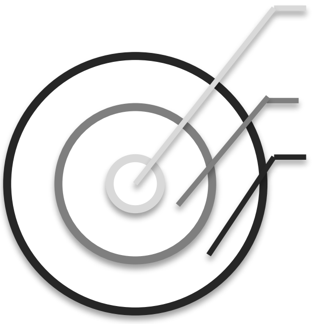
Apart from this, primary data was also collected through interviews done face to face to different employees and directors, which was easier to focus directly on the research question. This semi structured interviews, always ensuring confidentiality, were prepared in advance in a way that questions were not biased.

The first interview was done in Lisbon, on 17th March 2011; to Sofia Soares Franco the JMF's Wine Tourism Manager. In an informal register it was possible to understand the culture of the firm and the importance of the word '*family'* inside of it. The other interviews were in JMF's facilities with JMF's Marketing & Sales director - António Maria Soares Franco. Likewise, Carla Rebelo, member of the winemaking team, was very helpful in the guide tour through JMF's wine production facilities and vineyards. After these reunions, I also had the possibility of meeting with both Wine Tourism and

[3] ViniPortugal - Associação Interprofissional para a Promoção dos Vinhos Portugueses
[4] Vasco D´Avillez for Expresso - President of the trade association which brings together associations and organizations involved in production and trade of wine.

Marketing & Sales Directors in an event - *Peixe em Lisboa* - where I got to see how they interact with their customers (Fig.3 summarizes the data collected).

Fig 3 - Data Sources



After collecting all the relevant data from the documentation provided by the company - archival records, semi structured interviews and direct observation it is viable to conclude that the development and consolidation of two brands - Periquita and Lancers- are what explain the company's competitive advantage. After this study, a new analysis was made in order to apply the VRIO theory (Barney, 1997) to validate the resources' potential of being a source of competitive advantage. In the following phase we sought to identify the categories of the firm's capability based on the Cardeal's (2010) model. However, this model was developed for companies in different context from the one the wine sector is inserted on.

This methodology was indeed a supportive and necessary tool to investigate the origin of JMF's competitive advantage. The following analysis of the case will be centred on the development of JMF's resources and on its dynamic capability that may have originated its current positioning.

IV. Data Analysis

4.1. Brief Industry Description

Portugal has enviable conditions for wine production due to its good climatic and geographical conditions along with the possession of unique varieties of wine. Indeed, wine production has been, part of the country's culture ever since and over the years it had became one of the most competitive businesses in Portugal.

i) Market Dimension

The Portuguese market, in terms of wine consumption, and despite the slight decrease both in volume and in value in 2010 - reaching 497 million liters and €2.7 billion[5], respectively – it has always shown stable values. In fact, it is expected to grow 1% in total volume, reaching 503 million liters in 2015.

According to the latest update of the *Organização Internacional da Vinha e do Vinhos* (OIV), Portugal is, as France, Italy and Spain are, located in the top five world rankings for wine consumption per capita. (exhibit 2)

ii) Trends in the sector

Our industry is clearly in a perfect competition scenario. Buyers (consumers) have a great diversity of products from which they can choose, experimenting a great freedom in product choice. In 2009, there was a clear cut in the market demand for the wine segment offer. As a consequence of the global crisis that we are facing, this contributes to the decrease of non-essential goods' demand, like this one. Consequently, the low-cost segment has been gaining value among the Portuguese people; producers are starting to overcome this slump by selling wine below 3€.

Enoturismo, also known as wine tourism, has become a very popular activity in Portugal which besides bringing extra revenues to the producers by direct-selling, it also promotes the wine itself and the brand. This tactic was the pathway wine producers, specially the small ones, found to diversify its business and to take advantage of the vineyards and the region's wine-making history and attractive qualities (Scherrer, Alonso and Sheridan, 2009).

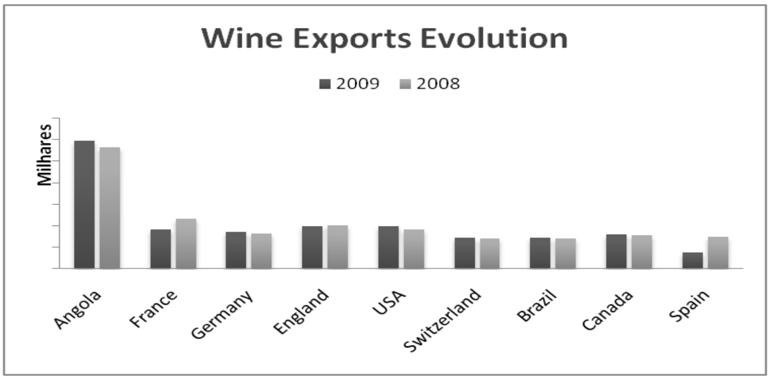
[5] Source: Euromonitor Global Market Information Database

iii) Competition

According to Synergyst 2006's market research report, the worldwide wine industry has become more and more sophisticated over the years as it is more internationalized and fragmented than ever. Portugal, amongst other European countries, was affected by the changing patterns of consumption of the Western European. Nevertheless, in 2010, it managed to increase its exports in 16% reaching a value of €649.10 million, which had never been reached before[6].

According to a research by Nielsen, few foreign wines are sold in Portugal plus, nearly half of the Portuguese people have never bought a foreign wine. They do not trust the quality of the wine and those are more expensive than the Portuguese one - figures stand for it (exhibit 3). Spain, however, revealed a raise in its exports of nearly 10% representing € 1,920 millions.[7]

Graph 1 - WorldWide Wine Exports



Source: INE | Analysis: IVV, IP

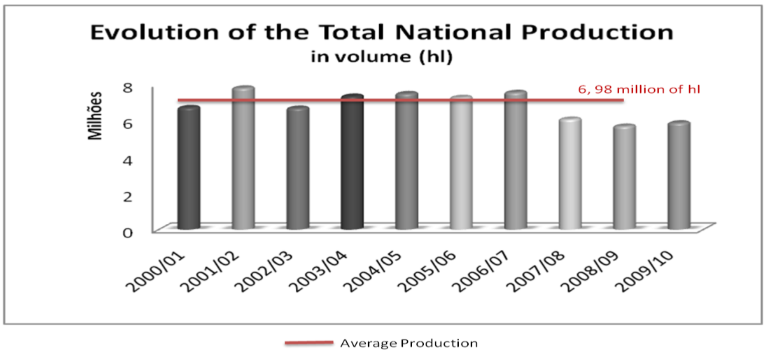
iv) Domestic Production

Portugal held, in 2004, the position of the ninth-largest producer worldwide, according to *The Global Wine Statistical Compendium*.

With 240,000 ha of vineyard planted in 2007 (exhibit 4), Portugal is responsible for on average 6, 8 million of hl in the last years throughout different regions in Portugal. Portuguese wines include port, Madeira wine, red wine, white wine, green wine and Moscatel de Setúbal.

[6] Source: ExameExpresso, 31-05-2011.
[7] Source: *Observatorio Espanhol do Mercado de Vinho*

Graph 2 – Evolution of the Total National Production



Source: Own elaboration based on IVV data

4.2. Brief Firm Description

José Maria da Fonseca's history can be divided into four distinctive cycles since its creation in 1834: cycle of the foundation; cycle of Brazil – *boom and recession*; cycle of Lancers – *the comeback* and cycle of strategic markets – *investment, modernization and expansion*. For each one, this familiar company and its leaders had to follow different strategies in order to overcome either economical or familiar constraints, not only influenced by external changes, but also by internal limitations.

The role of the leader – José Maria da Fonseca – was crucial for the company's performance over the years. With no background or interest in wine production he studied and founded a new and more efficient method to produce wine. Mr. Fonseca not only implemented an efficient system, but he also started selling wine through a different and pioneer method – bottle instead of barrels. This way, the period that extends from 1834 to 1884[8], was marked by its powerful personality and entrepreneurial spirit that made exportation and domestic sales increase. This success allowed, in 1850, José Maria da Fonseca to launch the first Portuguese table wine – *Periquita*, followed by *Palmela Superior* (1866) and *Moscatel de Setúbal* (1849).

From the beginning, the company relied heavily on international markets and, actually, it was this relationship what held the company in periods of crisis. During the second cycle – boom and recession, the business relationship with the Brazilian market, representing almost 90% of the company's sales with Periquita wine, was what helped the company to overcome a crisis of succession. However, the economic depression of 1930's, was also a driver inducing to a crisis in the production of raw materials in

[8] Death of the founder.

Brazil, which proved to be catastrophic for the company due to its market-dependency. The company was no longer in condition to sustain itself and was forced to diversify and seek other ways to create value.

Contrary to what any other company might do in a situation of imminent bankruptcy - laying off half of the staff - José Maria da Fonseca managed to stay with its team by reducing wages and people's working hours despite of "…*during ten years, the company faced a difficult period.*"[9]

Known for its commercial strategies and based on its history of innovation in techniques of cultivation and production of wine, JMF was able over the years to establish itself as a recognized brand in domestic and international territory, sustaining therefore competitive returns for the long term and building defenses to compete. The strategy in this third cycle - consolidate the company around a new brand – *Lancers* - instead of doing around a market, as it had been previously done with the Brazilian one, was the first step. Lancers was launched in 1944, reaching in the late 60's one million of boxes[10] sold in the U.S market. This exponential growth, forced the company to get new wineries and bottling facilities that was only possible, through the joint venture with HueBlein, a company of American beverages that owned 49% of JMF's facilities and the brand [*Lancers*]. This was also a financial support to the creation of new brands and products: *Branco Seco Especial* in 1945; *Terras Altas*, *Branco Velho* and *Tinto Velho* in 1959.

During the 70's, the company went through another period of instability, this time due to a lack of confidence in the Portuguese economy witch aggravated both the mortgage interests and the cost of debt. In that time, to eliminate the company's insolvency, the only viable solution was to sell JMF's participation in *Lancers* (51%) to HueBlein, in order to reinvest in their business[11]. From this moment on, JMF outlined a new strategy - new markets and new brands.

Investing in one of the most modern wineries in Europe, JMF gained an extra capacity to respond to the increasing demand in such a dynamic industry. With a fermentation

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[9] Interview to JMF's Marketing & Sales Director – António Soares Franco
[10] Boxes of 9 liters each
[11] JMF acquired *Casa Agrícola José de Sousa Resado Fernandes (Alentejo)* and *Vinha Grande de Algezur* (Setúbal).

capacity for 6, 5 million liters of wine, the company became a competitive player. Nowadays, the company follows this exact strategy -*"...our current strategy is to bet both on Lancers and on our other brands; focusing on exportation and making the most of our facilities and our wine cellar (...)"* says António Soares Franco, JMF's Marketing & Sales Director.

JMF is now, under the lead of António Soares Franco and his brother Domingos Soares Franco (both owning 75% of the company's assets), one of the leading wine producers in Portugal and among the larger exporters, with about 80% of its domestic production being sold worldwide (fifteen countries, more precisely), is what will assist it to create value and therefore competitive advantages in such a dynamic industry. The company produces in three different locations – Azeitão, Palmela and Montijo - around eight to nine million liters per year representing a value of €24 millions[12].

4.3. Firm's competitive advantage

With about 28 000 annual visitors to José Maria da Fonseca's wineries, the firm is able to differentiate itself from its competitors.

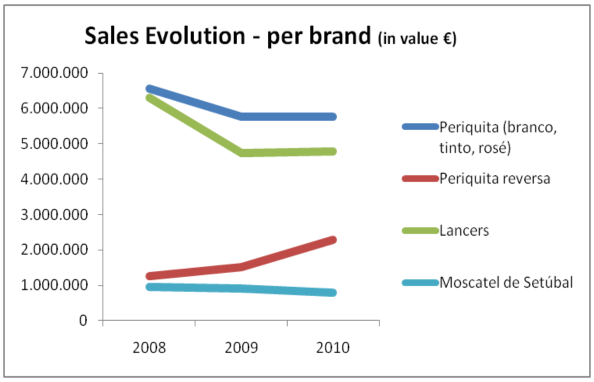
"*…our stance is to bet on visits to Casa Museu. For a client, seeing a bottling line for a white or a red, a water or a cola is the same... we chose to display our historical part, keeping the tradition of the wineries, gardens, spaces... unlike new companies, who choose to show the modernization part, we opt to transferring the tradition to the client, thereby creating a stronger bond…*".[13]

Today, the company is seen as a reference in high-quality brands and producers, both in international and national markets. The vast product-range of the company also confers the ability to adapt to different situations and satisfy different segments of the market (Exhibit 5 and 6).

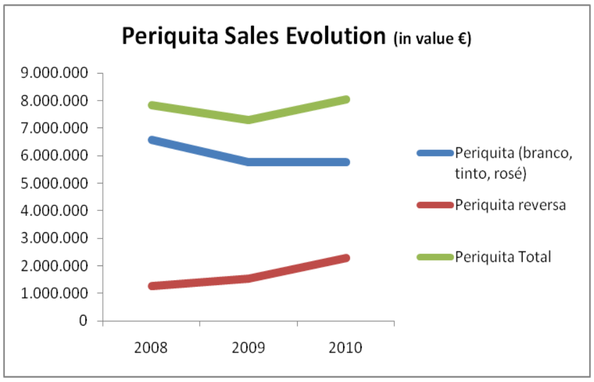
Among the company's portfolio, Moscatel de Setúbal (1849), Periquita (1850) and Lancers (1944) stand out, representing, respectively 4%, 31% and 25% of the 2010 total sales. In graph 3 and 4, we can see the evolution of the company's sales in the past three years.

[12] Diário Económico, 21-01-11
[13] Casa Museu Tour: Carla Rebelo, JMF's guide tour

Graph 3 – JMF's Sales Evolution: per -brand



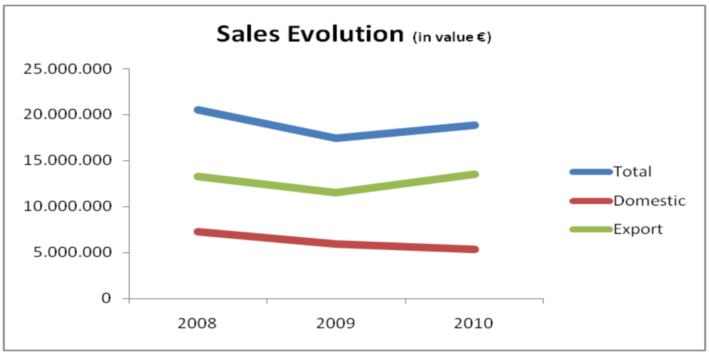
Graph 4 – Periquita Sales Evolution



Source: Own elaboration based on data provided by JMF

The total sales of the company in 2008 were approximately €21 millions. In the following period it presented a slightly decrease, but in 2010 it managed to recover, increasing its total volume of sales to 7.567.434 liters of which 80% are primarily due to Sweden, Brazil, Italy, USA, Netherlands and other countries.[14]

Graph 5 – JMF's Total Sales Evolution



Source: Own elaboration based on data provided by JMF

In 2009, the company faced a sharp drop in sales because its international buyers had overstocked, hence decreasing the quantities ordered. This event, added with the financial crisis that we are living in, affected the overall position of the company but never compromised the products' quality or the delivery times.

Brazil and the north of Europe can be hold responsible for the majority of Periquita sales since they are the largest markets for this product. USA, Italy and south of Europe,

[14] Data provided by JMF.

are other markets that also have an imperative significance in JMF's sales, with the brand Lancers. Italy in 2002-2004 was the country which stood out in terms of Periquita sales, representing 11%; followed by the USA (9%), Sweden (8%), Denmark (8%), Spain (8%), Brazil (5%) and Norway (4%)[15].

Regarding, the product itself, it might not be difficult to copy when comparing to the brand itself (the wine's brand and the producer name) that has been developed since the beginning. JMF's Marketing & Sales Director stated "(*...) make a wine like Periquita is not a complicated task; however, the difficult part is to create prestige around the product and introduce it in the consumers' mindset (…)"* In this sense, any competitor that decides to enter in this market with a new brand to compete directly with JMF's top brands, it will find difficulties to duplicate this achievement, since building from scratch a successful product it is easier said than done. Indeed and in accordance to the literature review, JMF enjoys sustained competitive advantage because it is *"(…) implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these firms are unable to duplicate the benefits of this strategy."* (Barney, 1991).

At the present time, JMF is studying its business opportunities in BRIC markets – Brazil, Russia, India and China - as a solution to overcome its insolvency of €18 million. Due to the vulnerable situation that we are living in the domestic market, the CEO of the firm, António Soares Franco, mentioned to *Diário Económico*[16] what he wants: "*(…) continue to grow out there and (…) be in markets with large potential at the right moment"* also because *"(…) a company cannot survive by just selling wine under two Euros (…)".*

According to what was declared by the Marketing & Sales Director of the company, one of the most remarkable takings of the business is the network that has been built and reinforced by each generation, since the first wine commercialization done my Mr. Fonseca in 1835.

"(…) it is a wine business but is essentially a people business (…)"[17]

[15] Meios & Publicidade: *Vinhos investem lá fora (*4 de Novembro de 2005)
[16] Diário Económico: *José Maria da Fonseca aposta nos BRIC para recuperar a empresa*. 30-11-2010
[17] Interview to JMF's Marketing & Sales Director – António Soares Franco

The fact that the company's directors have a personal relationship with the owners and distributors of the U.S. and Brazil or the importers in Sweden and Norway brought value to the company.

"(…) No other wine producer in Portugal has such connection and it is a relationship of trust built over the years, which new entrants will not be in condition to have."[18]

In what concerns the customer relationship management, JMF has been following a new strategy from the past four months. All the communication is now done internally rather than by an agency; which proved to lead, in JMF, to higher sales. Sofia Soares Franco and Miguel Remédio are the ones responsible for building brand awareness and increasing consumers' fidelity once they control the majority of the promotion channels.

"(…) after receiving feedback from some clients and journalists, we decided to no longer hire an outsider [advertising agency]… consumers prefer instead, having a direct contact with the family and employees where the response is immediate. With only four months of experience, we are happy and receiving positive feedback; …still present in the media business and we even got a piece in the Telejornal da SIC (…)"[19]

To reinforce this relationship, one of the most common strategies of the company, is to participate in different fairs (Exhibit 7), in order to promote their wines in outdoors markets through advertising, public relations and point of sale actions. JMF soon began developing different skills around customer service through its public relations in order to enhance loyalty and community around its consumers. Indeed, they were the first Portuguese firm doing wine tourism and tours to wineries, known for *Enoturismo*. This new trend aims to create brand recognition, embracing the consumer to the experience one has either at the supermarket or at a restaurant when chooses José Maria da Fonseca.

"The wine tourism is one of the cheapest marketing weapons. It has preservation costs… but tiny costs when compared to the impact it has among those who visit us… even further, if it is a pleasant and successful experience, which we think so, it will be quickly spread to friends and family…"

The concern of bringing to the market products with good quality and yet at competitive prices, is also a must for the company and it is assured by its Department of Quality. Both customer service and product quality are considered factors that give rise to JMF's competitive advantage.

[18] Interview to JMF's Marketing & Sales Director – António Soares Franco
[19] Interview to JMF's Wine Tourism Director – Sofia Soares Franco

As a result, the origin of JMF's competitive advantage resides as both in the development and in the consolidation of the two strongest and oldest brands of the firm's portfolio – Lancers and Periquita. These two brands were the ones that boosted the company's name and allowed it to establish such a business networking, always involving personal commitment and passion from all JMF's members.

The creation of value over the years by Periquita and Lancers followed different processes. Thereby, and according to the literature, the competitive advantage that is accountable for 56% of the firm's total sales can be described as:

- **Periquita**: Launched in 1850 by the founder Mr. Fonseca it is the oldest table wine brand in Portugal and the Portuguese red wine most sold abroad. Accounting in 2010, for 31% of the total company's sales and 42% of the company's export, in terms of volume has an average selling price of 21,58€, in the last three years. Recently, some brand extensions came out in order to consolidate the original brand: Periquita Branco (2004), Periquita Reserva (2004) and Periquita Rosé (2007).
- **Lancers**: Coinciding with the end of the 2nd World War, Lancers was launched in 1944 and since then it has became a successful product in the U.S market selling in that time, almost half a million of boxes. With an average selling price of 18, 81€, this brand, in 2010 represented 25% of JMF's total sales.

The main events that contributed for the current situation of the company are described in exhibit 8. Likewise, a more detailed analysis of the case study, as well as the capability's development and its consolidation, is provided in the exhibits section - (exhibit 12).

4.4. Development of JMF's capability

The strategic positioning that JMF has nowadays was conquered over the years, based on the vision of the company's founder and by those who continue to follow it today. JMF *"(...) is today an unusual case of longevity at national and international level*

(…)"[20] always operating in the same industry without ever merging with large economic groups.

Mr. Fonseca is now considered the first Portuguese wine marketeer always seeking for the best and obsessed with quality, which meant that the final product would be worthy of paying: *"(…) always searching for the finest suppliers around the world… he ordered the labels to international artists, the corks were custom made and the bottles were manufactured in France or England (…)"* (Sofia S.F). This constant need and hunt for quality allowed JMF to discover new international markets and opportunities, hence to establish a solid network of exports. This set of connections helped and continues to help the company to survive to delicate economic periods, providing distinctiveness to JMF's brands abroad.

i) Periquita (1850)

"Periquita has loyal consumers, being known as the lord of wines and always as a safe and reliable choice."[21]

Periquita soon revealed to be a national success being recalled as the oldest Portuguese table wine and one of the first bottled wines in Portugal (exhibit 9). The brand awareness that Periquita managed to set up since its launch in 1850 was achieved through a deployment of several actions. The idea of its creation resulted from the combination of two different grapes: *Castelão* – from Ribatejo and a slightly percentage of *Trincadeira* – from Setúbal.

Mr. Fonseca had previously established a powerful international business relationship in the late 90's and the brand was quickly introduced in the Brazilian marketplace. In 1881, this was already one of the most important segments for JMF and represented a significant percentage of its sales (60% of sales abroad) as it does, still, today.

The Great Depression seriously affected the company, staking the Periquita's exports for Brazil at risk in the first part of the XX century. Nevertheless, the continuously bottling process in 1938 supported brand prestige, which gave rise to the rebuilding and enlargement of Periquita markets. From 1950 to 1970 the domestic consumption was the engine of the brand. Only on the fifties JMF surpass this constraint *"(…) at that*

[20] Vinhos.online.pt: *"A memória do vinho", 17-03-2007*
[21] Vinhos online.pt: "*Periquita – 150 anos de alma portuguesa*"; 28-02-2000

time, we had a good relationship with Diageo[22]*in several markets, and we convince them to start exporting our brand Periquita to the Brazilian market (…) they had indeed done an excellent job, exporting the product to numerous markets and rebuilding the brand in Brazil."* (JMF's Marketing & Sales Director) On the other side, with the sale of J.M. da Fonseca International in 1985, the firm recapitalized its vineyards and renovated the winemaking process, acquiring new equipment; this way making it possible to increase production.

The brand was initially thought as a brand for prestigious occasions, and as a result of the brand dynamism supported by its price/quality relationship, Periquita sales reached in 1999, a record of 300.000 boxes of 9 liters gaining loyal drinkers every year from all over the world.

As previously stated, Periquita has been present in several wine fairs, with a significant success in sales and it is described by the company as a brand with a capacity of renewal and modernity that can be linked with its adaptability to go after the consumer and seizing for new opportunities in the market. In 1888, Periquita 1886 received the gold medal in the *Exposição de Vinhos de Berlim* and in 1940 is awarded once again with a gold medal in the *Exposição de Vinhos de Lisboa*; increasing its international reputation. Yet again, in 2010, Periquita Branco 2009 was prizewinner in one of the most important wine contests: *Berlin Wine Trophy 2010* in Germany.

The strategy that has been followed in the Periquita segment is the following*"(…) in order to increase sales and diversify our portfolio; taking advantage from the strength of the Periquita brand to have other consumption opportunities, enlarging our range of consumers; (…) it is totally different if I am producing a Periquita Reserva rather than a XPTO Reserva. (…) The main idea here is for those who are used to drink Periquita in their daily life, have the possibility of drinking something better in a more social occasion."*

ii) Lancers (1944)

"Born in a period of historical change, Lancers still is a symbol of socializing and relaxation among friends."

[22] World's leading Premium drinks business of international brands of spirits, wine and beer.

The turning point in the company's business after the crisis in Brazil was only in 1944, with the release of Lancers. Described as a "*happy meeting*" between a wine – Faísca - that was already being produced by the company and Henry Behar's visits, who proposed the launch of a pink wine in its country (USA), managed to conquer a status both at national and international level. This type of wine had been well accepted in the domestic market since the thirties and was able to cover the North-American market in the mid-60's.

The unique and distinctive bottle of Lancers, that has been changed, for the first time seven years ago (exhibit 9), also boosted the anxiety around this wine. With a bold design for that time, it continues to match the consumers' requirements representing almost 90% of the domestic sales and 35% of the international ones, in 2010. *"Today it still preserves the iconic shape (...) although the original bottle, painted glass has been replaced in some markets, for a new model in frosted glass, which lets you see the color of wine (...)"*[23]

When, in 1996, JMF owned for the first time the brand Lancers, its capacity and sales increased exponentially, forcing the company to invest in the wineries and in the wine-making center. Later, in 2009, the recent brand - Lancers Free Rosé - was launched. This brand renewal not only seeks to build brand preference and increase market share but it also aims to reach new markets and consumers. This alcohol-free wine, the first launched in Portugal, accounted for 1% of JMF's total sales, in 2010. The origin of its creation was due to the ongoing health concerns and with only 0.5% of alcohol it was launched under the motto *"... a wine that can be drunk without fear of side effects and with fewer calories"*.[24]

Furthermore, it is essential to bear in mind that JMF went from a producer to a brands' manager by becoming internationally recognized, with competitive prices, due to its strong distribution networking.

iii) Grape cultivation and production techniques

The innovation on techniques in the production of wine and on grape cultivation is a capability which supports JMF's national and international success. Acknowledged as the *"(...) innovative pioneer in techniques of cultivation and manufacture of wine, José*

[23] http://www.jmf.pt/lancers.html
[24] JMF Press Release, 2009

Maria da Fonseca has, since 1840 the earliest references to wine exports (...) and the first signs of recognition across borders."[25]

Mr. Fonseca, as mentioned before, played a major role in the wine culture in 1850 bringing to the Portuguese wine culture different production methods and continuous concerns about quality. It is not by chance that *Revista do Vinho* (2010) reinforces the quality/price relationship of the company as "*...this classic Portuguese red has actually gone down in price in the many years I have enjoyed it. It has been made since 1850 on the José Maria da Fonseca (...) it's difficult to think of any other wine with such a history, such distinctively local character and such low price".26*

JMF had also enhanced techniques of wine growing by planting grapes straight – a technique known as *"espaldeira"* [27] - maximizing the use of the land. It was often said that farmers were the best wine producers, but in this case, the mathematician José Maria da Fonseca was the exception.

The newest acquisition added to the company's fixed assets in 2009, was a machine that removes the alcohol from the wine making possible the production of Lancers Free Rosé Therefore, the controversy is thrown again, revolutionizing once more the wine sector.

"*This beverage creates biases in the minds of wine lovers when they open a bottle. But if I serve them a glass of this wine on a tray at a low temperature and, without telling them what it is, nobody realizes that is drinking wine without alcohol."*[28]

[25] Vinhos.online.pt: *"A memória do vinho", 17-03-2007*
[26] From JancisRobinson.com – *For people who love good wine*
[27] *Espaldeira: a* wine planting process with frames made of poles, with two or more wires and a structure of fence came flourished the wine industry.
[28] Assured by the CEO in DN Economico: *Vinho sem álcool exceed objectivos* – 30 Outubro 2009

V. Discussion

In this chapter, the reader can better understand the link between the results presented during this study and the previous findings published by other researchers presented in the literature review section. This study aims to supplying a more comprehensively knowledge of how companies, in specific JMF, developed capabilities that are in the origin of its competitive advantage in a particularly industry – the wine sector.

We started this dissertation by highlighting the importance of the resources' organization within a company in order to establish a difference that can be preserved while delivering greater value to its customers (Porter, 1996). For this strategic positioning to be effective and therefore allow a company to obtain competitive advantage, its resources should be VRIO (**v**aluable, **r**are, **i**nimitable and **o**rganization) (Barney, 1997). As well, dynamic capabilities could augment the potential of a firm to be successful, but do not assure competitive advantage by itself. Nevertheless, JMF has always investing on its product image and quality as well as on process techniques aligned with the importance of creating resources and capabilities in order to succeed.

5.1. Resource-based view

i) Periquita and Lancers

These two brands have been presented in the case analysis as the capability of José Maria da Fonseca to outperform its competitors in such a dynamic industry. As it has been stated by the Marketing & Sales Director of the firm, the success of the brand relies on its image and not in the product itself. Despite of having different development processes, the success of these products results from how JMF correlates singular resources like brand-name reputation, product quality, distributors and the capability of grape plantation and production techniques. In the following paragraphs we analyze how the company sustains its competitive advantage through these main resources.

Once identified the capability and the resources in the origin of the company's competitive advantage and how they were developed, an analysis will be done to those, based on the VRIO model (Barney, 1997). First, individually, regarding its value and rareness and then its inimitability; however, if a resource is not rare the condition of inimitable is automatically eliminated. To those that were considered as inimitable, a deeper analysis was made, identifying barriers to its plagiarism; particularly social complexity, path dependence, casual ambiguity and property rights (Barney, 1991;

Peteraf and Barney, 2003). Secondly, we will analyze the four critical resources that can either be physical, financial, human or organizational, as well as how they are integrated within the company (Barney, 1991; Peteraf e Barney, 2003).

During this process of identification of JMF's bundle of resources, some difficulties have arisen concerning the resources' definition; mainly due to the concept's ambiguity in the existent literature (Barney, 1991); allowing almost everything to be designated as resource. Figure 4 summarizes the ones indentified in JMF's case.

Fig 4 - VRI Analysis of the Capability: Periquita and Lancers

Resource	Valuable?	Rare?	Inimitable?
Brand-name reputation	✔	✔	✔
Distributors	✘	✔	✔
Product Quality	✘	✘	✘
Grape Plantation and Production Techniques	✔	✘	✘

One of the first findings of the analysis was that <u>distributors</u> or <u>product quality</u> as resources, individually, are not valuable. They can only be, if they enable the firm to implement strategies that improve its efficiency (Barney, 1991). Without the right product, distributors cannot sell to the right markets; and product quality would not be achievable without the technological facilities of the winemaking process. On the other hand, <u>grape plantation and production techniques</u> as well as its <u>brand-name reputation</u> can be considered valuable in a sense that JMF exploits opportunities to create value to its customers (Barney, 1991) through these resources. By using technologically advanced equipment that endorses the quality of the product permitting a faster response to the markets' demand; and by using valuable raw materials due to innovative processes in grape plantation, one can qualify this fourth resource as a valuable one.

The **brand-name reputation** is a strength and distinctive competence that yields sustained competitive advantage to JMF. The effort that has been made, ever since, by the leaders and employees of the company on creating an identity has been a hard and long task. Despite of being difficult to measure the value of brand based on the company's reputation, its perceived quality and customers' loyalty are considered barriers to imitability. This intangible resource is not available on the market; it is rare and difficult to copy. It is not possible for a company to buy that or this specific resource. The formal and informal relationships created and preserved over the years between the producer and JMF's stakeholders was what leveraged it and results from the historical path of the company (exhibit 10).

Distributors are one of the most important pieces of JMF's business model. In order to take advantage of the market opportunities and of the best selling conditions, the company relies more on its networking than on the product itself. Therefore, distributors are resources that by themselves are not valuable. However, a good business networking is rare to attain from the beginning. Traditionally, distributors just want to commercialize a brand after its success but in JMF's case it was the other way around. Right from the start of its business, the firm had the ability to associate its products with a number of international distributors, gaining consistency and notoriety across borders making this a difficult resource to copy (exhibit 10). In Periquita's case, the boom of its sales in the Brazilian market arose as a consequence of the succession crisis that JMF was dealing with, in 1884. This solid connection with the Brazilian distributors was created by the company's founder and it can be seen as a barrier to entry since its historical background is not easily duplicable and will delay the assertion of new businesses on the sector or even for the current national producers (Barney, 1999). The international expansion of the other premium brand – Lancers - was due to the merit and vision of Henry Behar and through his admirable personal relationship with the American company distributor HueBlein[29]; moving the company out from an economic crisis. The company benefited from this relationship, both in the Brazilian (for Periquita) and American (for Lancers) markets.

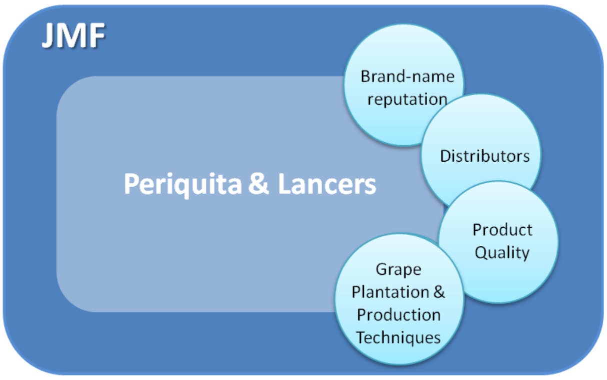
The **quality of the product** is determined by the quality of numerous elements that are mainly related with its image, influencing the sales and resulting in a final product with high quality. Without the distributors that the company currently has, it would not be possible to take advantage of this resource. Likewise, without the technological advanced production and grape plantation techniques that JMF possesses, it would not be viable to sell a product with such quality. Product's quality is a resource that is available for all of those that are operating in the wine sector; however, the way that a company organizes itself in order to take advantage from such a resource, is what makes a product unique. JMF combines modernization with traditional techniques by using

[29] Currently known for Diageo

different ways when it comes to wine production - for the niche segment (JMF's high-end wines), grapes are crushed and harvested in the traditional way; while the other portfolio's brands are through mechanical harvesting. In general, Portuguese wine has risen to the top European ranks, which shows that wine producers have the capacity of producing wine with high-quality as JMF has.

There are different **production and grape plantation techniques** available in the wine industry and there is a relatively large offer in this dynamic sector, which led us to say that in the majority of cases, this resource is not rare. It is true that JMF has been investing and innovating, since the beginning, on its facilities and production/plantation processes in order to offer a high-quality product. In fact, other competitors can use or purchase these exact technologies, but obviously the financial structure of the company can be a constraint.

Fig 5 - JMF's Resources



The capability that these two brands represent is an outcome of the organization between brand-name reputation, distributors, grape plantation and production techniques as well as product quality that permits the company to conceive and implement value-creating strategies, enhancing efficiency and effectiveness of its processes. In the current business model of the company, this source of competitive advantage is valuable since it enables the firm to identify and exploit market opportunities before or better its main competitors. Despite not all the resources that integrate the capability could be considered rare, the fit created among them is. Even though some of these resources are available in the market, it is difficult to copy this strategy because it is directly related with the business network controlled by the company; or even due to financial constraints associated with the highly advanced production techniques, which not everybody can afford. Yet, the company is operating in a dynamic market where players with sufficient budgets and enough flexibility would be able to replicate a similar concept. The inimitability can be also linked with the international positioning and reputation that the firm has been able to establish over the years, which not all Portuguese producers have the aptitude to possess.

This analysis accepts Lancers and Periquita as the origin of JMF’s competitive advantage by passing through VRIO test (Barney, 1997) and by representing almost 60% of the company’s sales at both national and international markets, sustaining therefore the current positioning of the company.

5.2. Dynamic Capabilities

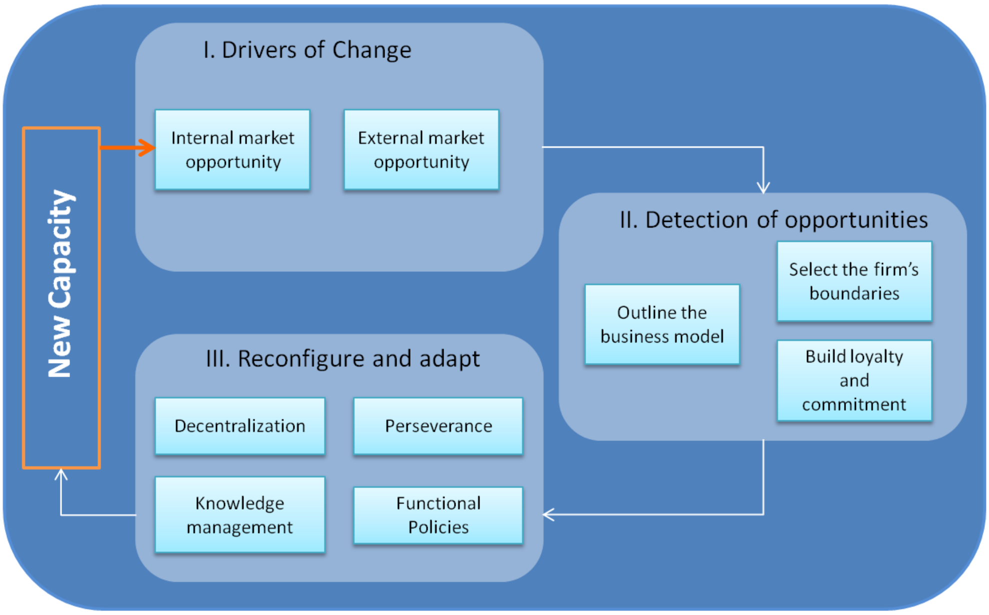
Once identified the capability that yields sustainable competitive advantage to José Maria da Fonseca, it was essential to analyze the facts and decisions that enabled the company to create, deploy and protect its intangible asset, supporting therefore its superior performance. (Teece, 2007)

Teece (2007) assumes in his model that companies are exposed to threats and opportunities on international trade, which are associated to rapid technological changes; however, in this case [the technological changes] does not entirely fit in this sector. The framework proposed highlights three different phases on which dynamic capabilities can be integrated: i) sensing opportunities and threats; ii) seizing opportunities and iii) managing threats and reconfiguration.

Detecting opportunities, either external (market or technological) or internal, is extremely important for enterprises (Teece, 2007). In the explanatory model proposed by Cardeal (2010) regarding capabilities building, it is also included the link between the new firm’s capacity and its internal opportunities.

The model developed by Cardeal (2010) in figure 5 summarizes the route that a company should take in the creation of its dynamic capabilities. We will use it as basis of our analysis - exhibit 11 provides a detailed explanation of the model’s propositions.

Fig 6 - Dynamic Capabilities' model



Source: Adapted from Cardeal (2010)

However, in this case and along with Porter's definition of "clusters" in the literature review section, JMF is not geographically close from other wine producers. In fact, JMF developed its brands – Periquita and Lancers -, which are in the origin of its competitive advantage by owning critical resources and mechanisms as RBV supports. Despite of companies, in "clusters" are often small and family owned (Cardeal, 2010), JMF does not entirely fit in a "clusters" context.

The three phases of the model follow both a linear and circular logic in order to be perceived as internal opportunities to detect new opportunities (Cardeal, 2010). The first phase – Drivers of change – according to Cardeal (2010), frames the origin of opportunities as well as the recognition of dynamic agents within the company. If a company does not identify the sources and methods of wealth creation and capture it, the course of action will be automatically a deterrent (Teece et al., 1997). Opportunities can be considered as threats or internal particularities that maximize the role of strategic management in appropriately adapting, integrating and reconfiguring these opportunities. (Teece et al., 1997) From the point of JMF's view, the origin of its capacity – development and consolidation of "Periquita and Lancers" - is mainly on how market opportunities have been identified in line with the top management. The founder and the top managers of the different generations have to be considered as dynamic agents in the development of JMF's capacity once, initially, it was the founder's vision that enabled the company to develop such a competence and to add value to its products and brand, at both national and international level. As Adner and Helfat (2003) argue, the role of top managers in the initial phase on identifying opportunities and on the consolidation process of a capacity is what can sustain the company's advantage. The combination of JMF leaders' ability to recognize the opportunities in the Brazilian and U.S markets; to produce wine with high quality and to build domestic and international brand awareness was what enabled them to outline its business model.

Once identified the capability, the model goes into the phase – Detection of opportunities. The probability of succeeding in the implementation of this business model is greater if, once adopted, the firm knows how to generate value to the customer in its value chain. (Teece, 2007) Aligned with this theory arises the idea of selecting the firm's boundaries, meaning that it is possible for companies to use external resources (contrasting with the Resource-Based View). For a medium-sized enterprise like JMF, the proper management of its complements – for example its involvement and participation in international and national fairs and events – boosts the development of the business model, contributing to a better performance in the identification process (Cardeal, 2010).

Another category of this second phase - "build loyalty and commitment" - is essentially a set of guidelines and specific actions defined to share, both internal and externally, the vision of change and motivation for adhering to this same vision within a company (Cardeal, 2010). In this category we considered the role of JMF's manager as the most important driver. On one hand, there is leadership, through which the firm's vision is shared among its employees, being even more important over the different periods of change and crisis that JMF surpassed. On the other hand, the fact of this being a family business, brings a stronger strength to the business networking, either with suppliers, distributors or even clients. Thereby, and based on the data collected, it can be said that across all process developments of the capability there was a concern to build not only loyalty and commitment among employees but also among the firm's stakeholders. Moreover, the development of JMF's capability does not require hiring external resources once the company's management team is primarily responsible for the decision-making processes[30].

Thus, after identifying opportunities and setting directions for a new business model, Cardeal (2010) proposes four different elements that tend to enhance the ability to change and implement the new business model: decentralization, functional policies, perseverance and knowledge management (see exhibit 11 for propositions 3a; 3b; 3c and 3d, for respective categories).

To maintain dynamic capabilities, a company should reconfigure and adapt. Therefore, by encouraging decentralization, top management becomes closer to new technologies and customers (Teece, 2007). If a company divides responsibilities along the hierarchical structure, it can respond quicker to marker needs. During the development and consolidation processes of JMF's capability, there was a concern with the allocation of autonomy for individual staff in order to solve small daily problems, mostly because being it a small medium familiar enterprise, it would give more self-confidence. However, the final decisions are made by the different department directors and consequently approved by António or Domingos Soares Franco, being the latter linked to the winemaking process; therefore it is not a literal replication.

With the purpose of aligning the firm's assets and the business model, JMF acquired, during the consolidation of its brands, new equipment to improve both its product quality and its storage and production capacity. In what regards the relationship and work environment within the company, JMF soon opted for a 'be-on-time' policy to always satisfy demand. Moreover, other policy of JMF is that all of its family members must have previous work experience before integrating the company, which enables them to get and bring a broader vision into the company's business. Also extremely important for the capability development was the international networking consolidation and the participation on events that JMF always looked forward to extend.

The strategic fit needed to new business models is a challenging and gradual process in any company. Thus, the persistence and determination of corporate leaders, also known as perseverance, in the pursuit of opportunities enables an efficient implementation of the model (Cardeal, 2010). In this case, it has to be firstly accounted, the search of new

[30] For example Domingos Soares Franco, in addition to being JMF's vice president is the winemaker of the company.

strategic solutions (joint venture with HeuBlein); then, the systematic search for appropriate distributors and agents around the world (Diageo example) and also the consciousness of the needed investments during the years.

There is a consensus in the literature regarding the sources of competitive advantage, where authors agree that these are far more on the intangibles than the tangibles resources side (Cardeal, 2010). According to intangible assets, the knowledge management assumes a relevant importance in the capacity building (Teece, 2007) related to knowledge sharing and transferring (Cardeal, 2010). JMF always required the best of the best for its business, whether for its distribution or supplier's network or for its final product. The relationship with international distributors and suppliers brought innovative knowledge to the company allowing it to become more efficient on its processes, leveraging the business over the years.

The concern of having a shorter average turnover rate in the company brings internal stability and enables the knowledge to be created and transferred among the employees in the long run. Moreover, being a family business and passing from generation to generation, facilitates the retention of knowledge and improves the efficiency on the production processes.

VI. Conclusion

The wine industry is currently exposed to increased pressure to maintain high efficiency and effective levels, stemming from the huge competition that exists in the field. In order to remain competitive and to guarantee a unique and valuable position within the industry, companies struggle to reduce costs and increase its brand awareness as well as its product quality.

In reality, leaders have a crucial role in this sector, particularly in small medium enterprises where they tend to be the managers, by identifying opportunities and managing threats and continually pursuing the goal of increasing efficiency. Having the potential to solve problems and therefore outline new business models to prevail in such dynamic markets enables the firm to be distinctive. It is extremely important for the top management to have the strength and ability to demonstrate timely responsiveness on the detection of opportunities and to continue to be decisive in setting the path-direction when outlining new business models, selecting firm's boundaries or even building loyalty and commitment. The perseverance and functional policies, suitable for the new business models are also important in the last phase of the model proposed by Cardeal (2010) - reconfigure and adapt.

The elaboration of this dissertation helped me to deeply understand the operations and the strategic leadership of José Maria da Fonseca – Vinhos SA during the different cycles of its history as well as the future aiming-directions. In this study, a literature review was firstly done to verify the conditions of specific VRIO resources (Barney, 1997) of firms' capabilities while the dynamic capabilities' theory (Cardeal, 2010) was used to analyze the capabilities' development process. These two theories try to address the question of how critical resources/capabilities are transformed into competitive advantages. Indeed, the origin of competitive advantage relies on the capability that a company has on managing to combine the package of resources into a capability rather than on individual resources. It is possible to synthesize as the main finding of this analysis, by verifying the VRIO conditions that the capability of José Maria da Fonseca on organizing its brand-name reputation, its distributors networking, its grape plantation and production techniques and also its product quality, as in the origin of its competitive advantage.

Despite of these four resources individually not passed the VRIO conditions, the company managed to combine them into a valuable, rare and inimitable approach through a distinctive capability represented by JMF's brands – Periquita and Lancers. While JMF's brand-name reputation is considered a valuable and rare resource, as well as a strength and a sustainable competence, thus preventing the competition to copy it; the product quality itself cannot be measured as a VRIO resource. However, and with the support of other two resources – distributors and grape plantation and production techniques - the company is capable of doing better than its competitors.

Regarding the capability's development process, when applying the Cardeal's (2010) model, we concluded that JMF's top managers had (and have) a vital role, not only in sensing and seizing opportunities, but also in managing threats and reconfiguring the new business models that the company opted to follow. JMF was successful on the implementation and consolidation of its brands at both international and national levels. Indeed, this proved to be a win-win strategy during the years, since its core products are still having an outstanding performance and creating value to its customers. José Maria da Fonseca – Vinhos SA managed to fulfill its purpose of becoming an international brand at competitive prices.

It is from extremely importance bringing to light two aspects that came forward during the elaboration of the case analysis. The time constraint is the first one; since writing a dissertation in only four months can be seen as a limitation that might jeopardize the effectiveness of the analysis and its results. The second one is related to confidentiality and access to the information needed. From the beginning, it was assured data confidentiality to José Maria da Fonseca and therefore some data could not be available or even obtained during the case study. Moreover, since only two departments (Marketing & Sales and Wine Tourism) were deeply analyzed it is suggested to carry out further studies throughout other departments to find new business opportunities and therefore improve company's efficiency.

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JMF – Microsite Periquita | 175 anos | 175 Diamantes - http://www.jmf.pt/periquita/index.html

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Diário Económico Website – www.de.pt

José Maria da Fonseca's Facebook Webpage

European Commission - http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

Exhibits

Exhibit 1 – Portuguese Wine Production and Consumption

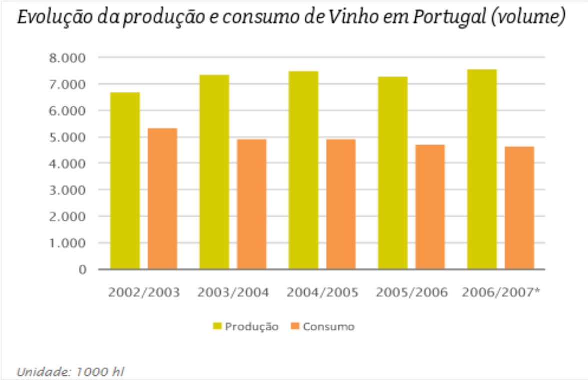
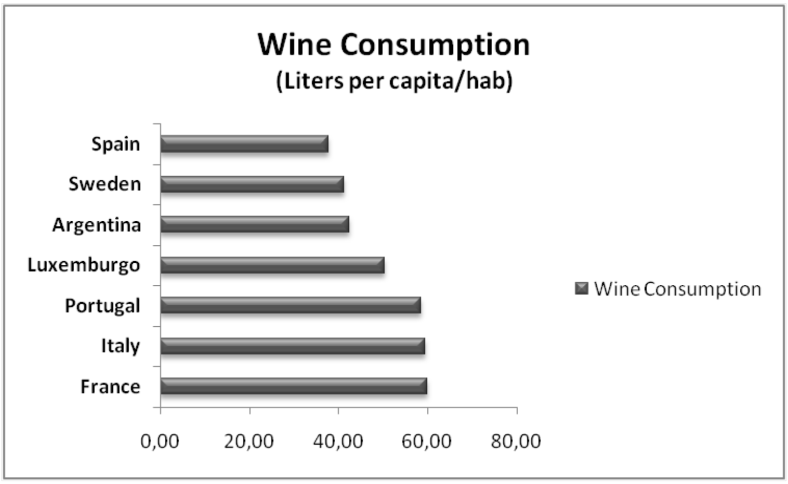


Exhibit 2 – Worldwide Wine Consumption



Source: OIV, 1996

Exhibit 3 - Evolution of Portugal wine Imports

Wine Imports Evolution

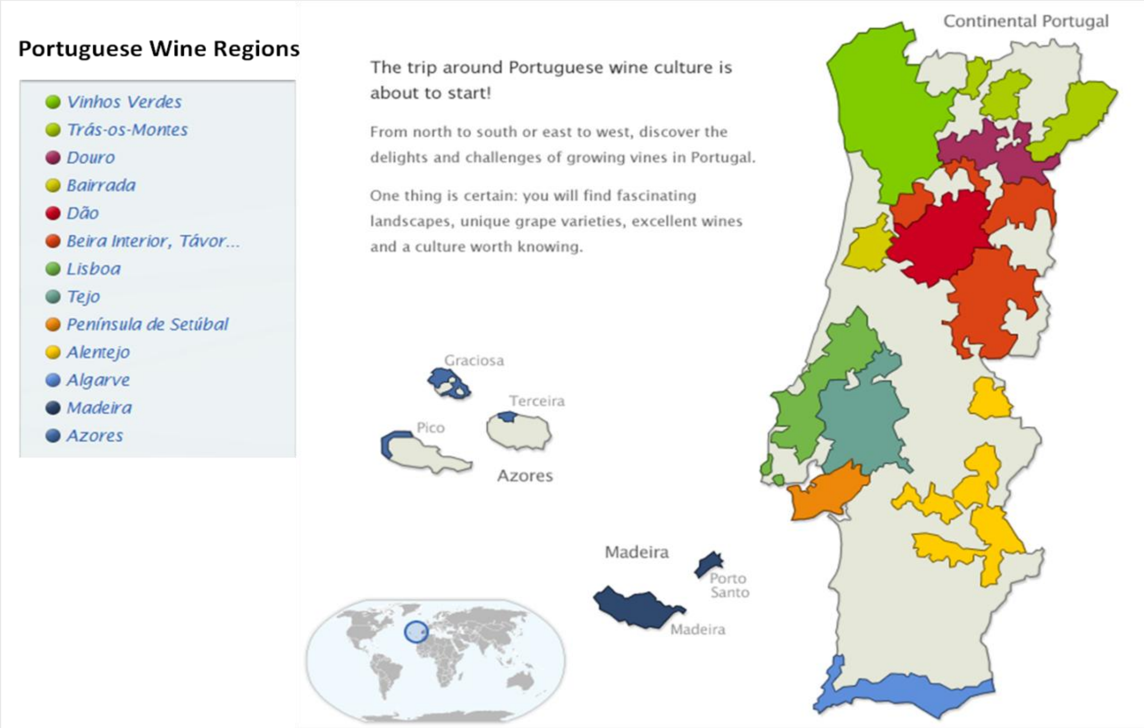
2007-2009

	2007	%	2008	%	2009	%
Spain	50.455	69,27%	69.729	66,04%	75.567	77,25%
France	12.074	16,58%	19.664	18,62%	11.488	11,74%
Italy	7.903	10,85%	13.036	12,35%	8.677	8,87%
Germany	2.036	2,79%	2.981	2,82%	1.947	1,99%
England	374	0,51%	179	0,17%	138	0,14%

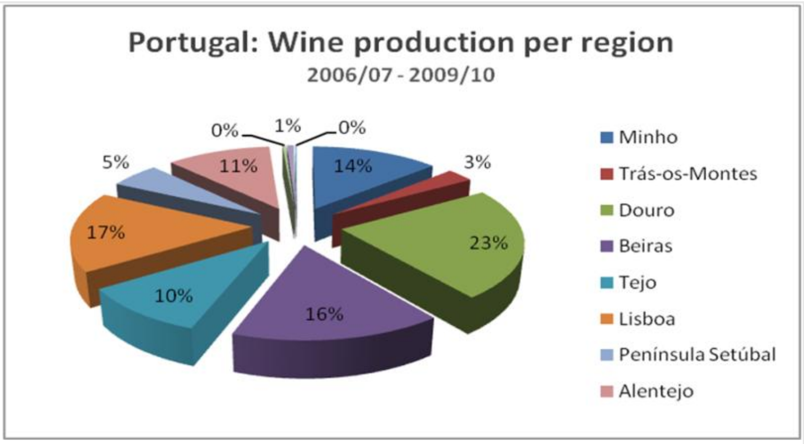
Source: IVV

Note: in value (1000€)

Exhibit 4 - Portuguese Wine production and regions



Source: InfoVini



Source: Own elaboration based on IVV data

Exhibit 5 - JMF's Portfolio

Grandes Marcas	Premium	Super Premium	Generosos e Licorosos
BSE	Domingos	FDF (Fernando Soares Franco)	Alambre 20 years
Lancers	José de Sousa	RA Garrafeira	Private Collection DSF Moscatel
Lancers Free	Pasmados	TE Garrafeira	Private Collection DSF Moscatel Roxo
Montado	Periquita Clássico	Domini Plus	Trilogia
Periquita	Periquita Reserva	José de Sousa Mayor	Moscatel Roxo 20 years
Terras Altas	Private Collection DSF Rose		A century of Setubal Moscatel
Twin Vines Rose	Private Collection DSF Syrah		Aguardente Velha 64
Vinya	Private Collection DSF T. Nacional		Aguardente Espírito
	Private Collection DSF Verdelho		Bastardinho
	Quinta de Camarate		Cherrybom
			JMF & Van Zeller LBV Port
			JMF & Van Zeller Vintage Port

Exhibit 6 - JMF's Distribution Channels

Exhibit 7 - JMF's participation in national and international Events / Exhibitions/ Wine Tastings

Fairs / Events	Annual Wine Tastings organized by Viniportugal	Concursos:
Vinexpo Bordéus	Brazilia	*Concours Mondial de Bruxelles*
Prowein Dusseldorf	Sao Paulo	*Decanter World Wine Awards*
London International Wine Fair	Luanda	*International Wine & Spirits Competion*
SIAL China, Shangai	Hong Kong	*Concurso Nacional de Vinhos*
Portugal Market Week Moscovo	New York	*Concurso de Vinhos da Península de Setúbal*
Encontro com o Vinho (Revista de Vinhos)	San Francisco	
Essência do Vinho (Essência dos Eventos)	Toronto	
Peixe em Lisboa (Turismo de Lisboa)	Montreal	
SISAB	Copenhagen	
VINIPAX	Helsinki	
ALGARVINI	Stockholm	
Alimentária	Oslo	
	London	
	Cologne	
	Berlin	

Exhibit 8 – JMF's main decisions and facts

Year	DECISIONS/FACTS	IMPACT
1834	Use of bottle instead of barrels.	Innovative techique: quality was not changed and the brand was being better communicated.
1850	Launching of Periquita.	First table wine of the country.
1944	Launching of Lancers.	Entrance in the US market and HueBlein is the distributor.
1970	Joint-venture with Heublein. Creation of J.M. da Fonseca International.	Company consolidates itself in the U.S market.
1972	Creation of J.M. da Fonseca Exportação.	Increase its networking and bonds with other countries
1985	Sale of J.M. da Fonseca Exportação and J.M. International à Heublein.	Lost of international clients and the brand Lancers. Reinvestment on the business: acquisition of Casa Agrícola José de Sousa Rosado Fernandes em Reguengos
1988	Periquita 1985 harvest is awarded in *Exposição de Vinhos Portu-gueses em Berlim.*	Increase international reputation and builds brand awareness.
1993	Confraria da Periquita.	Stenghens the relationship with distributors.
1996	Acquisition of J.M. da Fonseca International from IDS. Certification of Quality System (according ISO 9002).	Lancers owners for the first time. First Portuguese table wine company receiving this certification, increasing brand notoriety.
1997	Periquita Clássico e Premium.	Brand Extension. Increase of Sales. New customers.
1999	Construction of the winemaking center Fernando Soares Franco. Periquita 1959 is considered as one of the best wines of the century	Improve production flexibility (3,6 millions of Periquita bottles). Improving brand awareness.
2004	Launch of the new bottle of Lancers.	Brand renewal .
2006	New marketing campaign for Periquita.	
2007	Creation of a new department: Enoturismo.	Strengthing of the relationship of the consumer with the brands. Participation in different national and international fairs.
2008	Awarded as the "Producer of the year". Periquita Reserva 2004 got 87 points in the rankings of the two most prestigious American magazines (Wine Enthusiast and Wine Spectator).	Increased brand reputation.
2009	Acquisition of a machine to remove the alcohol from the wine.	Lancers Rosé Free - a new product for a new target; never done in Portugal

Exhibit 9 – Periquita Wines and Development of Lancers' bottle

Exhibit 10 – Resoucers Coding

Brand - name Reputation
Historical Route: Facts and Decisions
- *"…Mr. Fonseca was always looking for the best of the best and was constantly searching for quality to its products…"*   - *"…Brazil was the driving force of the company during the second cycle of our history… representing almost 90% of company's sales…"*   - Henry Behar brought new concepts into the winemaking process and a new vision for the company that helped JMF move away from the crisis of the Brazilian raw materials. Moreover, it was the first wine producer selling wine in bottles with labels (producer and product name)   -*"…we opt to transferring the tradition to the client, thereby creating a stronger bond…"*   - *"…all the communication is done internally, instead of hiring an outsider, to be closer to the customer… we have been receiving positive feedback from clients and journalists…"*   - *"…make a wine like Periquita is not a complicated task; the difficult part is to create prestige around the product and introduce it in the consumers' mindset…"*   - *"…for each international campaign, we appeal to different publicity agencies…"*   -1997: "Empresa do Ano" by Revista Wine   - 2008: "Productor do Ano" by Revista Wine   - It is the oldest Portuguese wine company and combines, on its winemaking process, modernization with tradition. The 'top de gama' wines –the niche of the firm – are produced in the traditional way (stepped) and the other brands of the portfolio are made automatically.

Distributors
Historical Route: Facts and Decisions
-*"… no other wine producer in Portugal has such connection and it is a relationship of trust built over the years, which new entrants will not be in condition to have…"*   - *"…my son with only 5 years has already been in the house of our Swedish importers during a weekend…"*   - *"…it is a wine business but is essentially a people business…"*   - *"…at that time we had a good relationship with Diageo and we convince them exporting our brands…"*   - The joint venture with Heublein in 1985 allowed the company to consolidate itself in the U.S market.

Exhibit 11 – Cardeal (2010) propositions

Propositions of the proposed model by Cardeal (2010) on capability's development

1a - *The identification of external market opportunities in companies operating in mature industries, in a changing environment, and located in clusters, contributes to outline a new business model.*

1b - I*dentifying opportunities for domestic market, in companies operating in mature industries, in an environment of change, and located on the cluster, contributes to shape a new business model.*

1c - *When opportunities are identified by top managers, there is a greater willingness of companies to outline new business models.*

2a - *Decision making, in terms of defining boundaries of the firm, consistent with the defined business model, increase the likelihood of success in implementing the new business model.*

2b - *Decision making at the level of creating loyalty and commitment to the business model previously defined, increase the likelihood of success in implementing the new business model.*

3a - *Decentralization of responsibility and autonomy of the various members of the company enhances the ability to change and the implementation of the new business model.*

3b - *The adoption of management policies in line with the business model outlined, enhances the ability to change and implement the new business model.*

3c – *Leader's pperseverance in changes to implement the business model outlined, enhances the ability to change and implement the new business model.*

3d – *The knowledge management needed to the new business model, obtained by sharing, transferring and learning, enhances the ability to change and implement the new business model.*

Exhibit 12 – Detailed Data Analysis: JMF's Case Study

I. Brief Industry Description

Portugal has enviable conditions for wine production due to its good climatic and geographical conditions along with the possession of unique varieties of wine. Indeed, wine production has been, part of the country's culture and over the years it has becoming one of the most competitive businesses in Portugal.

Nowadays, the Portuguese are becoming more proud and confident about their wines, regions and local production, what explains its high consumption rates. Despite of the economic downturn in 2007, the regional and the table wine – category of wine relevant for this study - have benefited from it.

Market Dimension

The Portuguese market, in terms of wine consumption, and despite a slight decrease both in volume and value in terms of 2010, reaching 497 million liters and €2.7 billion[31], respectively, it has always shown stable values. In fact, it is expected to grow 1% in total volume, reaching 503 million liters in 2015.

According with the latest updated of the Organização Internacional da Vinha e do Vinho (OIV), Portugal is, as France, Italy and Spain are, located in the top five world rankings for wine consumption per capita. (Exhibit 2)

Trends in the sector

Our industry is clearly in a perfect competition. Buyers (consumers) have a great diversity of products from what they can choose, experimenting a great freedom in the product choice. In 2009, there was a clear cut in the market demand for the wine segment offer. As consequence of the crisis that we are living in, which contributes to the decrease of non-essential goods' demand, like this one. Consequently, the low-cost segment has been gaining value among the Portuguese people; producers are starting to overcome this slump by selling wine below 3€.

Enoturismo, also known as wine tourism, has become a very popular activity in Portugal which besides bringing extra revenues to the producers by direct-selling, it also promotes the wine itself and the brand. This tactic was the pathway that wine producers,

[31] Source: Euromonitor Global Market Information Database

specially the small ones, found to diversify its business taking advantage of the vineyards and the region's wine-making history and attractive qualities (Scherrer, Alonso and Sheridan, 2009).

The wine become part of the choice of natural healthy foods in 1991, when Serge Renaud, in the program 60minutes of the American channel CBS, launched the Paradoxo Frânces32. Renaud noted that although the French eat a diet rich in facts, when comparing with other populations, the mortality rate would be lower for heart disease, which could be explained by the consumption of red wine.

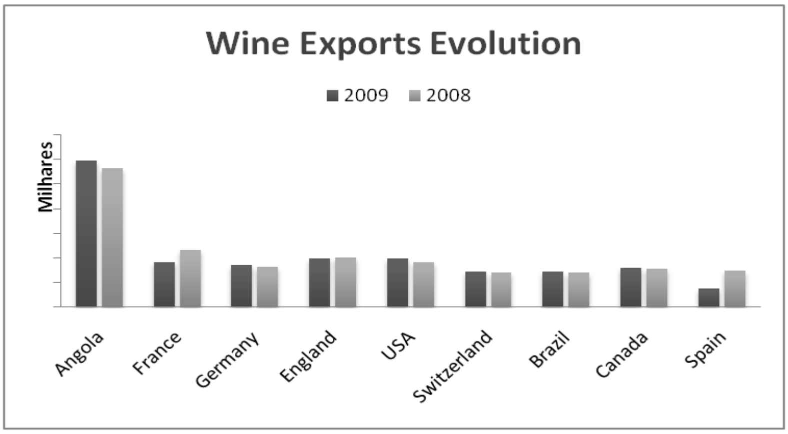
Competition

According to Synergyst 2006's market research report, the worldwide wine industry has become more and more sophisticated over the years as it is more internationalized and fragmented. Such dynamic market has several players such as France, Italy and Spain that despite of leading the ranking of global wine production, have suffered with the changing patterns of consumption of the Western European. (Exhibit X- Worldwide Production)

Portugal was also affected by these changes. Nevertheless, in 2010, it managed to increase its exports in 16% reaching a value of 649.10 million, which that had never been reached before. According to a research by Nielsen, few foreign wines are sold in Portugal plus nearly half the Portuguese have never bought a foreign wine. They do not trust the quality of the wine and are basically more expensive than the Portuguese ones - figures stand for it (exhibit 3). Spain, however, revealed a raise in its exports of nearly 10% representing € 1,920 millions.[33]

[32] *Paradoxo Francês*: The study also indicated that a higher consumption of wine corresponded to a lower death rate from heart disease
[33] Source: *Observatorio Espanhol do Mercado de Vinho*

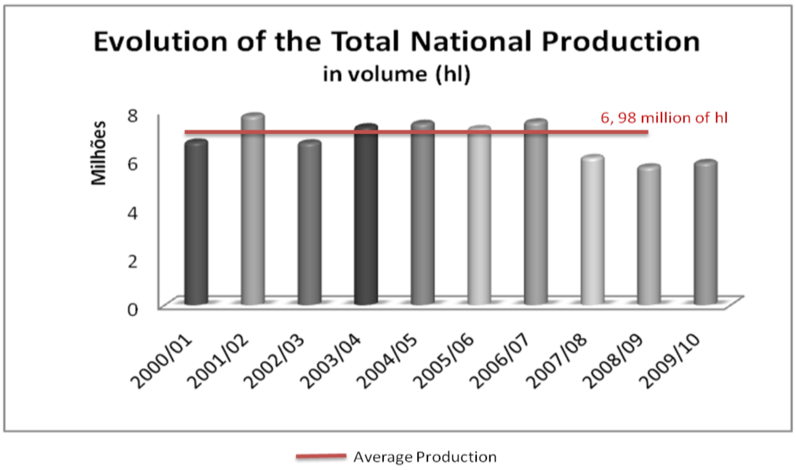
Graph 1 - WorldWide Wine Exports



Domestic Production

With *240,000 ha* vineyard planted in 2007 (exhibit 4) Portugal is responsible for, on average, 6,8 million of hl over the last three years throughout the different regions, Portugal stood out.

Graph 2 – Evolution of the Total National Production



Source: Own elaboration based on IVV data

Legislation:

Description of some institutions and legal bodies that regulate, promote and represent the sector: **Instituto da Vinha e do Vinho:** *IVV, IP is responsible for coordinating and monitoring the institutional organization of the wine sector auditing the system of quality certification; to monitor EU policy and prepare the rules for its implementation, as well as participate in coordinating and overseeing the promotion of wine products.*

Organização Internacional da Vinha e do Vinho: *OIV in 2001 replaced the International Vine and Wine Institution. It is a worldwide governing body of scientific and technical aspects related to wine products, wine, beverages based on grapes and table wine grapes. It aims to standardize best practices in wine, winemaking and Law and Economics among member states, including Portugal and most major world producers, with the exception of the USA.*

ViniPortugal: *ViniPortugal is an inter-professional association with the objective of promoting wines, spirits and vinegar in Portuguese domestic and international markets as a target defined by its members.*

II. Brief Firm Description

Foundation

In 1834, Mr. José Maria da Fonseca went to Azeitão to collect a debt from its business in the tobacco monopoly and in that specific moment, he felt in love with the region. The payment of this debt was done in genesis, in this case land, which part of it was being already used for wine production.

Mr. Fonseca, which had no background or interest in wine production, but rather a degree in mathematics from the University of Coimbra, felt immediately in love for that region. He started to study how to benefit from that land; how the vineyards where planted and how far could the vine-stock be in order to maximize the sun exposure and therefore productivity. His eagerness on finding a new and more efficient method to produce wine was the starting point of the company.

In that time, the use of plow, for a country that was living from cultivation and manual labor, has brought innovative and essential concepts to the wine industry. Currently, the first bottling system of the company (4machines) which it is now exposed in *Casa Museu*[34], is remembered and explained as "…*if we go back in time and look to this machine, basic and rudimentary, that has a bottling capacity of 240 bottles per hour… it was already a very advanced technology and we are talking about 1850…nowadays everything is automatic…"* (Carla Rebelo - Casa Museu tour).

[34] Place where the company was founded and currently is the company's museum. Allows the public be familiarized a little better with JMF's history. The visit starts with a brief explanation about the company's history, followed by a visit to the Wineries: Adega da Piriquita; Adega dos Teares Novos e Adega dos Teares Velhos.

The dynamic and innovative personality of the founder is what is now seen as the solid foundation of the company José Maria da Fonseca (JMF), which was named after him. Mr. Fonseca not only implemented an efficient system to produce wine, but he also started to sell wine through a different and pioneering method – bottle instead of barrels. This process stemmed from two different ideas: first, he believed that the quality of the wine sold in barrels might be jeopardized during the process of extraction until the end user, while the bottle would guarantee no variations in terms of quality or taste of the wine produced in José Maria da Fonseca; second, from a marketing perspective, the bottle was a stronger channel to communicate the brand.

The period that extends from 1834 until 1884 the death of the founder, is marked by its powerful personality and entrepreneurial spirit that made domestic sales increase as well as exportation. This success, allowed in 1850, José Maria da Fonseca launched the first Portuguese table wine – *Periquita,* followed up *by Palmela Superior* (1866) and in 1849 *Moscatel de Setúbal.*

Brazil: Boom and Recession

From the beginning, the company relied heavily on international markets and in fact this relationship was what held the company in a period known for a leadership crisis. The daughter of Mr. Fonseca had no interest in the firm's business therefore it had to be sold to its cousin.

Strengthening the partnership with the Brazilian market was what led to overcome this crisis of succession and even leading to the opening of a new office in Rio de Janeiro. Brazil represented almost 90% of the company's sales and it is described by the current JMF's Marketing & Sales Director as *"…the Brazilian market was the driving force of the company during the second cycle of our history…"* However, the economic depression of the 30's induced a crisis in the production of raw materials in Brazil, which proved to be catastrophic for the company due to its market-dependency "…*Getúlio Vargas*[35]*, who was then supported by the South America's farmers, banned the import of wine in Brazil, which were not good news for the company"*. The company was no longer in condition to sustain itself and was forced to diversify and seek other ways to create value.

[35] President of Brazil with two mandates: 1st - 1930 until 1945 and 2nd 1951 until 1954.

Contrary to what any other company might do in a situation of imminent bankruptcy, laying off half of the staff, José Maria da Fonseca managed to stay with its team by reducing wages and people's working hours so that "…*during ten years, the company faced a difficult period."* (Antonio Soares Franco)

Lancers – The comeback

It was only at the end of World War II, that the company started to show positive results again. It was Henry Behar's visit to the company's vineyards that gave a fresh clean air to José Maria da Fonseca. *"The consumption of wine in the U.S was too expensive and for a niche market… he believed that with the end of the war, the thousands of Americans that were in Europe would return to their country with European consumption habits…. Henry Behar was a visionary man, who thought that wine consumption, Rosé in specific, would be democratized in the U.S…*" (Antonio Soares Franco). He had found the wine producer that would make its vision, reality.

Given that the company was already producing a rosé wine – *Faísca*, a success in the domestic market created by a great winemaker, António Porto Soares Franco, graduated in Montpellier; it was only necessary to fit it with the required characteristics, sweeter and with gas. As a result *Lancers*[36] was launched, reaching in the late 60's to one million of boxes sold in the U.S market. The strategy in this period was to consolidate the company around the brand – *Lancers*, instead of a market as it had been previously.

This exponential growth, forced the company to get new wineries and bottling facilities that was only made it possible, through the joint venture with HueBlein, a company of American beverages that owned 49% of the facilities and the brand [*Lancers*]. This was also a financial support to the creation of new brands and products: *Branco Seco Especial* in 1945; *Terras Altas, Branco Velho* and *Tinto Velho* in 1959.

Strategic Markets – Investment, modernisation and expansion.

During the 70's the company went through another period of instability, this time due to a lack of confidence in the Portuguese economy aggravating both the mortgage interests as the cost of debt. In that time, to eliminate the company's insolvency, the only viable solution was to sell to HueBlein, JMF's participation in *Lancers* (51%) in order to reinvest in their business.

[36] Owes its name to a Velasquez painting – Las Lanzas.

The company, which was already headed by its current leaders, António Soares Franco and his brother Domingos Soares Franco, started to give more importance to its other brands and investing in the modernization of the equipment and throughout the winemaking process. Furthermore, JMF purchased *Casa Agrícola José de Sousa Rosado Fernandes* (em Reguengos) and the *Vinha Grande de Algeruz* (em Setúbal), allowing it to outline a new strategy - new markets and new brands.

In 1996, José Maria da Fonseca had the possibility of buying back the brand *Lancers* from the multinational IDV (previously HueBlein), which had a new strategy focused on marketing and distribution rather than production.

From this moment on, JMF gained the extra capacity needed to be able to respond to the increasing demand in such dynamic industry. With one of the most modern wineries in Europe, with a capacity for fermentation 6, 5 million liters of wine the company became a competitive player. Nowadays, the company follows this exact strategy, *"...our current strategy is to bet both on Lancers and on our other brands; focusing on exportation and make the most of our facilities and the wine cellar…"* (António Soares Franco, Marketing & Sales Director).

JMF is now one of the leading wine producers in Portugal and the largest exporter, with about 80% of its domestic production being sold worldwide (fifteen countries, more precisely). According with Diário Económico (21-01-11), the company produces in three different locations – Azeitão, Palmela and Montijo - around eight to nine millions of liters per year with a volume of €24 millions.

Nevertheless, not all wine companies have been successful during the years, which lead us to believe that there are no unique techniques in this sector to thrive. Undoubtedly, the fit between resources and capabilities will assist the firm to create value and therefore competitive advantages in such dynamic industry.

III. Firm's competitive advantage

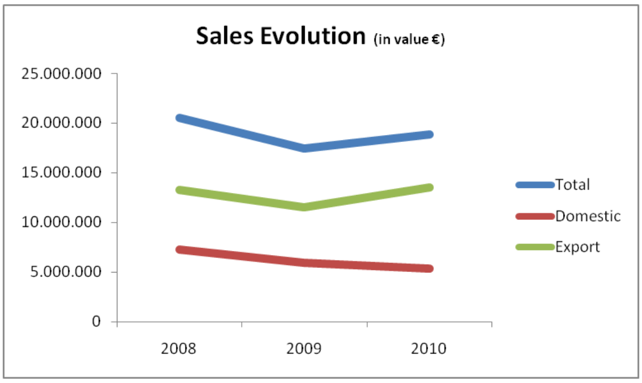
With about 28 000 annual visitors to José Maria da Fonseca's wineries, the firm is able to differentiates itself from its competitors.

"*…our stance is to bet on visits to the Casa Museu. For a client, seeing a bottling line for a white or a red, a water or a cola is the same... we chose to display our historical part, keeping the tradition of the wineries, gardens, spaces... unlike new* *companies, who choose to show the modernization part, we opt to transferring the tradition to the client, thereby creating a stronger bond…*". (Carla Rebelo)

Today, the company is seen as a reference in international and national markets as the producer of the year and as a high-quality brand. The vast product-range of the company also confers the ability to adapt to different situations and satisfy different segments of the market.

The total sales of the company in 2008 were approximately €21 millions. In the following period it presented a slightly decrease, but in 2010 it managed to recover increasing the total volume of sales to 7.567.434 liters and almost 80% of it are primarily to Sweden, Brazil, Italy, USA, Netherlands and other countries (data provided by JMF).

Graph 3 – JMF's Total Sales Evolution



In 2009, the company faced a sharp drop in sales because its international buyers had overstock, hence decreasing the quantities ordered. This event, added with the financial crisis that we are living in, affected the overall position of the company but never compromising the products' quality or the delivery times.

Brazil and the north of Europe can be hold responsible for the majority of Periquita sales since they are the largest markets for this product. USA, Italy and south of Europe with the brand Lancers, are other markets that also have an imperative significance in JMF's sales. According with the latest information[37], Italy in 2002-2004 was the country which stood out in terms of Periquita sales, representing 11%; followed by the USA (9%), Sweden (8%), Denmark (8%), Spain (8%), Brazil (5%) and Norway (4%).

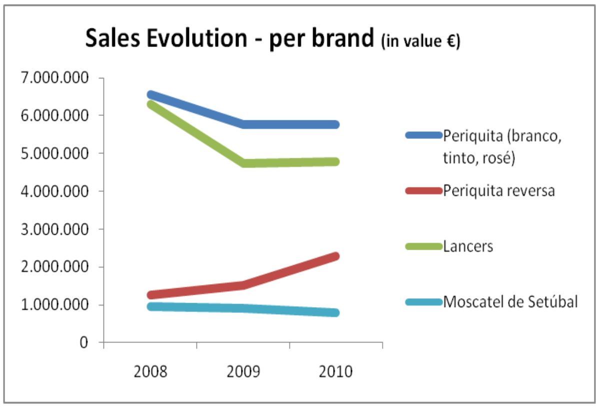
[37] Meios & Publicidade: *Vinhos investem lá fora* (4 de Novembro de 2005)

Currently, JMF produces 45 different brands of wines (white, red, rosé, sparkling and *generosos*), which are divided in four different categories: (i) *Grandes Marcas; (ii) Premium; (iii) Super premium* and (iv) *Generosos e Licorosos.* (Exhibit 4)

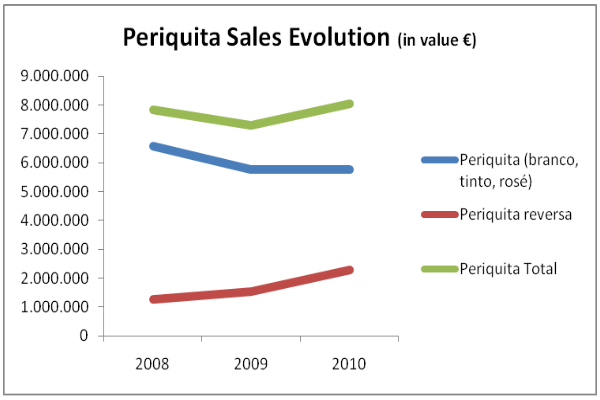
> *"... the healthy interaction between the ancient and modern, among the precious bottle of Periquita 1858 and the newest of all releases, including the volume of wines, for the quality/price relationship and the wine "connoisseur", JMF is elected by the WINE – A Essência do Vinho magazine as the Producer of the year in 2008."*[38]

Among the company's portfolio, Moscatel de Setúbal (1849), Periquita (1850) and Lancers (1944) are the ones that stands out representing, respectively 4%, 31% and 25% of the 2010 total sales. In graph 4 and 5, we can see the evolution of the company's sales in the past three years.

Graph 4 – JMF's Sales Evolution – per brand



Graph 5 – Periquita Sales Evolution



These brands are already well integrated in the international markets with a great reputation. The product itself might not be difficult to copy, when comparing with the brand itself (the wine's brand and the producer name) that has been developed since the beginning. JMF's marketing & sales director stated:*"...make a wine like Periquita is not a complicated task; however, the difficult part is to create prestige around the product and introduce it in the consumers' mindset..."*

In this sense, any competitor that decides to enter in this market with a new brand to compete directly with JMF's top brands, it will find difficulties to duplicate this achievement, since building from scratch a successful product it is easier said than done.

[38] Revista Wine – A Essência do Vinho; 1-02-2009

At this time, JMF is studying its business opportunities in BRIC markets – Brazil, Russia, India and China as a solution to overcome its insolvency of €18 million. Due to the vulnerable situation that we are living in the domestic market, the CEO António Soares Franco mentioned to *Diário Económico*[39] want he wants "…*continue to grow out there and …be in markets with large potential ate the right moment"* also because *"…a company cannot survive by just selling wine under two Euros…"*.

According to what was declared by António Soares Franco, one of the most remarkable takings of the company is the business networking that has been built and reinforced since the first wine commercialization done my Mr. Fonseca and goes by generation to generation.

"…it is a wine business but is essentially a people business…"

The fact that the company's directors have a personal relationship with the owners and distributors of the U.S. and Brazil or the importers in Sweden and Norway brought value to the company.

"…No other wine producer in Portugal has such connection and it is a relationship of trust built over the years, which new entrants will not be in condition to have."

Regarding, the distribution, it does not follow a specific pattern. In fact, each case is a different case as explained by the chairman of the JMF's board; whether it is a long-lasting relation or it is through new connections from the national and international fairs; it is market-oriented. (Exhibit 5)

"*For each international campaign, we appeal to different publicity agencies, always in accordance with the product features or brand and our objectives in terms of communication and sales."*[40]

In what concerns the customer relationship management, JMF has been following a new strategy from the past four months. All the communication is now done internally rather than by an agency; which proved to lead, in JMF, to higher sales. Sofia Soares Franco and Miguel Remédio are the ones responsible for building brand awareness and increase customers' loyalty once they control the majority of the promotion channels.

[39] Diário Económico: *José Maria da Fonseca aposta nos BRIC para recuperar a empresa*. 30-11-2010
[40] Meios & Publicidade: *Vinhos investem lá fora (*4 de Novembro de 2005

"…after receiving feedback from some clients and journalists, we decided to no longer hire an outsider [advertising agency]… consumers prefer instead, having a direct contact with the family and employees where the response is immediate. With only four months of experience, we are happy and receiving positive feedback; …still present in the media business and we even got a piece in the Telejornal da SIC…"

To reinforce this relationship one of the most common strategies of the company, is the participation in different fairs (Exhibit 7) in order to promote their wines in outdoors markets through advertising, public relations and point of sale actions. JMF was one of the seven largest Portuguese wineries joining the G7[41] in order to promote and divulge together their products to the main export markets; amplifying therefore the company's networking. This worked as a bridge to JMF's future involvements in international fairs; to boost brand awareness and to increase sales.

JMF soon began developing different skills around customer service through public relations in order to enhance loyalty and community around its consumers. Indeed, they were the first Portuguese firm doing wine tourism and tours to the wineries. In 2007, the company followed a new strategy by changing the name of the department to *Enoturismo*, creating new services and improving the old ones and deals with corporate events, wine tastings, visits to the cellars and wine courses. This new trend aims to create brand recognition; this way the consumer will remember the experience it have had and either at the supermarket or at a restaurant, it will choose José Maria da Fonseca.

"The wine tourism is one of the cheapest marketing weapons. It has preservation costs… but tiny costs when compared to the impact it has among those who visit us… even further, if it is a pleasant and successful experience, which we think so, it will be quickly spread to friends and family…"

The concern of bringing to the market products with good quality and yet at competitive prices, is also a must for the company and it is assured by its department of quality. Both customer service and product quality are considered as factors that give rise to JMF's competitive advantage. It is not by chance that *Revista do Vinho* (2010) reinforces the quality/price relationship of the company.

"…this classic Portuguese red has actually gone down in price in the many years I have enjoyed it. It has been made since 1850 on the José Maria da

[41] G7: Aveleda, Bacalhoa, Caves Aliança, Caves Messias, Esporão, José Maria da Fonseca e Sogrape

Fonseca …it's difficult to think of any other wine with such a history, such distinctively local character and such low price".42

As a result, the origin of JMF's competitive advantage can be described as both development and consolidation of the two strongest and oldest brands of the firm's portfolio – Lancers and Periquita. These two brands were the ones that boosted the company's name and allowed it to establish such business networking, always involving personal commitment and passion of all JMF's members.

The creation of value over the years by Periquita and Lancers followed different processes. Thereby, the competitive advantage that is accountable for 56% of the firm's total sales can be described as:

- **Periquita**: Launched in 1850 by the founder Mr. Fonseca it is the oldest table wine brand in Portugal and the most Portuguese red wine sold abroad. Accounting in 2010, for 31% of the total company's sales and 42% of the company's export, in terms of volume, has an average selling price in the last three years of 21,58€. Recently, some brand extensions came out in order to consolidate the original brand: Periquita Branco (2004), Periquita Reserva (2004) and Periquita Rosé (2007).
- **Lancers**: Coinciding with the end of the 2nd World War, Lancers was launched in 1944 and since then it has became a successful product in the U.S market selling almost half a million of boxes. With an average selling price of 18, 81€, this brand, in 2010 represented 25% of JMF's total sales.

The main events that contributed for the current situation of the company are described in exhibit 7.

IV. Development of JMF's capability

The strategic positioning that JMF has nowadays has been conquered over the years, based on the vision of the company's founder and by those who continue to follow it today: "*…after the 25th of April, the thought of nationalizing the wine companies was in the air... my father, the current CEO, once said, and I think of it as a good example of competitive advantage... "...if you want to nationalize José Maria da Fonseca, we can leave to Chile or Argentina where we have credit to produce wine… and began selling wine to our customers around the world, whereas you will be staying here bottling*

[42] From JancisRobinson.com – *For people who love good wine*

water". I think this thought changed the perception of those who were leading the country at that time…and wine companies were not nationalized." (JMF's marketing & sales Director) Always operating in the same industry without ever merging with large economic groups, JMF, *"…is today an unusual case of longevity at national and international level…"*[43]

Mr. Fonseca is now considered as the first Portuguese wine marketer for bringing the concept of branding in the sector with Moscatel de Setúbal and Periquita. He was always seeking for the best for its firm and was obsessed with quality, which meant that the final product would be worthy of paying: *"…always searching for the finest suppliers around the world… he ordered the labels to international artists, the corks were custom made and the bottles were manufactured in France or England…"* (Sofia SF) This constant need and hunt for quality allowed JMF discovering new international markets and opportunities, hence to establish a solid network of exports. This set of connections not only helps the company surviving to delicate economic periods, but it also provides distinctiveness to JMF's brands abroad.

Periquita (1850)

"Periquita has loyal consumers, being known as the lord of wines and always as a safe and reliable choice."[44]

The brand awareness that Periquita managed to set up since its launch in 1850 was achieved through a deployment of several actions. The idea of its creation resulted from the combination of two different grapes: *Castelão* – from Ribatejo and a slightly percentage of *Trincadeira* – from Setúbal.

Mr. Fonseca started producing both red and white in his property – *Cova de Periquita* in Azeitão, where he planted this famous variety of wine *Castelão*. Suddenly *"… all the farmers nearby, began requesting him courts of Castelão to plan on their lands… they initiated the production calling to the courts, Periquita instead of Castelão, based on the success that the brand already had… inducing to error by calling the product and the brand the same name, as it happens nowadays between Gillette as a product or as a brand… however, it helped promoting the brand. Nowadays, Periquita has been registered as a brand and no other producer can use it."* (Antonio S.F.) Mr. Fonseca's

[43] Vinhos.online.pt: *"A memória do vinho", 17-03-2007*
[44] Vinhos online.pt: *"Periquita – 150 anos de alma portuguesa"*; 28-02-2000

perspective brought a new and revolutionary era in the wine sector by defending that: "…*the commercialization of bottled wines will prevent any tampering and will sponsor the brand image in your home. Never forgetting the quality of the product, he also foresaw the benefits of the brand image to the company, investing on the customization of the products."* Periquita soon revealed to be a national success being recalled as the oldest Portuguese table wine and one of the first bottled wines in Portugal, along with one of the most awarded product of the company's portfolio.

Mr. Fonseca had previously established powerful international business relationships in the late 90's and the brand was quickly introduced in the Brazilian marketplace. In 1881, this was already one of the most important segments for JMF and represented a significant percentage of its sales (90% to be more precise) as it still is today. This exponential growth brought the possibility of opening a subsidiary in Rio de Janeiro that had to be closed some years after, as a consequence of the economic recession of the thirties. In this period, the company was under the guide of José Maria da Fonseca's cousin *"…though she did not have the strength of the founder, she took advantage from the exponential growth of the Brazilian market becoming the driving force of the company in the second cycle of our history…"* (António S.F)

The Great Depression seriously affected the company, staking the Periquita exports at risk for Brazil in the first part of the XX century. Nevertheless, the continuously bottling process in 1938 supported brand prestige, which gave rise to the rebuilding and enlargement of Periquita markets. From 1950 to 1970 the domestic consumption was the engine of the brand. Only on the fifties of the twentieth century, JMF surpass this constraint ahead with*"... at that time, we had a good relationship with Diageo*[45]*in several markets, and we convince them to start exporting our brand Periquita to the Brazilian market… they had indeed done an excellent job, exporting the product to numerous markets and rebuilding the brand in Brazil."* (Antonio) On the other side, with the sale of J.M. da Fonseca International in 1985, the firm recapitalized its vineyards and renovated the winemaking process, acquiring new equipment, making it possible to increase production.

The brand was initially thought as a brand for prestigious occasions and in order to honor all of those who propagate and spread Periquita, JMF created in 1993 the

[45] World's leading Premium drinks business of international brands of spirits, wine and beer.

Confraria da Periquita. The main goal was to "*promote the tradition and prestige of the wine concept and at the same time the brand itself; spread the natural characteristics of the flavors and provide moments of pleasure and glory to all of its lovers"*[46]what facilitates establishing the brand as a reference at national and international level. As a result of the brand dynamism supported by its price/quality relationship, Periquita sales reached in 1999, a record of 300.000 boxes of 9 liters gaining loyal drinkers every year from all over the world.

With about 165 members in the *Confraria*, including international celebrities like Fafá de Belém, José Maria da Fonseca celebrates every 31th of March the birth of the founder with different events and awards, not only for its members but also for the public in particular.

> *"…JMF prepared a series of events aimed to rise the last 150 years of the company's history, with wines of a national reference. A book, a sponsorship for exhibitions, a golf tournament, a formal dinner, an internet "quiz" and an award for the first José Maria da Fonseca winemaker offering a Master for the best graduating student of courses in enology or viticulture."*[47]

Periquita has been present in several wine fairs, as stated previously, with a significant success in sales. In 1888, Periquita 1886 received the gold medal in the *Exposição de Vinhos de Berlim* and in 1940 is awarded once more with a gold medal in the *Exposição de Vinhos de Lisboa*; increasing its international reputation. Yet again in 2010, Periquita Branco 2009 was prizewinning in one of the most important wine contests *Berlin Wine Trophy 2010* in Germany.

Periquita is described by the company as a brand with a capacity of renewal and modernity that can be linked with its adaptability to go after the consumer and seizing for new opportunities in the market. The table below illustrates the brand extensions that José Maria da Fonseca has been made over the years.

Fig 1 – Periquita Brand Extension

Year of Release	Brand	
1970	*Periquita Reserva*	*A blend between the true tradition and a vision for the future. (Vintage grape)*
1997	*Periquita Clássico*	*Recreates the style of the wine thirty years ago.*
2007	*Periquita Rosé*	*Offer the same value that Periquita consumers have been experiencing.*

[46] Periquita Website: http://www.jmf.pt/periquita/index.html
[47] Vinhos online.pt: *"Periquita – 150 anos de alma portuguesa"*; 28-02-2000

The current marketing and sales director describes this strategy as a way to*"…in order to increase sales and diversify our portfolio; taking advantage from the strength of the Periquita brand to have other consumption opportunities, enlarging our range of consumers; … it is totally different if I am producing a Periquita Reserva rather than a XPTO Reserva. … The main idea here is for those who are used to drink Periquita in their daily life, have the possibility of drinking something better in a more social occasion."*

Lancers (1944)

"Born in a period of historical change, Lancers still is a symbol of socializing and relaxation among friends."

The turning point in the company's business after the crisis in Brazil was only in 1944, with the release of Lancers. Described as a "*happy meeting"* between a wine – Faísca that was already being produced by the company and Henry Behar's visits, who proposed the launch of a pink wine in its country (USA), managed to conquer a status either at national and international level. This type of wine had been well accepted in the domestic market since the thirties and was able to cover the North-American market in the mid-60.

The unique and distinctive bottle of Lancers, that has been changed seven years ago (Exhibit 7) also boosted the anxiety around this wine. With a bold design for that time, it continues to match the consumers' requirements representing in 2010 almost 90% of the domestic sales and 35% of the international ones. *"Today it still preserves the iconic shape …although the original bottle, painted glass has been replaced in some markets, for a new model in frosted glass, which lets you see the color of wine…"*[48]

When, in 1996, JMF owned for the first time the brand Lancers, its capacity and sales increased exponentially, forcing the company to invest in the wineries and in the wine-making center. Later, in 2009, the recent brand - Lancers Free Rosé – was launched. Heading for the growth stage is already a success on international markets. This brand renewal not only seeks to build brand preference and increase market share but it also aims to reach new markets and consumers. This alcohol-free wine, the first launched in Portugal, accounted for 1% of JMF's total sales in 2010. The origin of its creation was due to the ongoing health concerns of the population; with only 0.5% of alcohol it was

[48] http://www.jmf.pt/lancers.html

launched under the motto *"… a wine that can be drunk without fear of side effects and with fewer calories"* (JMF Press Release, 2009)

Grape cultivation and production techniques

The innovation on techniques in the production of wine and on grape cultivation is a capability which supports JMF's national and international success. Acknowledged as the *"… innovative pioneer in techniques of cultivation and manufacture of wine, José Maria da Fonseca has, since 1840 the earliest references to wine exports…and the first signs of recognition across borders."*[49]

Mr. Fonseca played a major role in the wine culture in 1850 bringing to the Portuguese wine culture different production methods and continuous concerns about quality. Not only was the implementation of a bottling system, but also the brand image that was being transmitted to the customers, through a different method, that leveraged the company's name.

> *"…wine was now sold in bottles and not in barrels… in the beginning, when there were no labels for the bottles, Mr. Fonseca wrapped them in paper and wrote out the name of the company, the year of the harvest wine and the name of the wine, better communicating the brand;… our first bottling process had a capacity of 240 bottles per hour..."* (JMF's Guide Tour)

JMF had also enhanced techniques of wine growing by planting them straight – a technique known for *"espaldeira"* - maximizing the use of the land.[50] It was often said that farmers were the best wine producers, but in this case, the mathematician José Maria da Fonseca was the exception and capable of giving strength to the business. Furthermore, the firm, by producing the most famous wine sold in the USA – Lancers (1 million of bottles/year), faced a problem of capacity that was only surpassed with the joint-venture with Heublein allowing José Maria da Fonseca building the *Centro de Vinificação Fernando Soares Franco* with a current capacity for 6, 5 million liters. *"…for both winemaking and bottling processes, which were extremely technology advanced at the time…"* (JMF's Marketing & Sales Director)

The newest acquisition added to the company's fixed assets in 2009, was a machine that removes the alcohol from the wine enabling the launch of Lancers Free Rosé. Therefore, the controversy is thrown again, revolutionizing once more the wine sector.

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[49] Vinhos.online.pt: *"A memória do vinho", 17-03-2007*

[50] *Espaldeira: a* wine planting process with frames made of poles, with two or more wires and a structure of fence came flourished the wine industry.

"*This beverage creates biases in the minds of wine lovers when they open a bottle. But if I serve them a glass of this wine on a tray at a low temperature and, without telling them what it is, nobody realizes that is drinking wine without alcohol.*"[51]

Exhibit 13 – Interview Guide

---- Why I am here ----

My objective is to write my master thesis around the development of a case study. I am expected to choose a Portuguese company that had developed or has been developing resources/capabilities in order to gain competitive advantage in such dynamic environment.

With the help of José Maria da Fonseca, I propose myself to, first, **identify and analyze the specific resources** that the firm has that are in the origin of the competitive advantage and how they were developed and why were necessary. Later I will examine how the possible **sources and techniques developed by JMF are or can be used to create and capture value** in the wine industry.

The objective of the case-study is **not to show good or bad decisions** (there are no value judgments), but to show the company's strategy and a set of possible perspectives, without ever making a final decision.

I hope that JMF is as pleased as I am in developing this case study during these months.

I appreciate the support and availability that JMF will give me and I would also like to emphasize the importance of having several meetings with different workers of the company in order to augment my case study.

I assure confidentiality in all the information and data that I will be provided and if no respondent objected and if it is not against the company police, I would like to record the interviews.

---- Questions ----

[51] Assured by the CEO in DN Economico: *Vinho sem álcool exceed objectivos* – 30 Outubro 2009

<u>Brief summary of the company</u> (1834)

- How was the idea, originally, developed? From where and how did the inspiration come from?

- Which were the main strategic moves and directions that the company followed over the years?

Why did it happen?

How did it happen??

What has changed during the process? What were the consequences?

- As Director of … what have you learned with these changes and how were they installed internally in the company?

- How were the techniques of production created and developed? It is all produced in-house?

- How does it work the process or set of activities from the product until reaching the end customer?

- Participation in national and international fairs. How did the opportunity appear?

- What type of market research's studies was done for the brands' launch?

- How does the company manage to get close to its customers?

<u>Competitive Advantage</u>

- Currently the company's competitive advantage relies on what? How do you describe them?

- How were they created and developed? What helped to develop these capabilities?

- Which set of resources have given rise to these capabilities?

<u>VRIO Analysis</u>

Evaluate the resources individually according to the following criteria: valuable, rare, inimitable and difficult to copy.

The source of competitive advantage stems from the way a company organizes, internally, the package of resources.

Valuable: it creates value to the company;

A, B, C… Resources	Valuable	Rare	Imperfectly Imitable
1.			
2.			
3.			
Capability X			

Dynamic Capabilities

Dynamic capabilities: skills, processes, procedures, organizational structures and/or rules on the decision making process that enables the firm to detect opportunities, through the reconfiguration and adaptation to environmental changes.

Extra Information

- Shareholder Structure;

- Sales Volume, Net Income, Sales Evolution – last three years;

- Domestic sales (25%) and international (75%)

- Number of employees or years of service;

Would you like to add any other relevant information?