JERÓNIMO MARTINS DISTRIBUIÇÃO

ARE MATURE EXPORT MARKETS ADRESSABLE?

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ABSTRACT

Title: Jerónimo Martins Distribuição: Are mature export markets addressable?

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The main goal of this research is to uncover the main challenges of the export business, mainly in the perspective of small-country companies, like the Portuguese, and potential resolutions, in order to excel the development of external markets, namely mature and / or non-affinity ones. Mainly through the insights of the major exporters in the Portuguese food industry and associated government entities, the main conclusion of the study is that likely, previous strategies deployed in emerging / affinity markets will not suffice. Because in mature markets competing in price is tough and because the Portuguese national brand still means little abroad, the study concludes that companies need to find new sources of competitive advantage: from product differentiation and targeted portfolio adaptations to intangibles like hospitality and strong international brands. In order to conquer these, companies should acknowledge the required investments of this activity, to build own knowledge on those markets and their consumers, in building proximity bridges with those markets, and in re-adjusting the organization to the new business objectives. Having this in mind, the definition of priority markets and resilience in the application of the delineated strategy is of outmost importance. Lastly, the study concludes that strategic partnerships, own-nation collaborative strategies or even private-label production are all viable solutions to face the limited financial resources, usually characteristic of companies with origin in countries with small internal markets.

Key-words: Portugal, exporting, competitiveness, positioning, mature markets

RESUMO

Título: Jerónimo Martins Distribuição: Será possível endereçar os mercados maduros?

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O principal objectivo deste estudo é explorar quais os principais desafios enfrentados, no negócio da exportação, por empresas originárias de países com mercados internos reduzidos, como as Portuguesas, assim como pensar possíveis soluções para o desenvolvimento de mercados externos, nomeadamente mercados maduros e / ou mercados com menor afinidade. Maioritariamente através de *insights* das maiores empresas Portuguesas exportadoras no sector alimentar, e de entidades governamentais associadas, a principal conclusão deste estudo é que as estratégias desenvolvidas para mercados emergentes / de afinidade não serão suficientes. Porque nos mercados maduros concorrer em preço é difícil, e porque a marca Portugal ainda significa pouco para o resto do mundo, o estudo conclui que as empresas necessitam de encontrar novas fontes de vantagem competitiva: desde a diferenciação e desenvolvimento de um portfólio adaptado aos mercados alvo, à promoção de factores intangíveis como a hospitalidade e o desenvolvimento de marcas internacionais fortes. Para isto, as empresas devem reconhecer o investimento necessário à actividade, para desenvolver conhecimento próprio dos mercados e dos seus consumidores e criar pontes de proximidade com os mesmos e em ajustar a estrutura organizacional aos novos objectivos do negócio. Assim sendo, a definição de mercados prioritários e a resiliência na aplicação da estratégia internacional são cruciais ao sucesso. Por último, o estudo conclui que parcerias estratégicas, associativismo ou mesmo a produção para marcas de distribuidor são estratégias viáveis para fazer face à escassez de recursos financeiros, característica de empresas com origem em países com mercados internos reduzidos.

Palavras-chave: Portugal, exportação, competitividade, posicionamento, mercados maduros

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LIST OF ACRONYMS

COO: Country-of-Origin

IFE: International Food & Drink Event

JM: Jerónimo Martins

JMD: Jerónimo Martins Distribuição Produtos de Consumo

PALOP: Países de Língua Oficial Portuguesa (Portuguese-speaking African countries)

SMEs: Small and Medium Enterprises

UK: United Kingdom

VCR: Vantagem Competitiva Revelada (Revealed Comparative Advantage)

PREFACE

First of all, I would like to express my sincere gratitude to Paula Hortinha, for the insights and opportunity to intern at Jerónimo Martins Distribuição, in the context of my Master Thesis, and to João Antunes, for the mentoring throughout the former and vital access to data. Secondly, I would like to thank Hugo Pedro and Tânia Costa, also for their perceptions of JMD's business and most pressing challenges.

Furthermore, I would like to thank Duarte Lopes Pinto, Sumol+Compal, Otto Teixeira da Cruz, Sovena, Lourenço Arriaga, Unicer, and Helena Bento, Gallo Worldwide in their corporate perspectives, and António Pires de Lima, Minister of Economy and Hélder Martins, AICEP in their irreplaceable governmental viewpoints of Portuguese companies' largest defies, in what regards exporting, and for sharing their views on the most crucial best practices to succeed in this business.

Lastly, I would like to thank João Simão Pires for his availability and patience, useful comments, remarks and engagement through the development of this Master Thesis.

The idea to write this thesis came from my deep interest in the Portuguese economy and how small-country companies can successfully compete in an increasingly globalized world. Therefore, despite being written from JMD's perspective and for the UK market, the following strategy aims to be transposable not only to other market entries by the company, but also to be representative to other companies emerged in the same price competitiveness, quality perception trap.

CASE-STUDY

Introductory Note:

For this case, the industry within which the company JMD develops its activity was named distribution, while the sale to final consumers was named retailing. The case is mainly written from a business unit perspective, rather than from a corporate one. All values were converted to euros at the exchange rate of 1,09 for American dollars and 0,72 for Pounds at 25/04/2015.

Jerónimo Martins Distribuição: Are mature export markets addressable?

It was the middle of February 2015 and Paula Hortinha, CEO at Jerónimo Martins Distribuição (JMD) and her export manager, João Antunes, were preparing the participation of the company in the International Food & Drink Event 2015 (IFE)([1]), to be held in London, United Kingdom (UK). The UK is one of the foreign strategic markets for 2015.

With the financial crisis of 2007-2008 hitting harshly the Portuguese domestic market, several companies began looking for new paths for their businesses, with export being one. JMD was no exception, as João explains:

> *'The economic crisis was an important milestone, pointing us towards the opportunities that existed abroad. However, we still had to consolidate our export portfolio with some new brands, to deepen our relationship with Portuguese suppliers but also to create less dependency on our current represented brands.'*

After a few years of export operations, mostly to Angola, and pressured by the recent instabilities in this market, JMD wants to become the reference Portuguese food distributor for the international markets. However, the company recognizes the underlying challenges: from the potential disintermediation; to the fierce competition that characterizes most mature markets that the company now wants to penetrate, to the general lack of knowledge on these markets or the difficulties in finding the right brands to represent. JMD's team will have to design a strategy for future expansions of its export activity:

(i) Which brand positioning to follow in markets or segments with lower affinity levels?

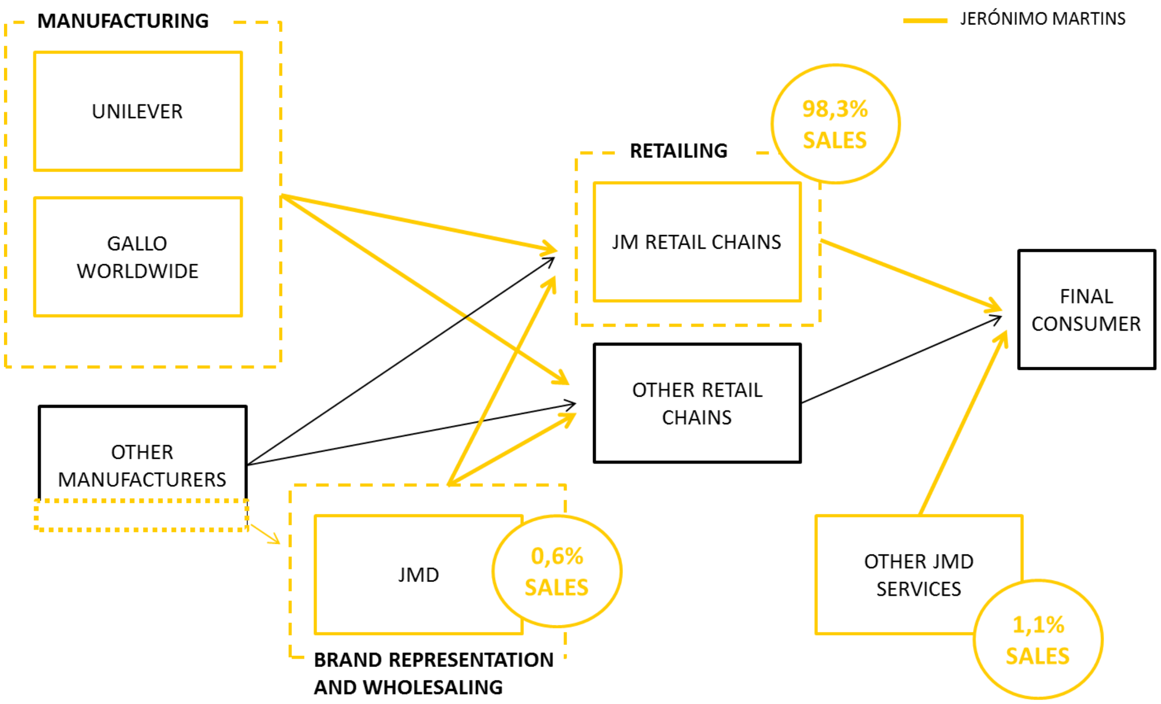
(ii) Who to target in those markets given the large market concentration?

(iii) How to, as a Portuguese company, escape the trap of most likely not being competitive enough to compete on price in these modern markets, and perhaps not having either, a national brand that grants a perception of quality that can sustain a premium pricing policy?

[1] IFE is UK's largest food and drink event where companies have the opportunity to showcase their products and network with industry representatives.

Jerónimo Martins Group

Founded in 1792, Jerónimo Martins (JM) is the leading Portuguese group in the food distribution sector. Headquartered in Lisbon, Portugal, and privately-held, its scope of activities ranges from manufacturing (through its joint-venture with Unilever and participation in Gallo Worldwide); to retailing, its primary activity, by holding its own chains of supermarkets; to a variety of services such as Marketing and Brand Representations (through JMD) and Restaurant services (through JMRS)(See **Exhibit 1**) [44]. Its core business can be illustrated as follows:



Jerónimo Martins Distribuição

Part of the services branch of the JM group, Jerónimo Martins Distribuição de Produtos de Consumo, created in 1985, is the largest and the oldest company in Portugal dedicated to the exclusive representation of major fast-moving consumer goods (FMCG) brands and its distribution, in the Portuguese market [47]. Already representing in Portugal 33 brands, from more than 20 companies, such as Heinz and Kellogg's, its international portfolio is composed by a large variety of product categories (See **Exhibit 2**) [45].

For each of the brands it represents, with the knowledge it possesses about the Portuguese market and the Portuguese consumer, JMD team develops a specific strategy for the market. That, coupled with the strength of the represented brands themselves, is the formula of success of the business. Proof of that success is the fact that several of these brands have been becoming market leaders in the Portuguese market, in a wide variety of channels, from hypermarkets to foodservice, the duration of several partnerships, which are more than three decades long, and the recognitions obtained in its industry. Represented brands consider JMD's local expertise, flexibility of the partnerships offered, as well as the innovation of JMD's approaches to the market its main competitive advantages [46] [47].

JMD is involved in several steps of the value chain [48] as represented below:

Despite not owing or producing the brands it represents, JMD constitutes the ultimate link between those brands and the major retail channels in Portugal ([2]), having a broad sales structure that, by visiting stores, is able to follow-up efficiently on its represented brands' performances [47].

Throughout the development of its operations, JMD also developed two private labels, Jerónimos and Jemar (in the meantime discontinued) [47]. Despite being a Portuguese brand, Jerónimos' portfolio (See **Exhibit 3**) is not (yet) composed of traditional Portuguese products, with several products even having international sourcing. Tânia Costa, Jerónimos' Brand Manager explains its positioning:

> *'Jerónimos is a brand with an attractive price-quality relationship. It has a large assortment in terms of categories as it has been developed based on a concept of opportunities: where we detect blank spots in the market, we come in. Besides, it has the 5^{th} largest gross margin in our portfolio among all represented brands, as we don't earn just the distributor's margin. However, until now, it doesn't have a brand concept. But being a brand associated with a large Portuguese group, we believe it can be a transversal brand that can act as an ambassador of Portugal abroad.'*

[2] To being able to sell to all of the retailers (own chains and competitors stores) without raising potential retail channel conflicts, JMD is run as a separate company, within the JM group. This is crucial to JMD's business, otherwise, sales of represented brands would be bounded to the share of the Portuguese market hold by JM's retail chains (around 24,5%).

Most recently, the company is also making efforts to become the reference partner for represented brands in the export market, already exporting products to 23 markets (See **Exhibit 4**).

The Export Department within JMD

JMD's export activity started in 2009, to the PALOP countries ([3]), with Angola rapidly becoming the primary export market (See **Exhibit 5**).

Angola, a former Portuguese colony, has been one of the fastest growing African economies, supported by its vast mineral and petroleum reserves, which made up, in 2008, 60% of the economy. After coming out of a lengthy civil war, in 2002, the country was in serious need for agricultural products and consumer goods [101], which turned Angola into a particularly attractive market for companies in process of internationalization. Portuguese companies were no exception, especially driven by the inexistence of language barriers and due to strong historical relationships ([4]).

It is considered the most successful market entry so far. First, few of the represented brands in Portugal had local representations in this market, therefore, granting representation rights easily to the company, which meant high exposure with minimum investment needed by JMD. Besides, JMD was able to target and develop expertise with organized trade, as several Portuguese expatriates were placed its purchasing positions of large chains. In addition, the fact that most Angolans are brand-seekers and the similarity of tastes between the Portuguese and Angolan market, as they wish to emulate Western patterns, made the current portfolio fit easily the market, without the need of material adaptations.

Driven by the Angolan success, JMD's ambition grew: being a product consolidator ([5]) [48] to a wider audience within the markets it was already in, and at the same time, prepare for future non-affinity market entries. Therefore, part of JMD's new project *'Levar Portugal ao Mundo'* (*From Portugal to the World*), in 2011, a export department composed by four elements was created, as a spin-off of the company's activity [42].

[3] PALOP countries are Portuguese-speaking African countries.

[4] In 2013, the number of Portuguese companies exporting to Angola already amounted to 9.000 [64].

[5] Shipping loads of products of different companies and brands together in assortments to its clients, to offer clients the ultimate convenience of shipping several products from a single supplier.

Paula explains:

'Recently, the company decided to invest in the export business, leveraging JMD's experience in its core business, and using its scale and solid financial position to help Portuguese companies export.'

It had two major goals [43]:

i) To serve as a vehicle for Portuguese companies that wish to export their products;

ii) To solidify existing partnerships, by providing further service to the represented brands.

In addition, the department was created as a motor of growth to the company which, in the context of the economic crisis, was facing declining domestic sales of -1,1% in 2011 [42]. Ever since the department was created it has grown (See **Exhibit 5** and **Exhibit 6**), being in 2014 already 6,4% of JMD's sales.

The selection of JMD's export portfolio

In order to select which portfolio of products to export to these new markets, the company analyzed the Revealed Comparative Advantage (VCR) of Portuguese products in several categories (See **Exhibit 7**), which led to a general portfolio for its activities (See **Exhibit 8**). One of the major goals of the creation of the department, explains Hugo Pedro, Key Account Manager for the Angolan market and working in the Export Department since its formation, was *'to grow through national, traditional products'*.

After that, the company only has to choose, from a pool of suppliers, where it is able to obtain distribution rights in the market, how to best fulfill its client's orders: these can be the already international represented brands (currently JMD only holds distribution rights to export the brands Guloso ([6]) and Mandarim ([7])); new suppliers identified to the export markets (See **Exhibit 9**); or its own private-label [48] ([8]).

[6] Tomato products brand.
[7] Desserts brand.
[8] As of 2014, the share of sales that Jerónimos represented in total export sales is 3%.

The selection of JMD's strategic export markets

So far, *'the starting point to select new markets has been the affinity to that market and the potential appetence for our products'*, explains João. After that, three other criteria are weighted: dimension of the market, risk factors and ease of entry (See **Exhibit 10**).

One approach now being used to test the markets it wishes to enter, gain some insights and win some leads, is through participating in food exhibitions in those target countries. João believes these events allow the company to get in contact with a wide variety of potential buyers, and most of all to 'breathe the negotiation and cultural environment of the market'.

The confrontation with the reality

With growth almost entirely driven by oil production, the Angolan economy soon became vulnerable to the recent oil price pressures: with the world price of oil down almost 50%, the country started seeing the influx of dollars diminish, therefore decreasing its purchasing ability [51]. In response to this, the Angolan government started to create barriers to the exit of capital [50], with almost instantaneous consequences to companies invested in the country: delays or suspension in payments for the services there rendered; decline of imports overall due to the reduction of internal consumption [51] or through the maximum quotes on imports enacted by the government [87].

Besides, Hugo explains:

> *'In contrast with mature markets, this is a type of market where everything is in its infancy: there are no structured operations, no planning, there is a lot of bureaucracy on the arrival of loads that increases exponentially the time products take to arrive to the client. Not to mention the country-wide corruption and instability that affects the supply, control and follow-up to this sort of countries.'*

In addition, the company realized how more dependent this market was making them on their international represented brands, where the weight of brands of national incorporation on export sales represented solely 14%, staying even below the average of 20% for the whole export operation. In the opinion of Hugo, even if attempted, reversing this would be hardly possible: despite the pros of having Portuguese expatriates in purchase positions, that also means that, in most cases, they already knew the products and could easily get in touch with Portuguese producers, disintermediating the services offered by JMD.

In this context, and because Angola constituted a lot over 60% of the overall JMD's export sales, JMD started to feel some pressure to diversify from this market.

The decision to target the UK market

Following the criteria previously outlined, the UK emerged as one of the best next steps: a way to increase penetration on a market where it is currently present, but where its presence is still residual and limited to the 'saudade market' ([9]), and a less risky pilot to test new target segments and future non-affinity entrances.

First, the UK economy is on track to become one of the fastest growing developed states in 2014, and the fastest growing among the G7 countries ([10]) [10]. It clearly stands out in terms of rewards from the majority of its European peers, if placed in a risk-rewards matrix (See **Exhibit 11**) and presents itself as a country with high a purchase power, where the company can benefit from an already organized retail market, and a small structure that JMD can easily follow-up.

This country emerges also in the context of the strategic move to the European market, given the ease provided by the Free Trade policy within the European Union. Within it, it is the one growing at a higher CAGR ([11]) in terms of retail food sales (1,5% between 2009 and 2013, compared to 0,6% and 0,5% to French and German industries, respectively) [68] and a market that is not a natural producer of the product categories that JMD wishes to export, like, for example, Italy or Spain.

Moreover, this is a market, on the contrary to some other, where Portuguese products might escape the cheap and low-quality stereotypes and benefit from a better country image, via for example, tourism or football, or of a growing and more qualified emigration (50% growth in 2013) [27] (See **Exhibit 12**).

[9] The 'saudade market' is the one composed by Portuguese communities living abroad.
[10] G7 is a group of seven major advanced economies: Canada, France, Germany, Italy, Japan, United Kingdom, and United States.
[11] Compound Annual Growth Rate.

The UK Grocery Distribution industry

The food and beverage segment is one of the largest and most lucrative sectors within distribution globally. Large distributors are not only able to purchase in bulk, benefiting from economies of scale, but also have an easier access to supply chains, which allows them to penetrate markets more favourably.

Nevertheless, in João's opinion, this benefit is not always easy to convey, with distributors often finding themselves competing not only with other distributors, but also with suppliers that try to sell directly to retailers. Similarly, especially in concentrated industries, retailers can try to buy directly from manufacturers or integrate backwards, decreasing distributors' power (See **Exhibit 13**) and margins. By the mean of exclusive distribution contracts, distributors may try to regain some strength. Entrance is usually not difficult in this industry, since fixed costs and initial capital are not particularly high and switching costs for retailers are low [9].

Competition within the Grocery Distribution industry in the UK

In the export distribution of Portuguese products arena, there are three broad categories of competition: Cash & Carry firms undertaking exporting activity, such as Makro; producers that sell directly to retailers, such as Sumol+Compal and major Portuguese breweries; or importers of ethnical products. Nevertheless, these are only a part of the equation: more likely competitors for distributors of a nation's products are other nations product distributors, with similar concepts, such as Plaza del Sol, a Spanish company that created a brand of traditionally Spanish products for the export market.

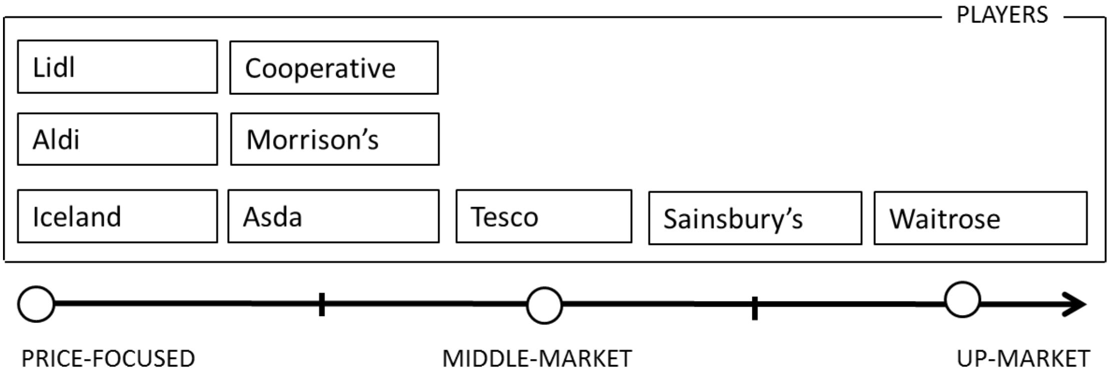
Grocery Retailing in the UK

Current state and future outlook of the market

Although consumer spending habits remain under the influence of the economic recession, the current state and outlook for this market is positive, with the market growing at 2,8% on 2013 (See **Exhibit 14**) and being forecasted to further expand in the future [40], as consumer spending in a number of grocery categories increases.

Competitive landscape

The UK grocery sector is one of the most sophisticated and competitive in the world. The market overall is highly concentrated with the four biggest players, Tesco, the largest, Asda ([12]), Sainsbury's and Morrisons, accounting for about 75% of the UK food retailing market in 2015 (See **Exhibit 15**). The high degree of rivalry between the players can be explained by three main factors: the UK is a mature market, thus with low growth rates; limited level of product and service differentiation between retailers; and consumer's negligible switching costs between them [68]. The positioning of the players can be illustrated through the below spectrum:



Tesco targets mostly the middle-market, providing both economy and up-scale products; Sainsbury's and Waitrose are pitched to its up-market; Asda, Morrisons and The Cooperative are slightly down-market of Tesco; Iceland, Aldi and Lidl are all deep discount chains [30].

On the other hand, the UK's convenience market is still highly fragmented: despite being dominated in sales by Tesco, there are still 18,826 unbranded independent grocery retailers in the UK [30]. Nevertheless, some of the latter are already affiliating in symbol groups ([13]) as a protection against the rise of major organized chains, thus explaining in part the recent increase in share of sales of the organized sector (approximately 95% of retail sales). Some of this symbol groups already have over 2,000 stores, as it is, for example, the case of the retail chain SPAR [38].

[12] A subsidiary from Walmart, US.
[13] A form of franchising in the retail sector, where stores trade under a common banner.

Another major characteristic of the UK grocery market is the fact that it has one of the most advanced private label ([14]) markets in the world. About 47% of the products in major supermarket chains are private-labelled products. These give retailers the opportunity to diversify their product ranges and develop new revenue streams, while putting huge pressure on branded products [30]. Tânia explains this issue in the perspective of the latter:

> *'For categories of products with little capacity of differentiation, private labels will likely be market leaders, as the price gap will be decisive in the moment of purchase. Therefore, if little quality or performance capabilities can be added to products, winning a place in the market will have a lot to do with strength of distribution and promotional activity and obviously the concept of brands. But these require great investment.'*

Also, with major discounters entering the market, some of the largest players today are being share-stolen: while Aldi and Lidl (largest discounters), Waitrose and Sainsbury's (up-market) are gaining market share, both Tesco and Morrisons have been presenting continued and significant market share losses. These polarisation of the sector reflects budget and luxury ends of the market rather unaffected [68], with the middle market being squeezed [85].

In this scenario, and in order to recover their sales volume, maintaining attractive pricing schemes becomes of outmost importance to retailers. But as retailers lower their prices, serious long-lasting price wars are being initiated [58], only minimized for the convenience business, where consumers are generally prepared to pay for that convenience. To regain some profitability, retailers are also in big pressure to minimize costs. Some approaches being employed by retailers are the establishment of more direct relationships with suppliers, disintermediating the supply chain; maintaining relationships with a large number of suppliers, to reduce dependency; and avoiding long-term contracts to keep switching costs to a minimum. Additionally, this can be achieved by increasing the percentage of own-branded products. As a consequence, the power between modern retailers and their suppliers becomes further unbalanced towards the former, only shifting towards manufacturers or distributors when niche markets are concerned.

Main channels

There are about 89,000 grocery stores in the UK [30], split into main channels and by the various players. Supermarkets and hypermarkets is the channel with the highest weight in

[14] Also named distributors own brands, private labels are brands owned by retailers.

the UK grocery market (See **Exhibit 16** and **Exhibit 17**). However, new channels have been emerging: convenience stores, discounters and online retailing. To illustrate, while in 2013 sales through the convenience channel where about 16,6% [68], in 2014, this value had already grown to 21,4% [40].

The UK is witnessing a remarkable shift in how and where the consumer chooses to buy its groceries: consumers are now less likely to make weekly grocery shopping trips to large format stores in out-of-town locations, preferring instead to go there less frequently and then topping up their grocery needs by shopping more often in smaller grocers and convenient stores [22]. For this reason, convenience stores saw, in 2013, a strong expansion in their number of stores (3%). Major chains, including discounters, are also in the origin of this phenomenon, fuelling the convenience trend by opening smaller stores in city centres, where they were previously unrepresented, whilst limiting the expansion of large-format outlets in out-of-town locations [23][58]. Consequently, several large format stores are being converted into multi-service locations, offering facilities such as foodservice outlets [22].

On the other end of the price spectrum are the discounters, the ones growing faster and more consistently, mostly driven by the development of their premium private label ranges and taking advantage of the lower loyalty levels towards traditional brands [68]: with renewed price-sensitivity levels post-crisis, consumers increasingly consider price / value relationship a key criterion in the choice of retailers [85].

Lastly, the industry is also being shaped by technology. Besides being a relevant trend in itself, the online business is also supporting the rise of the convenience: since many UK consumers are still reluctant to order fresh produce online, they end up going more frequently to convenience stores for such purchases [22].

Global supply and main players

The majority of food consumed in the UK is of domestic supply (53% in 2013), as the UK food production sector is rather advanced, has already well-established brands (See **Exhibit 18**), and due to the challenges posed to exporters by the concentration and size of the main retailers. In fact, some of the largest importers will only consider a product if it has large volume potential in the UK supermarket chains and is backed by substantial marketing and financial support. However, to enhance food security and due to a growing demand for imports of an increasingly international population, sourcing is also made from a diverse range of stable countries, mainly European (28% in 2013) [30]. Concentration of supply depends on the product categories (See **Exhibit 19)** [16].

Product category prospects

As UK consumers grow fonder for healthier, more convenient and ethnic foods, demand for fresh products but also quick meal solutions such as chilled or frozen ready meals, ingredients or single snack portions is increasing, especially to accommodate for busy lifestyles. Convenience foods are already estimated to account for around 50% of household food expenditures [30]. The leading retail channel for these products depends on the category in hand (See **Exhibit 20**) [69].

JMD's awaiting challenges

To try to test the new concept *'From Portugal to the World'*, the company decided to participate in the IFE 2015 food exhibition. This was not, however, the first time that the company participated. Hugo recalls:

> *'The participation at that time gave us some clues for the future. First, few people know what this 'Portugal' brand is or what our products are. Secondly, a clue on the 'saudade market', which was a big bet at the time, but turned out to be a big disappointment. Sales were never that impressive, and they never really took off from the HORECA channel, or from very small supermarkets. In addition, we also learned that to become a brand of reference is a long way: this process requires a much larger investment than the simple presence at Trade Fairs. And that might be a difficulty with the current concept, as small traditional Portuguese brands might not have that capacity. And unfortunately, this is not the only issue with the concept: Portuguese suppliers belong to a country with a small internal market, relatively to other potential exporting countries. Therefore, our lower starting point in terms of scale of production can affect our chances of competing on cost, and therefore, price.'*

João explains the limitations of the 'saudade market':

> *'I think the 'saudade market' is a mirage. As Portuguese consumers get more and more in touch with their new culture, most likely their habits will start to resemble local ones. This implies that there is only a small window of opportunity in these markets, when Portuguese communities are still growing and still 'umbilically'*

attached to the country. This is always counterproductive if we think that the products we wish to introduce in the market will need some stability to create loyalty among consumers and to establish themselves in the market. At the same time, stores of this nature also have to adjust to the increasing focus on price.'

Tânia adds:

'If we decided to sell our product just to the Portuguese communities, we would be drastically reducing our potential market!'

Besides, João realizes how the majority of the markets the company exports to are still being approached through traders that, in turn, sell JMD's products. In some cases, this can be considered beneficial, as it acts as protection against instabilities of the market, and since sometimes, due to the low volume exported, it doesn't make sense to make the effort of going client by client. Nevertheless, it also demonstrates lack of ability or negotiation power to approach retailers directly or gaps in knowledge of how to best enter the market. In the long-term, the company wants to shift to more direct relationships.

Brands to represent in mature markets

In João's perspective, there are several sourcing opportunities for the new markets, as there are still a lot of Portuguese brands unrepresented or poorly represented in the majority of the external markets. On the other hand, Hugo is less optimistic:

'We might not have as much national brands available to represent abroad as we initially wished for, since large companies are already exporting on their own, and the smaller ones who aren't don't grant us as much notoriety potential abroad.'

In addition, within the current portfolio of exported brands, very few adaptations (only labelling) are done to the products when sold to foreign markets. Tânia explains:

'Operationally, in the concept as is, adaptations to the export market would be very demanding. Just the time that it takes to launch a product could play against our favor, with clients buying somewhere else in the meantime. And even in terms of scale, if we don't produce much quantity, costs and therefore prices will also be too high to be economically viable. And in this matter, the volume sold through exports is not yet that interesting that would justify unique export lines.'

JMD's positioning to the market

Adding to the great number of challenges that the environment is imposing to the company, not least challenging is the choice of positioning to follow abroad. Tânia wonders:

> *'For us that are Portuguese, presenting the products as being of this origin has value, but what about for foreigners?'*

Despite Portugal being the sourcing the company knows best and that it believes can be differentiating in a global scale, the company is aware that the unique selling proposition might not be just Portugal. Perhaps its perception is changing in some countries, for example due to the increasing number of tourists in the case of the UK, but that may not suffice to leave a mark that deep on the individual that will change their stereotypes or habits. Similarly, although the Portuguese exporting activity is growing overall, it still lacks in visibility abroad and in a clear communication of how the country wants to come across. Therefore, JMD might have to move to another strategy, following what is sometimes already made, when the positioning and brand communication is adapted to the 'distance' of the markets, towards a more Iberian or Mediterranean concept, where products of those other countries are included in the exported portfolio.

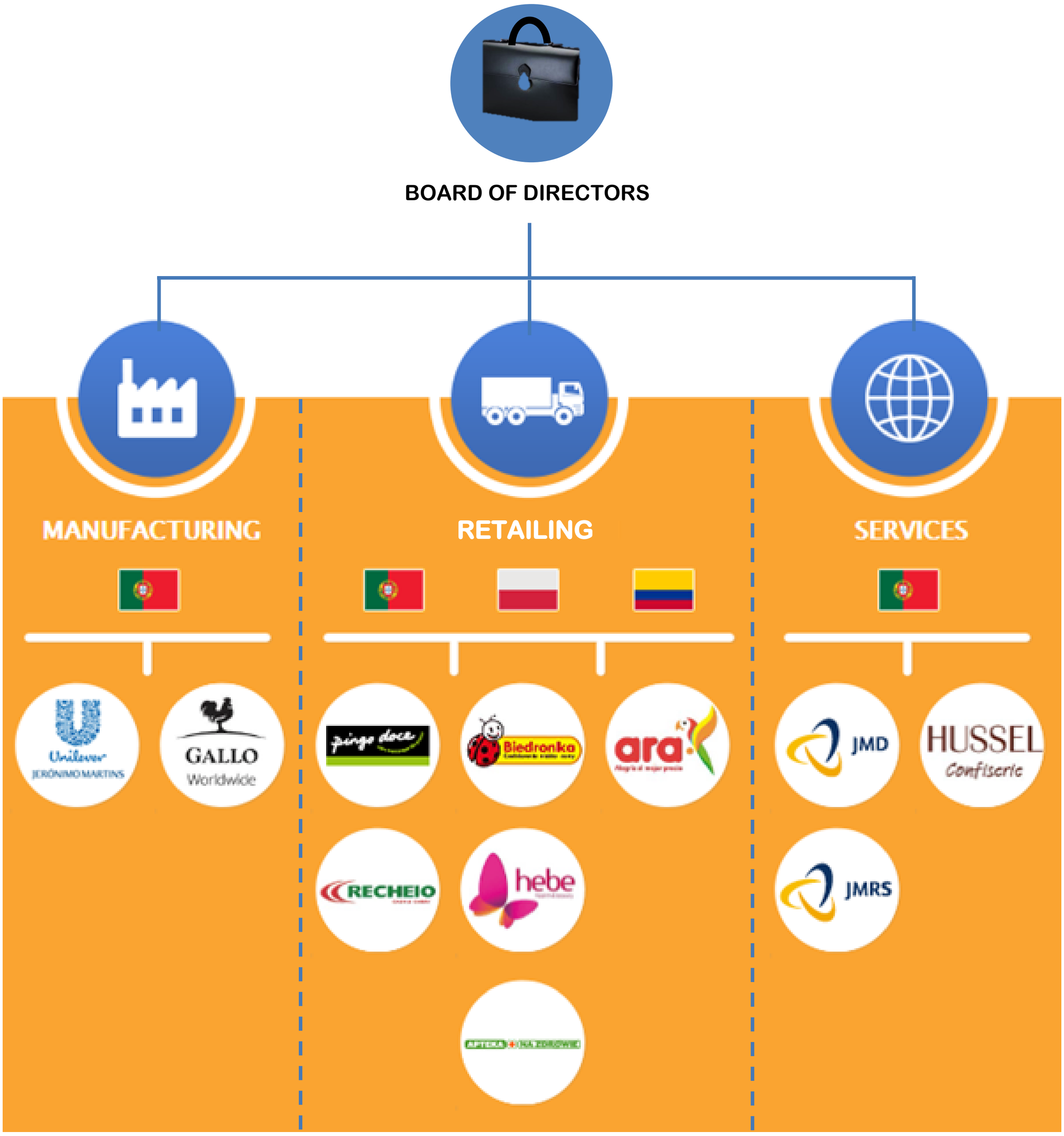
To try to decide on which positioning to follow Paula is considering taking into account some reports already developed on the impact of the brand Portugal in the creation of international value (See **Exhibit 21**). Paula and the team wonder how to become relevant, in a time, they realize, most Portuguese companies give up on communicating their origin as they fear the receptivity of such positioning.

Conclusion

Paula and the others have now several important decisions to make. The biggest challenge is to understand which positioning JMD should have abroad in more mature markets with lower affinity levels, taking into account all the internal and external pressing issues. To do so, the company should decide if the positioning followed so far in 'affinity markets' will suffice or if they need to come up with an alternative strategy, within the resources available. Secondly, if the UK market is indeed suitable for further penetration, JMD will have to decide which channels, formats, players to target in order to overcome the concentration that characterizes mature markets.

CASE-STUDY EXHIBITS

Exhibit 1 – Jerónimo Martins group's business activities, 2014 ([15])



Source: Jerónimo Martins corporate website

Available at: http://www.jeronimomartins.pt/

[Accessed 3 March 2015]

[15] Despite all being part of the same group, companies within each branch are managed as independent companies.

Exhibit 2 – Brands represented by JMD in the Portuguese Market, 2014

Source: Jerónimo Martins corporate website

Available at: http://www.jeronimomartins.pt/

[Accessed 3 March 2015]

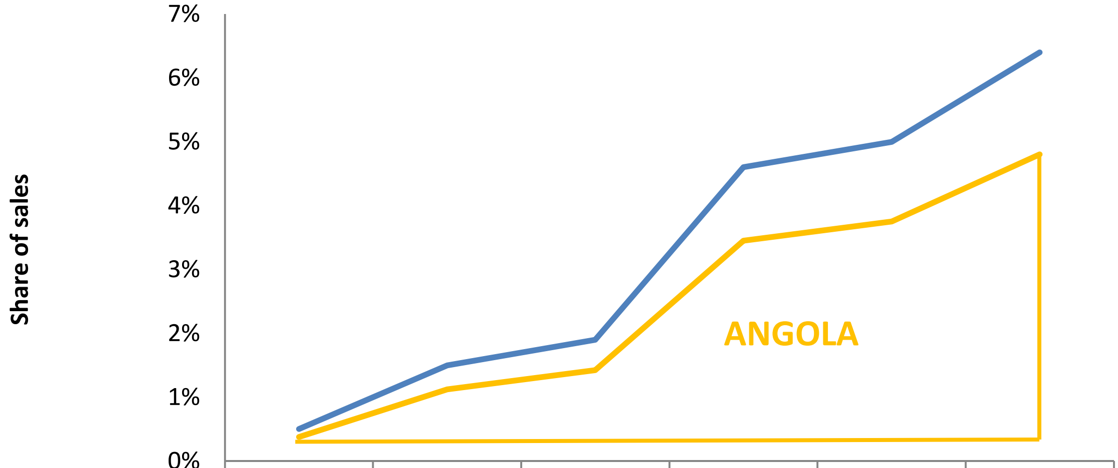
Exhibit 3 – Jerónimos' product range, 2014

Source: Case writer, JMD Marketing Department information

Exhibit 4 – JMD Export markets, 2014

Source: JMD Export information

Exhibit 5 – Evolution of the Export Department's share of JMD's sales, 2009-2014



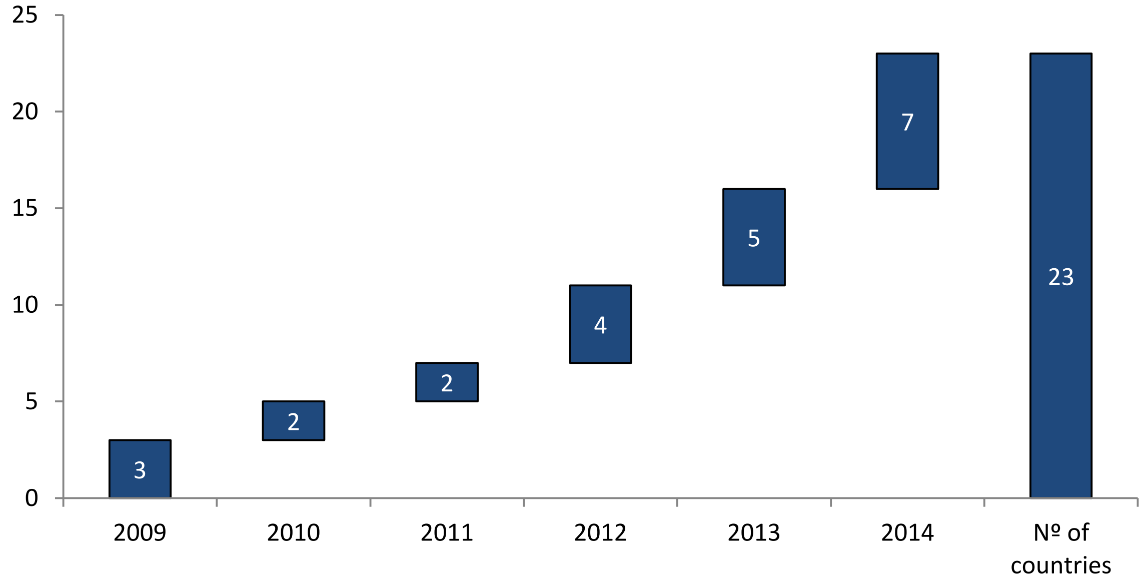
	2009	2010	2011	2012	2013	2014
Total share	0,50%	1,50%	1,9%	4,6%	5,0%	6,4%
Angola's share	0,375%	1,125%	1,425%	3,450%	3,750%	4,800%

Source: Case writer, Jerónimo Martins' Annual Reports, JMD Export information

Available at: http://www.jeronimomartins.pt/

[Accessed 4 March 2015]

Exhibit 6 - Evolution of JMD's number of export markets, 2009-2014



Source: Case writer, JMD Export information

Exhibit 7 – Ranking of product categories by VCR ([16]) in Portugal, 2012

Ranking	Category	Portuguese Exports 2012	World Exports 2012	VCR
1	Olive Oil and its fractions	263.709.000€	4.376.164.000€	18,86
2	Tomatoes prepared or preserved	164.597.000€	3.079.007.000€	16,73
3	Wine lees, argol	455.000€	13.063.000€	10,90
4	Wine of fresh grapes	707.484.000€	26.001.104.000€	8,52
5	Beer made from malt	234.588.000€	9.606.488.000€	7,64
6	Sausages and similar products of meat, offal or blood	74.317.000€	3.225.236.000€	7,21
7	Milk and cream, not concentrated nor sweetened	116.879.000€	5.692.739.000€	6,43
8	Flour and meals of oil seeds	10.783.000€	554.151.000€	6,09
9	Other oils from olives	4.126.000€	231.176.000€	5,59
10	Birds' eggs dried	13.396.000€	783.779.000€	5,35
11	Moluscs	128.392.000€	7.931.318.000€	5,07
12	Guts, bladders and stomachs of animals other than fish	52.189.000€	3.242.112.000€	5,04
13	Fish, cured or smoked and fish meat fit for human consumption	68.524.000€	4.446.541.000€	4,82
14	Cereal flours other than wheat or meslin	8.940.000€	597.313.000€	4,68
15	Prepared/preserved fish & caviar	182.180.000€	12.303.799.000€	4,63
16	Fish, fresh, whole	130.813.000€	11.126.788.000€	3,68
17	Apples, pears and quinces, fresh	87.399.000€	7.797.847.000€	3,51
18	Vinegar and substitutes for vinegar	4.964.000€	444.030.000€	3,50
19	Soups, broths & preparations thereof	24.586.000€	2.229.159.000€	3,45
20	Butter and other fats and oils derived from milk	52.431.000€	5.097.653.000€	3,22

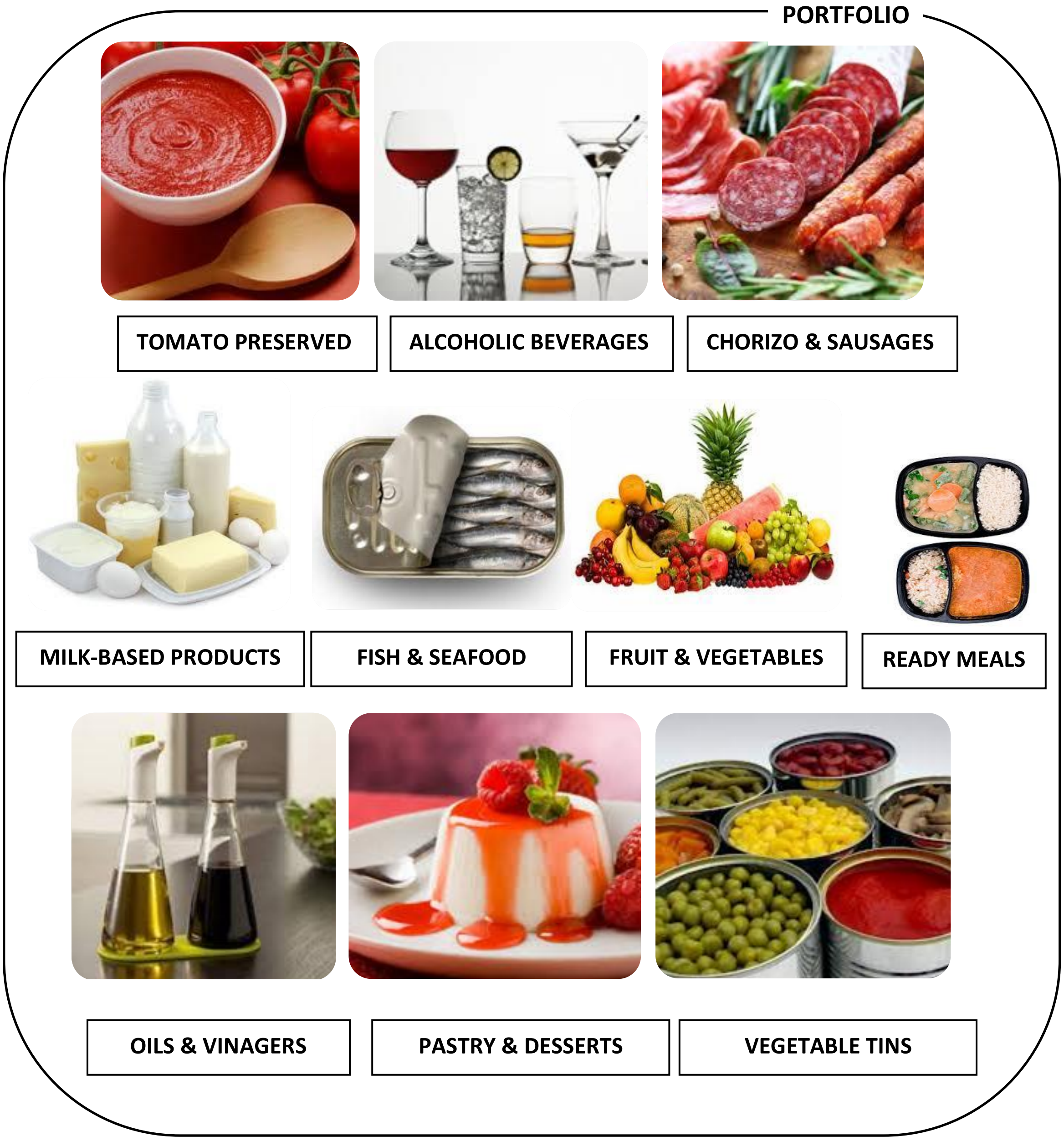
Source: JMD Export information through the methodology of Gabinete de Estratégia e Estudos – Ministério da Economia (2010)

Available from: http://www.gee.min-economia.pt/

[Accessed 5 March 2015]

[16] The Index of VCR measures the intensity of specialization of the international commerce of a country relatively to other regions, indicating the product categories where a country is relatively more competitive. If the VCR is larger than 1, then the country has revealed comparative advantage in the export of such products.

Exhibit 8 – Export Department product categories, 2014



Source: Case writer, JMD Export information

Exhibit 9 – Examples of new suppliers to the export market ([17],[18]) and share of sales per category in export market, 2014

PRODUCT CATEGORIES	SUPPLIERS' BRANDS	SHARE OF SALES
TOMATO PRESERVED		30%
ALCOHOLIC BEVERAGES	GA Granja Amarelija; Monte da Ravasqueira; Encostas de Pias; Vale da Torre Reserve; Adega Cooperativa Vila Nova de Tazem	20%
CHORIZO & SAUSAGES	Fumeiros da Guarda; Fumeiro Ribatejano	0%
MILK-BASED PRODUCTS	monforqueijo; Casa da Prisca	10%
FISH & SEAFOOD	Companhia do Pescarias do Algarve desde 1835	6%
FRUIT & VEGETABLES		0%
READY MEALS	Cozinha Pronta; brilha alimentar	0%
OILS & VINAGERS	Ouro D'Elvas; Acushla organic olive oil; Vinolive Comércio Agro Industrial, Lda.	20%
PASTRY & DESSERTS	Avó Filó; Branca de Neve; Koala; Chocolame	6%
VEGETABLE TINS	cantoliva; Tremoceira	6%

Source: Case writer, JMD Export information

[17] Neither Unilever brands nor Gallo Worldwide are on the table to being distributed by JMD export: first of all, having enough critical mass, they already have their own distribution structures implemented. Secondly, both companies have a very protectionist policy towards their brands, and therefore don't allow distribution rights to other companies.

[18] Today sourcing is made from over 50 brands.

Exhibit 10 – Selection criteria and ranking of JMD's strategic export markets

CRITERIA	Affinity ([19])	Dimension of the market	Risk factors	Ease of entry
WEIGHT	25%	30%	22,5%	22,5%
MAIN INDICATORS	Number of habitants with Portuguese nationality Existence of historical relations Presence of the JM group in the market ([20])	Size of Population Population Concentration Purchasing Power GINI Index ([21]) Existence of a structured retail market	Social Stability Economic Stability Inflation Public Debt Unemployment rate Trade balance Country rating of payments by COSEC([22])	Time length to export Cost to export Import barriers Bureaucracy Corruption Follow-up needed by the market

Ranking	Country
1	United States
2	United Kingdom
3	Germany
4	Switzerland
5	Australia
6	Canada
7	Luxembourg
8	Belgium
9	Brazil
10	Norway
11	Denmark
12	Angola

Source: Case writer, JMD Export information

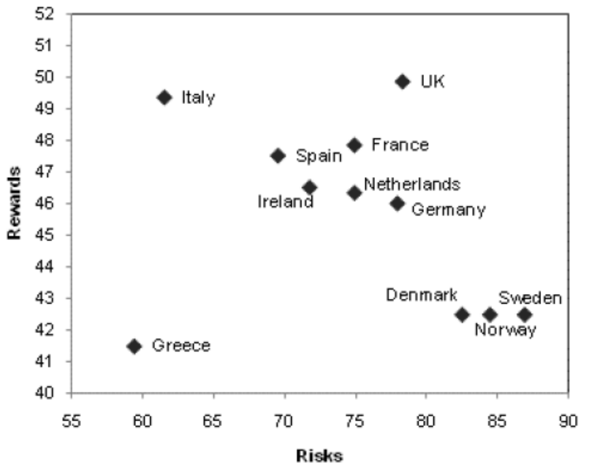
[19] 'Affinity markets' are foreign markets with some inherent degree of relationship with a country: either due to the presence of large expatriate communities, shared language or history, or volume exported overall. JMD also considers those where the group itself (JM) is already present or those where some of the represented brands are located, as they can become valuable sources of information for those markets.

[20] Although the presence of the group in a market is theoretically a criteria for entrance, in practice, the retail concepts in the locations where the group is currently present (Poland and Columbia) are not the most suitable for JMD's export strategy. In the case of Poland, Biedronka has a deep discounter positioning, working with very low margins for distributors or even tending to go get products directly from producers. In addition, it's portfolio is limited in terms of SKUS's being mostly composed by private-labelled products, with most branded products only being introduced as In & Outs. In the case of Ara, Colombia, stores are mostly located in rural areas, therefore having a portfolio tailored to those unwhealthy local communities, with very few SKUs and a very basic assortment.

[21] Measure level of inequalities within a country's population.

[22] COSEC is the leading Portuguese track export credit, that offers support in the management and control of credits in the internal and external markets.

Exhibit 11 – Western Europe Risk/ Reward Index Q1, 2015



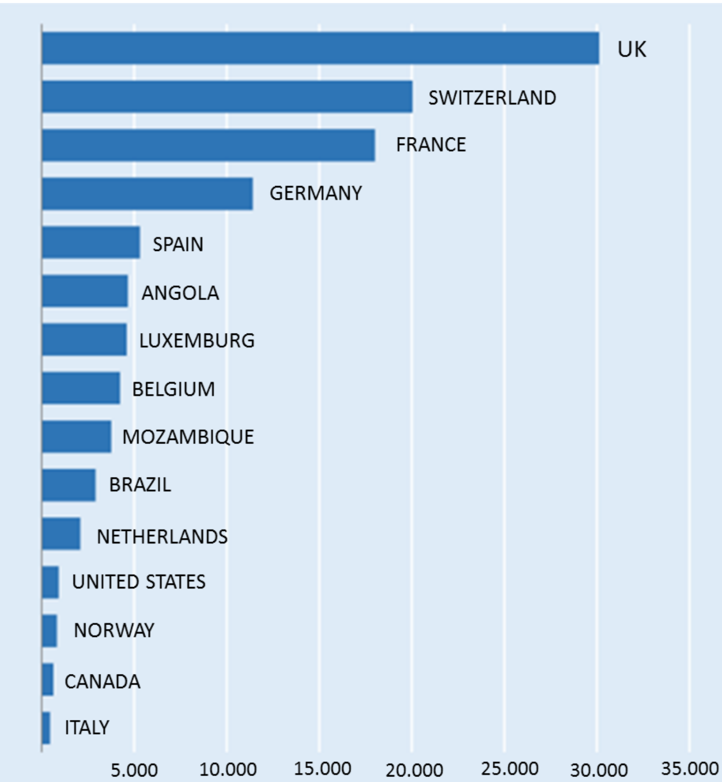
REWARDS DIMENSIONS	RISK DIMENSIONS
Market Size Current consumption levels Future industry growth prospects Market fragmentation Size of youth population	Legislative Environment Level of development of the Retail industry Economic Environment Politic Environment

Source: Business Monitor International

Available at: EBSCO database (Universidade Católica Portuguesa)

[Accessed 21 February 2015]

Exhibit 12 – Portuguese permanent inflows in top destination countries, 2013

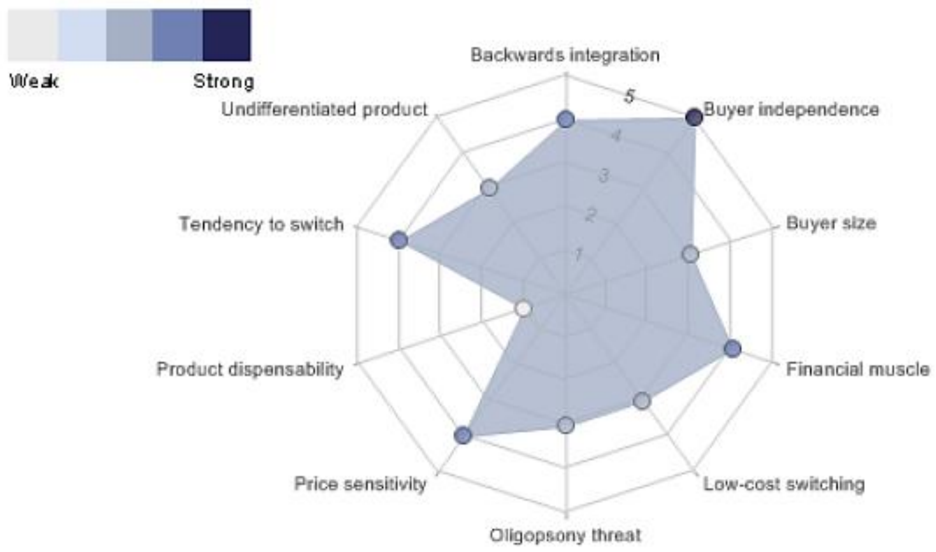


Source: Observatório da Emigração

Available from: http://www.observatorioemigracao.secomunidades.pt/

[Accessed 26 April 2015]

Exhibit 13 – Drivers of buyers' (retailers) power, in perspective of the global distribution sector, 2010

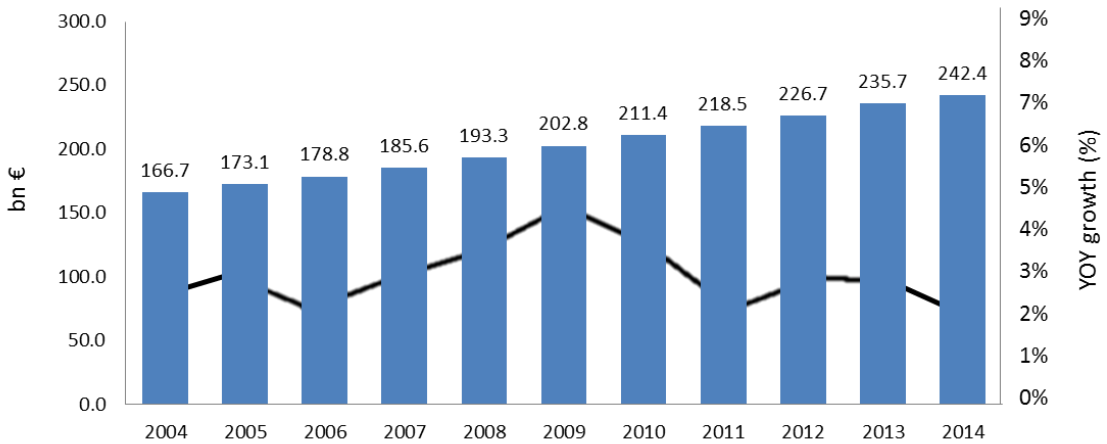


Source: Marketline

Available at: MarketLine database (The University of Warwick)

[Accessed 27 February 2015]

Exhibit 14 – Evolution of the UK Grocery market*, 2004-2014



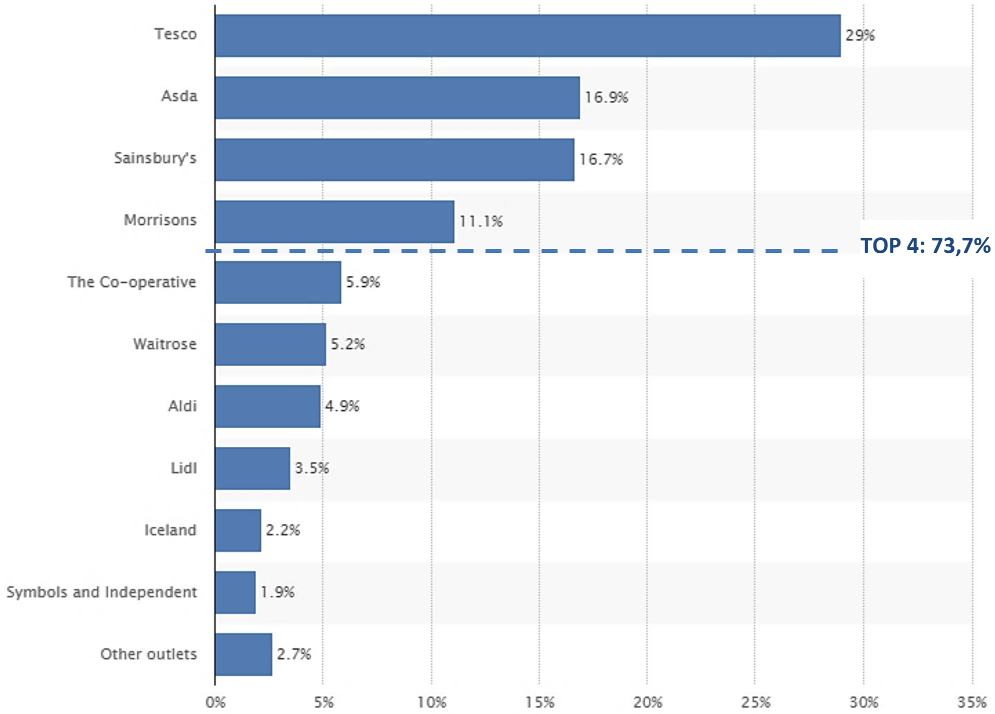
* Values at current prices (Average inflation of 2% in the considered period)

Source: IGD UK Grocery

Available at: http://www.igd.com/

[Accessed 21 February 2015]

Exhibit 15 – Market Shares of the UK's main food retailers, 2015

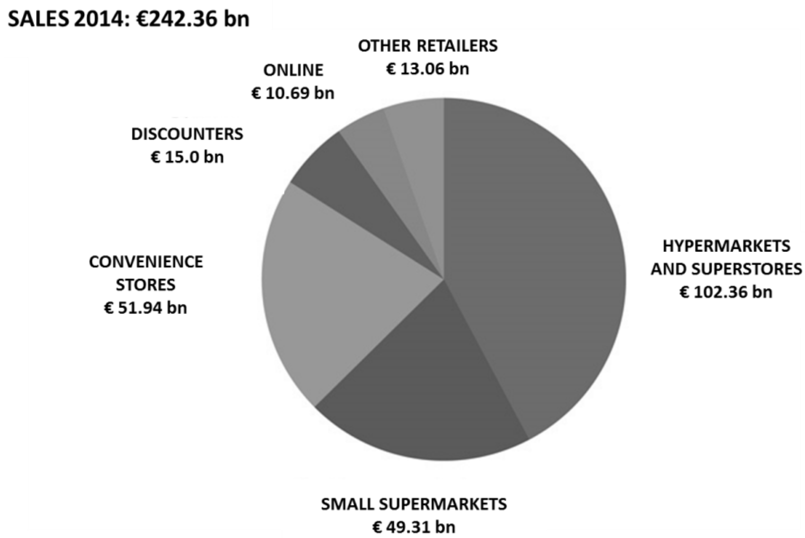


Source: Statista

Available at: http://www.statista.com/

[Accessed 23 March 2015]

Exhibit 16 - Share of channels in sales the UK grocery market, 2014



Source: IGD UK Grocery

Available at: http://www.igd.com/Research/Retail/retail-outlook/3371/UK-Grocery-Retailing/

[Accessed 21 February 2015]

Exhibit 17 – Number of stores by channel and by player, 2013

Channels		% of the total number of stores in UK	% of the total sector value in UK
Convenience	**TOTAL**	**56%**	**21%**
	Co-operatives ([23])	3%	3%
	Multiples ([24])	6%	3%
	Symbol groups	18%	7%
	Non-affiliated independents	22%	5%
	Forecourts (e.g. gas stations)	7%	3%
Traditional Retailing	**TOTAL**	**38%**	**4%**
Supermarkets	**TOTAL**	**6%**	**71%**
	Co-operatives	2%	2%
	Multiples	3%	63%
	Independents	0%	0%
	Discounters	1%	6%
Non-store/ Home shopping	**TOTAL**	**0%**	**4%**

Player	Number of stores in UK	Format	Average number of SKU's per store
Tesco	3,416	Almost 60% are convenience stores	90,000
Asda	568	Mostly supermarkets	20,000 to 30,000
Sainsbury's	Over 1,000	50% are convenience stores	20,000 to 30,000
Morrisons	498	2% are convenience stores	20,000 to 30,000
Aldi	550	Discount stores	3,000
Lidl	590	Discount stores	3,000
Waitrose	322	Mostly supermarkets	25,000
The Cooperative	Over 3,000	Mainly convenience	10,000 to 12,000

Sources: Case writer, Marketline, GAIN 2010, Telegraph UK

Available at: MarketLine database (The University of Warwick); http://gain.fas.usda.gov/ ; http://www.telegraph.co.uk/; http://www.pierhouse.co.uk/

[Accessed 27 February 2015]

[23] Cooperative of retailers gather to gain economies of scale in purchasing and to share marketing expenses.
[24] Multiples or multi-channel refers to retailers which offer products through different retail channels.

Exhibit 18 – Key producers of brands in the UK's food and drink sector, 2015

FOOD

2 Sisters Food	Chilled, Frozen & Baked Goods	Mars UK	Confectionary, ice cream, pasta, rice and sauces
Arla Foods UK	Dairy	Nestlé UK	Dairy, prepared food, confectionery
Associated British Foods	Sugar & Baked Goods	PepsiCo UK	Snack food, crisps
Cadbury (Mondelez International)	Confectionery	Premier Foods	Condiments, Baked Goods, Desserts & Other
Dairy Crest Group	Dairy	Robert Wiseman (Müller)	Dairy
Heinz UK	Canned soup, canned vegetables, condiments, baby food	Tate & Lyle	Sugar
Kraft Foods UK	Cheese and dairy, chocolate, biscuits	Unilever	Condiments, Frozen Foods & Other
		United Biscuits	Biscuits, crisps, snacks

DRINKS

AG Barr	Soft Drinks	Mitchells & Butlers*	Beer
Britvic	Soft Drinks	Nestlé UK	Coffee, bottled water
Carlsberg	Beer	Pernod Ricard*	Wines & Spirits
Coca-Cola Great Britain (Coca Cola Enterprises)	Soft Drinks	SABMiller*	Beer
Coors Brewers (Molson Coors Brewing)	Beer	Heineken*	Beer
Diageo	Wines & Spirits	Tetley (Tata Tea Group)	Tea
Fuller, Smith & Turner	Beer	The Edrington Group	Spirits
Greene King	Beer	Unilever*	Coffee, tea
AB InBev	Beer	Wells and Young's	Beer
Kraft Foods	Coffee	Whyte & Mackay (United Breweries Group)	Spirits
Marston's	Beer	William Grant & Sons	Spirits

Source: Business Monitor International

Available at:EBSCO database (Universidade Católica Portuguesa)

[Accessed 21 February 2015]

Exhibit 19 – Growth and concentration of supply by product category in the UK, 2014

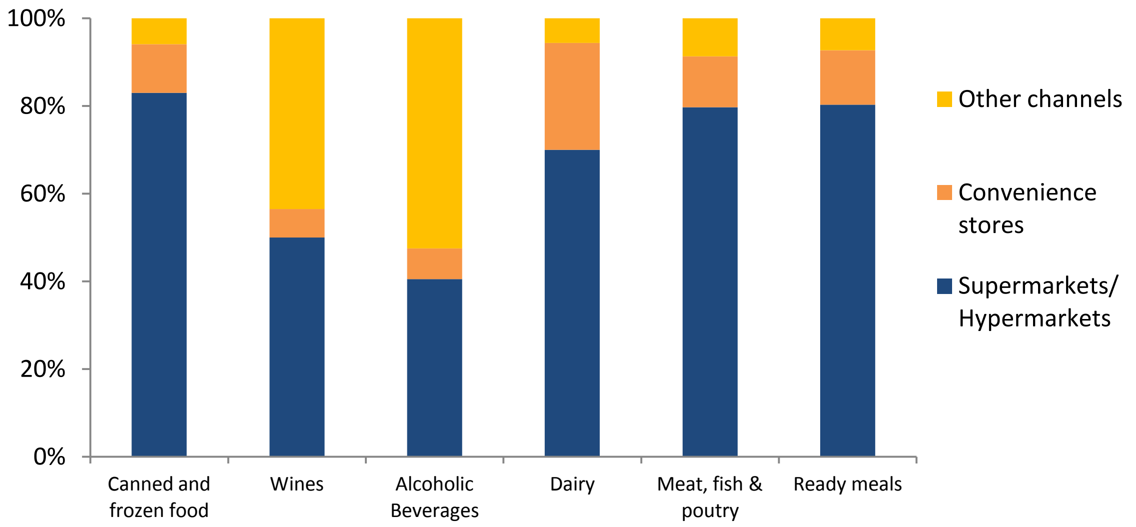
<table>
<tr><th>Category</th><th>Volume growth forecast (2013-18)</th><th>Concentration</th><th>UK supply</th></tr>
<tr><td>Dairy products</td><td>+8,7%</td><td>3 countries account for 90%</td><td>85%</td></tr>
<tr><td>Meat and fish</td><td>+6,3%</td><td>3 countries account for 90%</td><td>84%</td></tr>
<tr><td>Canned Food</td><td>+7,7%</td><td rowspan="5">Between 3 and 24 countries account for 90%</td><td rowspan="5">Between 22% and 84%</td></tr>
<tr><td>Frozen Foods</td><td>+10,1%</td></tr>
<tr><td>Alcoholic beverages</td><td>+0,4%</td></tr>
<tr><td>Oils and fats</td><td>Falling</td></tr>
<tr><td>Frozen desserts</td><td>Growing</td></tr>
<tr><td>Fruits and vegetables</td><td>-3,2%</td><td>24 countries account for 90%</td><td>22%</td></tr>
</table>

Source: Case writer, Defra, Marketline, Statista, Euromonitor

Available at: https://www.gov.uk/; http://www.statista.com/; http://www.euromonitor.com/

[Accessed 21 February 2015]

Exhibit 20 - % Sales of categories in each of the main retail channels, 2014

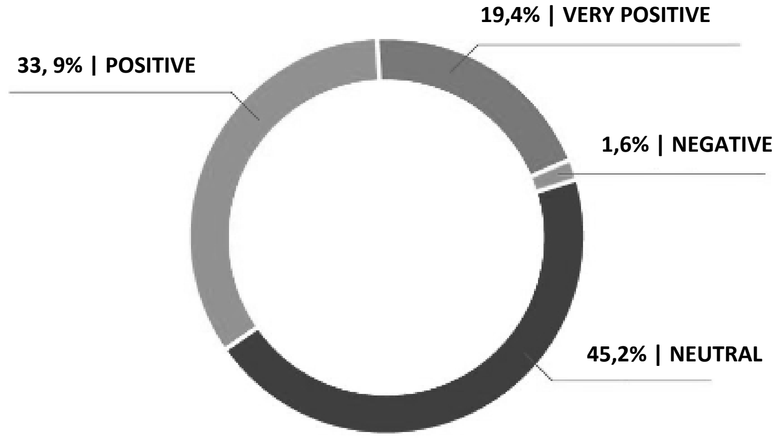


Source: Case writer, Marketline

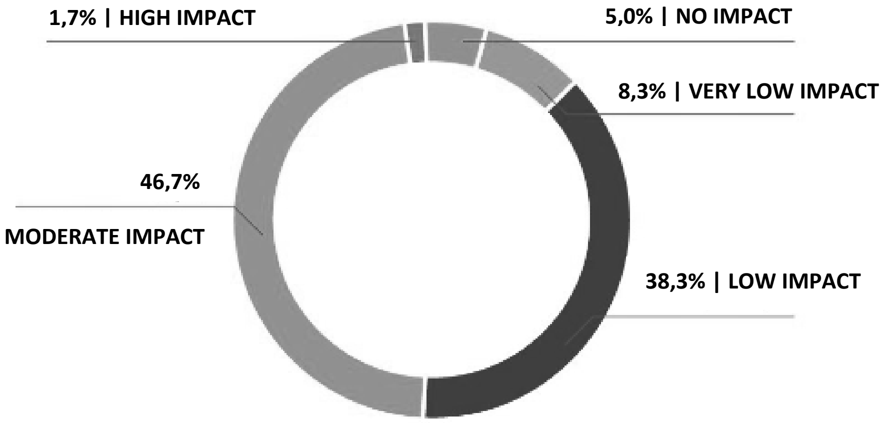
Available at: MarketLine database (The University of Warwick)

[Accessed 27 February 2015]

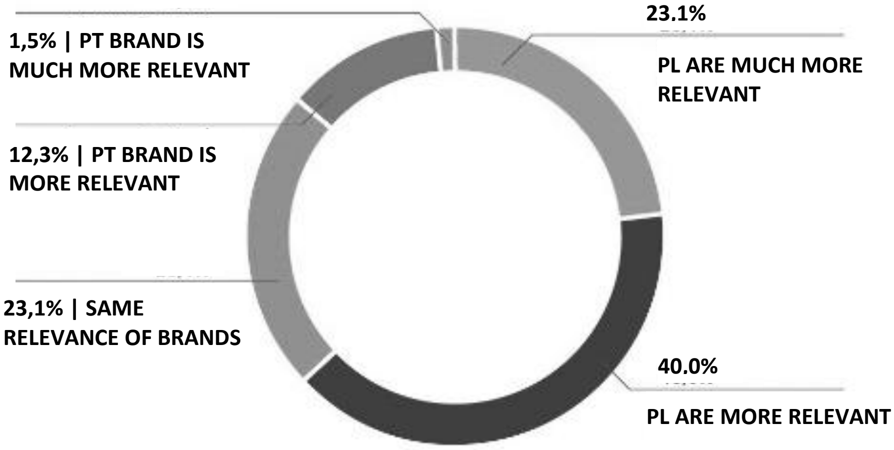
Exhibit 21 – Perception and impact of the Portugal (PT) Brand, 2014



PORTUGUESE COMPANIES' BELIEF OF THE PERCEPTION OF THE PORTUGAL BRAND BY FOREIGNERS



PORTUGUESE COMPANIES' BELIEF OF THE IMPACT OF THE PORTUGAL BRAND ON INTERNATIONAL BUSINESS



PORTUGUESE COMPANIES' BELIEF OF THE IMPACT OF THE PORTUGAL BRAND IN COMPARISON WITH THE IMPACT OF THEIR OWN PRIVATE LABELS (PL)

Source: RIEP Questionnaire 2014

Available at: Ranking de Internacionalização das Empresas Portuguesas (RIEP 2014)

[Accessed 17 March 2015]

TEACHING NOTE

Proprietary data has not been disguised and there are no supplements to the case.

Synopsis

Jerónimo Martins Distribuição is a Portuguese company in the services branch of the Jerónimo Martins group, whose primary activity is the representation of international brands in the Portuguese market. Most recently, leveraged by the success of the opportunities that started to come up from the Angolan market, the company decided to expand its strategic focus to the representation of Portuguese brands in other export markets.

Soon, however, the Angolan market, which now represents a lot over than 60% of the company's exports, starts to show signs of vulnerability to the world oil prices, and the company is confronted with the reality: can JMD address successfully those other markets, namely the mature ones, in a way that justifies the existence of this business unit?

Teaching Objectives

1. To familiarize students with the business of brand representations and related trends of disintermediation.
2. To illustrate potential competitiveness challenges and solutions, mainly for small-country companies like the Portuguese, in their internationalization processes.
3. To discuss COO perceptions in export markets, the benefits and limitations of affinity-based approaches and their impact on positioning decisions for more mature and lower affinity markets.

Use of the case

Having the latter in mind, this case-study will fit well in courses in the fields of International Business, Strategy, Marketing and Brand Management.

Suggested Assignment Questions

Students should read the case and be prepared for the discussion of the following questions:

1. Which challenges is the company currently facing and which solution is it considering?
2. Given the ambition to expand mature markets, namely to the UK:
   2.1 Are the domestic success factors and the approach followed in the past (Angola) transposable to the new, 'non-affinity'/ mature target markets? Which elements should be included in the strategy so that small-country companies, like Portuguese, can escape of trap of most likely not being able to compete on price in modern markets and, perhaps, not having either a perception of quality, coming from is origin, that can sustain a premium pricing policy, to succeed abroad?
   2.2 Should the company use a positioning focused on an umbrella brand like Portugal, or should it focus on represented brands individually?
   2.3 Who should the company aim to target?

Analysis and Discussion

There are four main points of discussion in this case and, for each, an analysis and board plan is proposed. They correspond to the suggested assigned questions and can be divided into two main blocks. Below is a suggested time line for a 90-minute time frame:

Block 1: JMD market environment

Discussion Point #1: Current Situation Analysis and proposed solution	15 minutes

Block 2: JMD new export strategy

Discussion Point #2: Transferability of previous strategies and overcoming the price competitiveness and quality perception trap	30 minutes
Discussion Point #3: Positioning: Umbrella vs individual brands	20 minutes

Discussion Point #4: Client target strategy	20 minutes

Summary & Wrap-up	5 minutes

Discussion Point #1: Current Situation Analysis and proposed solution (**TN-Exhibit 1**)

- Economic crisis: As suggested in pages 2 and 12, the economic crisis of 2007-2008 had great impact on global economies. In a first instance, the contraction of demand was generalized (according to the literature, domestic demand in Portugal declined 14% between 2008 and 2012). As a consequence, sales of companies started to decrease (JMD was facing declining sales of -1,1%, page 6). Nevertheless, the amplitude and the time length of consequences was not uniform among countries and for that reason, several Portuguese companies started to turn to the export markets, namely to the PALOP countries.

- Dependency on the Angolan market: As a growing country with great needs and great affinity to Portugal, Angola soon became a crucial market for several Portuguese companies (page 5). However, the market soon revealed to be rather unstable and vulnerable and representative of most of the complexity related to the exporting process presented in the literature: bureaucracies, increased lead times or payment issues (page 2 and 7). For those reasons, companies, heavily invested in the country, like JMD, which currently has much more than 60% of its sales coming from this market, soon realized the risks of such a situation and the need to consider diversification (page 8, **Exhibits 4 and 5**). Besides, JMD also realized the existence of a trend of disintermediation, as most Portuguese companies could easily reach the Angolan market without it, and so, increasing the export of brands of national incorporation would be hardly possible (page 7).

- Dependency on international represented brands: Upon the strategic decision to diversify, the company realized that most of the brands it was exporting were the same international represented brands of the Portuguese market (**Exhibit 2**), due to the weight of the Angolan market on the export business (page 7). However, this distribution right extension was, most likely an exception to this market (page 5), since for this market most represented brands still consider the use of intermediaries as a protection against its risks (page 14). Most of the others (mature markets) already have local representations of those brands. This, coupled with the fact that JMD's whole domestic business is dependent on these international brands, made the company realize they needed to create alternatives to their business (page 2).

- <u>Difficulties in finding the new right brands to represent:</u> After realizing the dependency on international brands and coming up with a new motto, the company created a new pool of sourcing alternatives (page 2 and 6). That was when finding the right brands to represent became a challenge (page 2): most Portuguese brands left to be represented are small ones (**Exhibit 9**), with low notoriety potential among foreign clients (page 14) and with low investment capacity (page 13), which, in turn, leads to an apparent inability to make product adaptations to the export market (page 14), bearing also in mind the low margins earned by JMD as a distributor (page 4), This, however, will generate a snow ball effect: if there is no investment in adaptations, sales will tend to be below potential, which in turn inhibit the chances of having the capability to invest, and so on, as we can infer from the literature, which states product adaptations to the local markets as an important success factor Another consequence of the limited investment in the export business is the little control the company will have over the export markets (page 7), therefore leading to more risk and to another negative spiral: if the company will only invest in export structure if there are sales to justify it, then perhaps sales won't follow and investment will never be justified.

- <u>Lack of knowledge about foreign markets:</u> Given the diversification away from 'closer' markets, a new challenge the company will face is the possession of limited knowledge of this foreign markets (page 2). Despite the recent efforts of participating in food exhibitions (page 7 and 13), supported by the literature, or the exploitation of the networks of its represented brands (footnote in **Exhibit 10**), this doesn't seem to be enough, as the majority of export markets to date are still approached through trades (page 14), with a major consequence of having to split the already low margin with them, staying even further below potential export profitability. To face its lack of knowledge of the non-affinity markets, the company could try to target the 'saudade markets' within them. However, the company already came to the conclusion that is market is rather limited (page 14), as it will be analyzed latter on.

All in all, with the evidences from the literature, the major challenges identified seem to be of a company that is still in an embryo phase of exports: while some concerns like the lack of knowledge of potential markets are typical of non-exporters, issues such as the lack of control in target markets, tend to be emphasized by exporters.

- The solution: geographical diversification to lower affinity markets: Given the challenges above, the company is considering the development of current export markets, but targeting a wider audience within them, but also to target non-affinity markets altogether (page 5). Within the potential strategic markets, several factors indicated in the case, led to the choice of the UK market: it is one of the fastest growing developed states, with a high purchasing power and an organized mature retail market (which means more stability to the company when compared to emerging markets). Besides, this is a country within the European market, which confers simplicity to the process due to the Free Trade policy. Within this market, retail food sales grow faster compared to other European peers, and at the same time is not a natural producer of the majority of products that JMD wants to export (Page 8, **Exhibits 10, 11 and 14**). In addition, the presence of Portuguese communities (success factor mentioned in the literature) and the relatively more favorable country image, via for example tourism, seem to also influence JMD in UK's direction (Page 8 and **Exhibit 12**). We also have indications in the case that the UK has an increasingly large international population which likely indicates openness to diversity and international products (page 12).

Discussion Point #2: Transferability of previous strategies and overcoming the price competitiveness and quality perception trap (**TN-Exhibit 2, 3 and 4, Appendixes 1 and 2)**

The main goal of this part of the discussion is for students to conclude that neither the domestic market competitive advantages nor the current success factors of the Angolan market will be transferable to the new target markets, raising the need to build a whole new strategy to the non-affinity markets that the company now wants to target (page 2).

- Domestic success factors: The most obvious success factor is the fact that the company represents, exclusively, major international FMCG brands (Page 3 and **Exhibit 2**), which not only help to build notoriety for JMD in the markets it is present (page 4), but also puts the company in an advantageous negotiation position, namely with retailers and, more implicitly, at the supplier level: since the group holds a significant part of the Portuguese markets' retail (footnote in page 4), suppliers might fear retaliation of disintermediating JMD's services. However, as already concluded, not likely will the company be able to extend distribution rights to other markets. The other element that will lack, as already concluded, but is present in JMD's domestic operation is the knowledge the company possesses about the Portuguese market and the Portuguese consumer (page 4), which allows the company to successfully address this particular target market, and add value to the represented brands. The case mentions three other success factors which might or not be replicated, some depending on the willingness to invest: its broad sales structure that follows-up the markets; the flexibility of the partnerships offered to suppliers; and the innovations of the company's approaches to the market (page 4). Besides, while in the domestic market the company could also leverage on current successes (page 4) to further enhance business, this would be harder to replicate in the export operation, as the business is rather recent.

- Angolan market success factors: Being an exception market, where international brands allow distribution right extensions, as already indicated, resulted in high exposure with minimum investment, unlikely for mature markets (page 5). Secondly, the characteristics it possesses of an emerging market (page 5), will hardly be replicable in mature markets, where demand tends to be rather stable (page 10) and where most needs are already covered by established players (page 12 and **Exhibit 18**). Besides, the Angolan market has an unusual similarity of tastes with the Portuguese, allowing for the national portfolio of products to be easily pushed to this market, without the need of making product adaptations, not to mention the several affinity links that exist between Portugal and this market (page 5). Also not replicable to the new target markets is JMD's ability to target large chains via Portuguese expatriates placed in purchasing positions (page 5). Lastly, while in Angola consumers are still large brand seekers with large purchase power overall (page 5), consumers in mature markets seem to have also a high purchase power (page 8) but a higher price-sensitivity post-crisis (page 9 and 12).

In addition, the student should take into consideration the added complexity of competing in mature markets to support its previous conclusion.

- Added complexity of mature markets: First, mature markets seem to be characterized by large concentration (page 10 and **Exhibit 15**), which leads to power unbalances in favor of the largest and most concentrated players (pages 9, 11 and **Exhibit 13**), with lower margins for the weaker players and more demanding commercial partners, for example, on how they might only consider products that have large volume potentials in supermarket chains and, at the same time, are backed by substantial marketing and financial supports (page 12). Another dimension of market concentration is how fierce competition becomes (pages 2 and 11), leading to pressures on prices and, at the same time, on cost reductions, for example in the form of disintermediation of the supply chain or the avoidance of long-term contracts (pages 9 and 11). At the same time, discounters emerge in the market (page 12) and private labels grow in importance, the most immediate effects being the huge pressure on branded products (page 11).

Regarding the second half of the question, since most of the insights came from the input of interviews with the largest Portuguese exporting companies in the food industry, as well as government entities, the instructor can make a quick introduction of the four companies interviewed, present the benchmark in the appendix, and them dig into those insights, using the testimonials in the exhibits. Several of those topics are also supported by the literature as important success factors:

- Exploiting the uniqueness of products as opposed to price leadership competitive advantages;
- The willingness to adapt products to the export markets and host-market consumers;
- Clustering markets to justify specific product lines;
- Proactivity to build own knowledge on the markets and follow-up their performances;
- The need to take a long-term view over exporting investments and challenges;
- The need to find the right balance between spreading of resources and the exploitation of diversification benefits;
- The need for companies to distance themselves from own culture points of view in order to build truly international brands;
- The need to financially commit to the export business, namely in terms of organizational structure;
- Taking advantage of joint-action opportunities, such as partnerships and association initiatives with own-nation companies;
- Considering private-label production to open up opportunities for producers brands in the future or focusing strategies of concentrating efforts in a narrower group;
- The exploitation of hospitality and COO of successful brands in order to create positive feelings towards products in the company’s potential clients.

Discussion Point #3: Positioning: Umbrella vs individual brands **(TN-Exhibit 5)**

Before going into the positioning, the student should have clear who the segments and the target are: the 'saudade market' or the wider local host market.

- 'Saudade' market: this market is not the most suitable: described in the case as a mirage, it is a market that is easily disintermediated (page 7), and that captures a little share of the market (page 14). Besides, eventually it will grow more similar to the local markets, not allowing much stability for JMD's products to establish themselves (page 14). It should neither be suggested as a first phase since there are evidences in the case that once positioned towards this market, it is very to switch to a new target market (page 13).

  'Assuming that the 'saudade market' is going to serve as a vehicle for our brands in a wider market seems a bit too hopeful. Ultimately the communication and distribution required for the two markets are nothing alike.' Lourenço Arriaga, Brand Development Manager at Unicer

That leaves the company with the wider local market. Then, a reflection of the pros and cons of each positioning strategy should be promoted, and after choosing the umbrella branding strategy, decide on whether to promote the national brand or some other.

- Promoting individual brands: this strategy has the advantage of granting each brand has the flexibility of having its own positioning and marketing mix. However, to being able to make all these small brands successful, large marketing investments would be required, given that JMD today represents more than 50 brands in the export markets (footnote in **Exhibit 9**).

- Promoting an umbrella brand: unlike the previous, this strategy brings all represented products together under a single brand, minimizing individual branding efforts. Besides, if the larger brand is perceived positively, smaller ones within it will be able to extract that equity for their own. Nevertheless, the contrary is also true: if the larger brand is not perceived positively, it can negatively impact all brands below it.

Bearing in mind the major investment limitations discussed before, the latter strategy seems to have a better balance of pros and cons.

- Promoting national brands: in the case of national brands, there several factors out of the company's control able to influence it. This, coupled with the fact that national perception can change depending on the country the company is targeting and not always been favorable, seems to be why some Portuguese companies opt not to emphasize product origin (page 15). Indeed, among the largest Portuguese companies with international operations, merely only 50% believes the perception of foreigners regarding Portugal is positive or very positive, and more than 50% believes that the impact of the Portugal brand is not important to international business (**Exhibit 21**). In addition, communicating the national brand can easily overshadow brand attributes, which should be central to the business preposition. In the specific case of the UK, although this image seems to be is changing favorably (page 15) and could have some positive spillovers over represented brands, according to the literature, changing a country's image is a lengthy process and so there are still few people knowledgeable about the 'Portugal' brand (page 13).

'The Portugal brand is a generic brand. How can all Portuguese products fit under a single brand and be able to communicate effectively their distinctive benefits? Portugal still has a long road ahead to achieve such a transversal perception of quality.' Duarte Lopes Pinto, CEO at Sumol+Compal

'It is a fact that in Portuguese-speaking countries 'lusophony' became a privileged universe for our companies, with Portugal being a signal of trust and quality, which therefore, adds value to products. But each market is different.' António Pires de Lima, Portuguese Minister of Economy

- Promoting the Jerónimos brand: since the literature confirms how brand image can be a moderator of a less positive COO effect, and in line with the conclusions in **Exhibit 21,** which states that own private-labels have far more impact than the national brand, when doing business abroad, the Jerónimos brand seems to be a good strategy to go forward: a distributor brand for the export market, where represented companies' products, rather than being sold abroad through their own brands, are produced for JMD and sold under a unique, larger brand, a brand associated with a large group (page 4), of Portuguese products with high VCR (page 6).

'In a market, there might be space for a producer but not for its brand.' Tânia Costa, Brand Manager at JMD

The case already gives some clues of this being a possible path: when it describes the lack of Jerónimos brand concept (page 4), the brand's ambition of becoming an 'ambassador of Portugal' abroad (page 5), and how this brand is being underexplored by the company, representing only 3% of export market sales (footnote in page 6). This strategy preserves the company's goals of deepening the relationship with Portuguese suppliers (page 2), of being a vehicle for Portuguese companies that wish to export their products (page 6) and of being a product consolidator (page 5), and seems to be a strategy already being successfully followed by some other nationality players (page 9).

This strategy has several merits:

1. A way to reduce the threats of disintermediation: on one hand, retailers are less able to contact directly producers, as this information is not so easily available; on the other hand, there are also fewer incentives from the represented brands to do so, as producers will never be 100% sure whether success is coming from the umbrella brand or from the quality of the products themselves;
2. Since our national brand might not always be perceived positively, the fact that some products already in Jerónimos' portfolio have international sourcing (page 4) can have the advantage of leveraging on those other countries' image, and, therefore achieving an overall better image for Jerónimos products, as suggested in the literature. Besides, different product origins may have the ability to capture a larger base of consumers, and of increasing the overall price competitiveness of JMD's portfolio, by sourcing from countries able to achieve relatively larger economies of scale;
3. By consolidating the several categories that the company intends to export (**Exhibit 8**), same of them may have a 'fileira effect' over others, namely ones of more traditional products, which could be more difficult to introduce in the market;
4. The fact that Jerónimos has one of the highest margins in the current portfolio (page 4) can point towards larger revenues and a larger price flexibility to negotiate with retailers;
5. As the company now would be in a more similar position to a manufacturer that sells its own brand, the difficulties in conveying the benefit of its service and only being seen as an intermediary (page 9) will be minimized;
6. If a single brand, sources from a large pool and aggregates the products of several, it can take the best products of each to offer a much more diversified portfolio overall, eventually also minimizing the need to make product adaptations;

7. Fewer sourcing and distribution restrictions to JMD's activity, as both the Jerónimos brand and the original producer brand could be sold in the same export markets by JMD and other exporters / importers, without raising representation right issues;
8. More stability and, therefore, loyalty potential for JMD in the foreign markets (page 14): even if a given product was unlisted by a retailer, the company would still be represented in that retailer through different products but the same brand;
9. Being part of the JM group (**Exhibit 1**), the company can leverage on the know-how the group has on the creation of private labels.

After the above analysis, since the case provides some information on product categories (**Exhibits 7, 8, 9, 18, 19 and 20**), the student could also elaborate his answer by defining which categories could be the first to be integrated into the Jerónimos portfolio. The key criteria are summarized in the below table:

	VCR	LARGE REPRESENTED BRAND	CURRENTLY SUPPLYING	FEW KEY PLAYERS IN THE UK	GROWING CATEGORY	MOSTLY SOLD THROUGH CONVENIECE	MOSTLY SOLD THROUGH SUPERMARKETS	NOT HIGHLY CONCENTRATED
WEIGHT OF THE CRITERIA	HIGH	MEDIUM	LOW	LOW	HIGH	LOW	LOW	HIGH
TOMATO PRODUCTS	X	X	X		X		X	X
ALCOHOLIC BEVERAGES	X		X		X			X
CHORIZO AND SAUSAGES	X			X	X		X	
MILK-BASED PRODUCTS	X		X		X		X	
FISH AND SEAFOOD	X		X	X	X		X	
FRUITS AND VEGETABLES	X			X		X		X
READY MEALS	X				X		X	X
OILS AND VINAGERS	X		X	X			X	X
PASTRY AND DESSERTS	N.A.	X	X		X		X	X
VEGETABLE TINS	X		X		X		X	X

N.A. – Not applicable

All in all, and confirming some of the larger trends in the market (page 13), the student should choose the categories which are marked in the three criteria with a high weight, and exclude the ones already in the Jerónimos portfolio (vegetable tins, **Exhibit 3**): tomato products, alcoholic beverages, ready meals (including desserts). The other criteria will be important for the prioritization of the integration of these categories, since for example the fact that the company is currently already supplying a given category can provide a better reassurance of success of that introduction.

Discussion Point #4: Client target strategy (**TN-Exhibit 6 and 7)**

This discussion point has several layers: first, to select the channels JMD should target and make the bridge between those and the most suitable formats (**Exhibit 17**). Then, the student must identify the players that would better serve that purpose.

The case is clear about JMD's intended target channel, however, the instructor should argue about the reasonability and feasibility of such ambition, in the short-term. Therefore, the recommended approach is to delineate a phased plan, with certain sales targets and timings upon which, if not met, the company should consider an exit strategy.

'If the market is not placing value on brands nor innovation, perhaps companies should think whether it is the right time to enter' Duarte Lopes Pinto, CEO at Sumol+Compal

- Channels:

a) Supermarket and hypermarket chains: This seems to be the company's target channel, as well as part of its definition of success in export markets (page 5): although not the channel with the largest store penetration, it has clear leadership on share of sales (page 11 and **Exhibit 16**). However, at least in a first phase, reaching this market is going to be rather difficult since, this channel seems to be fully committed to price and cost cutting (page 11). This has with a major implication to JMD: while the company wants to add value to its clients by consolidating several producers (page 5), chains are increasing the number of suppliers to minimize dependency costs (page 11). As a consequence, it seems that before JMD is able to place its products in this channel, at least with some degree of negotiation power, it will have to prove the potential success of its represented brands, perhaps by building volume through smaller stores, even a way to enable adaptations, which could appeal to more demanding retailers. Another reason is that switching costs are low for retailers (page 11): while this could be seen as an opportunity for JMD, if retailers are not 100% satisfied, they will likely switch suppliers again. Nevertheless, given the current limited level of product and service differentiation between retailers that enhances competition (page 10), they might be looking for ways to diversify their portfolios and since the company already has some expertise with organized trade (page 5), this goal seems reasonable for the future.

b) Convenience: this channel should be considered a strategic one: in addition to being a growing channel (page 12), it seems to be the channel that fits best what JMD intends to offer: a channel where consumers are usually willing to pay more (page 11), and, being a much more fragmented market (page 10), a channel with much lower pressure on prices, and therefore, on branded products. This channel has more than 50% of store penetration, and a share of sales of already more than 20% (**Exhibit 17**).

c) Online channel: It is a growing channel (page 12) and therefore might be an option for the company. Nevertheless, it still represents only 4% of sales (**Exhibit 17**) and major online stores still belong to the chains that hold also the largest physical operations. So penetrating this channel with visibility, before the company is able to target large chains might be difficult.

d) Traditional retail: composed mostly by family-owned businesses, these are typically small stores with low volumes and informal management, therefore requiring complex and expensive distribution with rather limited sales potential.

'When entering a new market and choosing who to approach, S+C usually excludes very small and very large players. In the case of very large players, if I am too small, I will never be their priority, and therefore, my share of attention will be limited. Ultimately, I should aim to have operators committed to the business and not disproportionate relationships with low success chances.' Duarte Lopes Pinto, CEO at Sumol+Compal

- <u>Formats:</u>

a) Non-affiliated independents: although the largest channel in terms of store penetration, as in traditional retail, targeting these retailers would require a great distribution effort for a market that only accounts for 5% of market value (**Exhibit 17**), a reason why the company now wants to target organized retail structures (page 7). Besides, and even if the company was able to target several of these, most likely it would not have the demonstrative effect that the company is aiming for, to show large chains how it is capable of developing a market.

b) Cooperatives: following the same line of reasoning, perhaps cooperatives are not the right target for JMD either: although retailers come together to bulk purchase, they do not operate as a single entity.

c) Forecourts: This channel also seems to be out of the scope as it will not help JMD create a perception of quality around its brands.

d) Symbol groups (**TN-Exhibit 4**): besides holding a large number of stores (18%), the average number of stores is, several times, larger than the one of most large chains (page 10 and **Exhibit 17**), which would allow JMD to build on its volume and track record to approach larger players. Besides, although almost a concept of chain, they are not capable of pulling together so much negotiation power.

e) Convenience multiples: benefiting from the advantages of being in the convenience channel, it would be a way for the company to keep built relationships with large chains. Nevertheless, only very successful products with large sales rotation in larger formats will be passed onto this channel, and so could only be reached after those have been addressed.

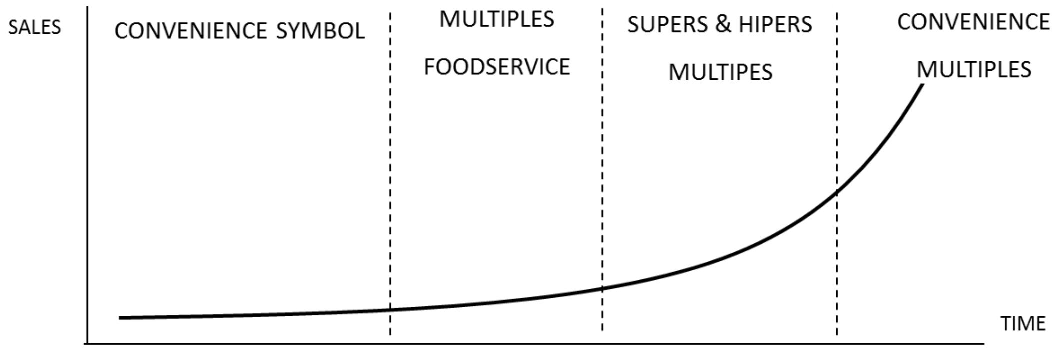
f) Foodservice: a channel where JMD already has some expertise (page 4), it would be an opportunity for JMD to build relationships with the largest chains: as large format stores in out-of-town locations are declining and being converted into multiservice locations, which offer foodservice courts (page 12), new suppliers, namely of convenience food, will be needed. On the other hand, this channel would provide trial opportunities for JMD's products, which could serve as a pull factor of products towards chain stores.

'Not always entering through the largest is what makes the most sense. One alternative is foodservice, a very interesting approach in the construction of brands,

due to the visibility and approachability to consumers it grants.' Helena Bento, International Business Director at Gallo Worldwide

g) Discounters: despite being a growing format, price is the main argument of sale, which doesn't seem to be much in line with JMD's positioning, or something reachable to most small-country companies (page 14). Besides, private-labelled ranges tend to be central both to retailers and consumers (page 12).

To summarize:



- Players: According to the spectrum in page 10, there are three main groups of retailers, associated with a recent trend of polarization (page 11): while both the price-focused and the up-market segments are growing, the middle-market seems to be staying squeezed.

a) Middle-market (Cooperative, Morrison's, Asda and Tesco): for those players perhaps the most logical thing to do would be not to target them, at least until they are again on positive grounds, less focused on price and costs, in attempts to recover sales and profitability (page 11). Besides, it could be desirable to have players with a mix of formats, in order to enable a smoother transition in the delineated phased plan, which is not the case of the first three (**Exhibit 17**). Tesco, on the other hand, holds a large number of stores in several formats, offers a broad range of up-scale products (page 10) and is the chain with the largest number of SKUs on store (**Exhibit 17**).

b) Price-focused (Lidl, Aldi and Iceland): following the same reasoning as before to discounters, and given the limited number of SKUs (**Exhibit 17)** the student could conclude that there is little room to JMD's products.

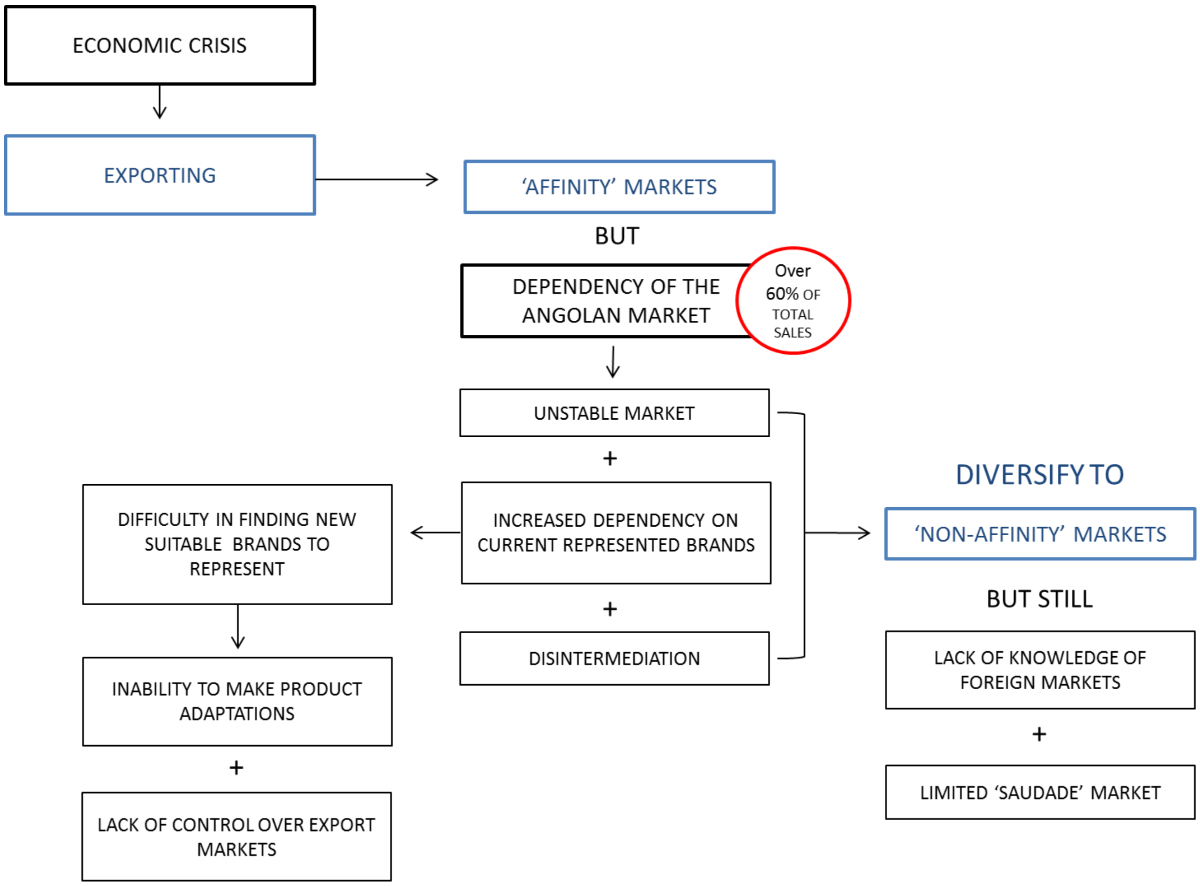
c) Up-market (Sainsbury's and Waitrose): besides being growing players in the market (page 11), they seem to be more in line with the JMD's offer of branded-products. At the same time, they offer a considerable number of SKUs and, in the case of Sainsbury's, it is also a chain that is composed by a varied portfolio of retail formats (**Exhibit 17).** Besides, being one of the largest chains in the market (**Exhibit 15**), it would be the perfect success story to tell to get business with other chains.

To summarize, the best players (shaded) are:

	ORGANIZED RETAIL	GROWING PLAYER	MIDDLE OR UP-SCALE MARKET	CONVENIENCE CHANNEL	SUPERMARKET CHANNEL	LARGE NUMBER OF SKUs
TESCO	X		X	X	X	X
ASDA	X		X		X	X
SAINSBURY'S	X	X	X	X	X	X
MORRISONS	X		X		X	X
COOPERATIVE	X		X	X		
WAITROSE	X	X	X		X	X
ALDI	X	X				
LIDL	X	X				
ICELAND	X	X				
INDEPEND.			X	X		

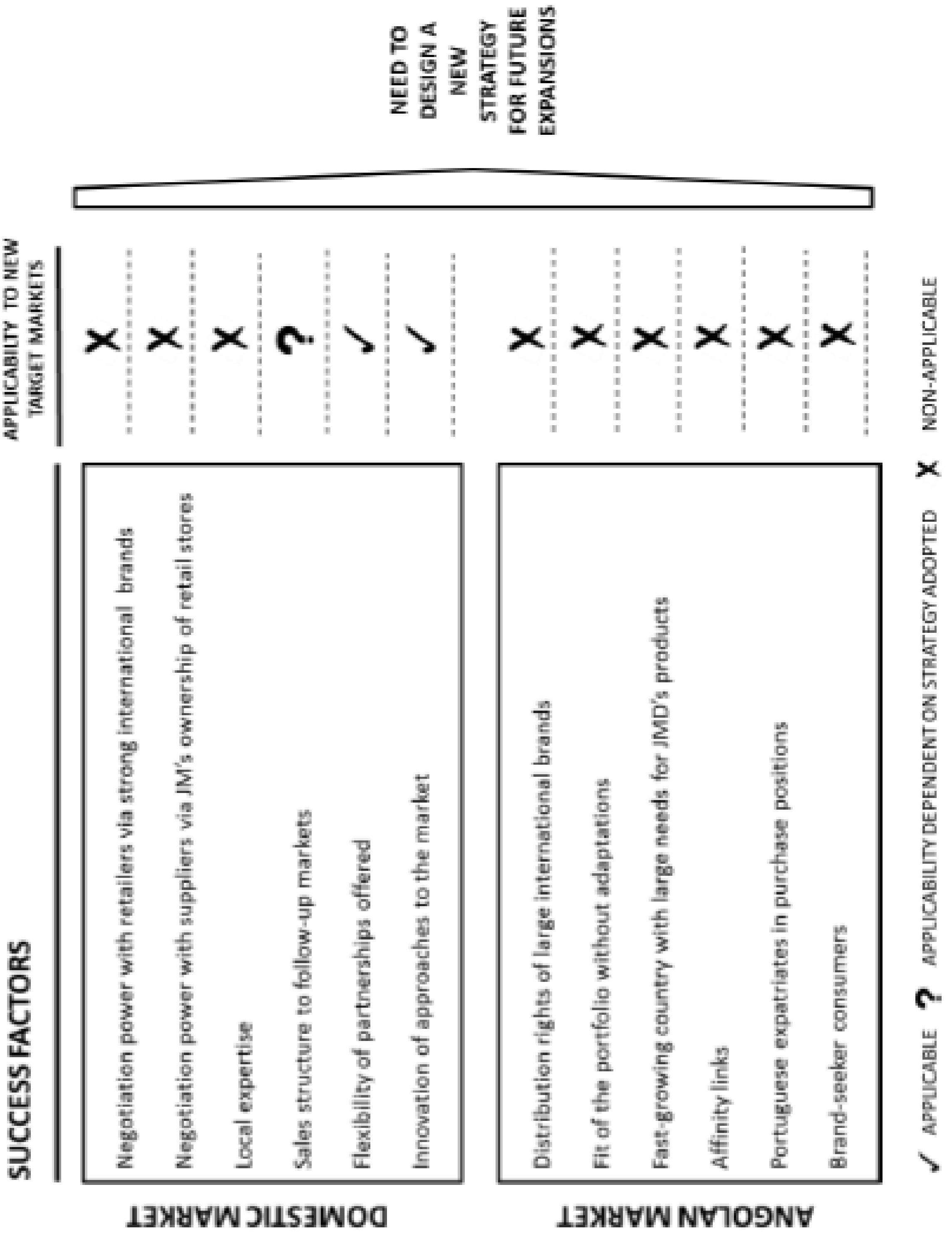
TEACHING NOTE EXHIBITS

TN-Exhibit 1 – Potential Board Plan for discussion point #1



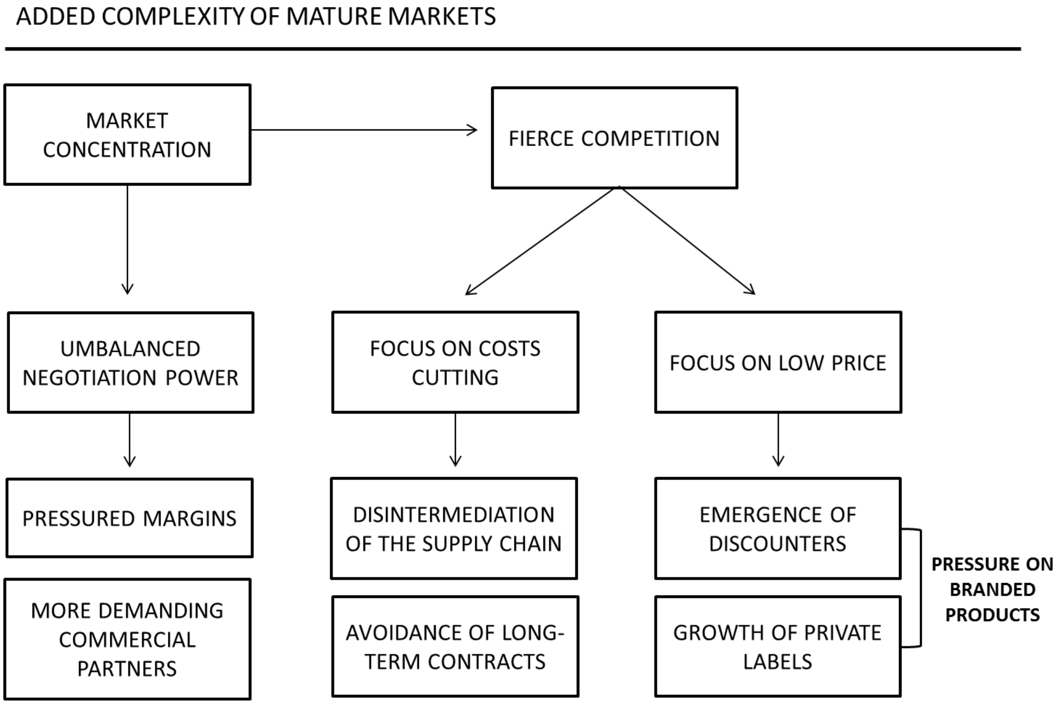
Source: Case writer

TN-Exhibit 2 - Potential Board Plan for discussion point #2 – Part 1



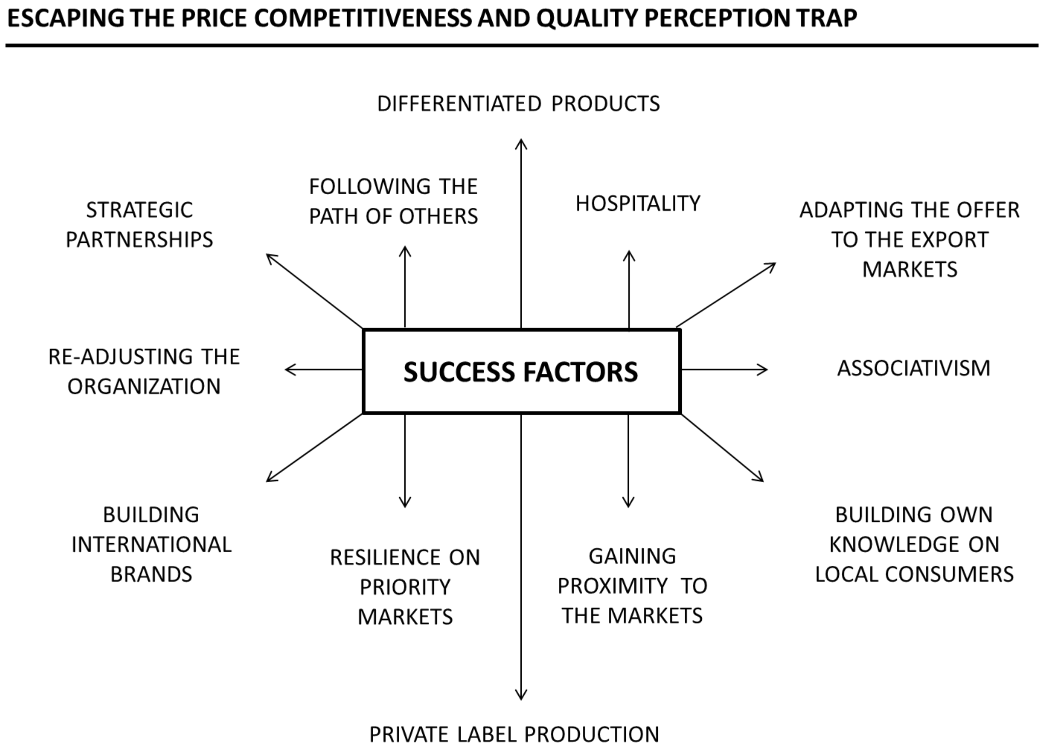
Source: Case writer

TN-Exhibit 2 - Potential Board Plan for discussion point #2 – Part 1 (continued)



Source: Case writer

TN-Exhibit 3 - Potential Board Plan for discussion point #2 – Part 2



Source: Case writer

TN-Exhibit 4 – Testimonials by the largest Portuguese exporters in the food industry and governmental entities

EXPORTING PRODUCTS WITH DIFFERENTIATING CAPABILITIES

'The majority of Portuguese companies don't have a competitive advantage of scale that allows them to lead in price. Therefore, the alternative is to highlight the quality, science and art that are behind our brands to differentiate ourselves. Portugal already has several success cases: on one hand, entire sectors of the economy like the footwear industry; one the other hand, companies like Renova, which were able to fight commoditization through differentiation. The premium in price has to be justified by differentiating attributes.' Duarte Lopes Pinto, CEO at Sumol+Compal

'For us, the main idea behind differentiation is never letting our product become a commodity. We must innovate and excel communication.' Helena Bento, International Business Director at Gallo Worldwide

'Each company has to be able to find its model to ensure competitiveness, either by offering lower costs than competitors or by differentiation. Perhaps, twenty to thirty years ago our competitive advantage rested in low production costs. But, it is evident that with the globalization and the world opening up to the east, that the competition changed radically. Therefore, our firms have to bet on integrated technology, design, innovation, knowledge and branding to strengthen their competitiveness. And we are succeeding in doing so: it is not by chance that Portugal was able rise 15 positions in the global competitiveness ranking.' António Pires de Lima, Portuguese Minister of Economy

ADAPTING THE OFFER TO THE EXPORT MARKETS AND TARGET CONSUMERS

'Often times, Portuguese companies fall into the mistake of trying to push their current products to the foreign markets. But consumer habits are always different from country to country and, therefore, as long as the markets have large enough dimensions to justify specific product ranges, for those markets defined as priority, the company needs to rethink its offer and brands, so that they are adjusted to the needs of those consumers. If markets are a priority but lack in scale, companies can still build ranges of products by country clusters.' Duarte Lopes Pinto, CEO at Sumol+Compal

'Regularly, given different consumer habits in a market, we realize the need to create specific lines to these markets, for example Super Bock 0.0% for Muslin countries. Of course some investment is required but it is often overestimated by companies. Even little variations to the standard products can make the difference.' Lourenço Arriaga, Brand Development Manager at Unicer

'The first thing we do when entering a market is to understand the consumer and how they use the product, so that we can adjust our portfolio, for example by working with local chefs. We don't come in trying to offer to the world whatever we produce. We don't have the ambition of having our customers consume the products as we do, just that they do consume. For example, the Brazilians put olive oil on their Pizza which is something we never thought of!' Helena Bento, International Business Director at Gallo Worldwide

BUILDING OWN KNOWLEDGE AROUND TARGET FOREIGN MARKETS AND CONSUMERS

'The only way a company can develop specific strategies for the markets is by conducting deep research on the consumer. This can be done, for example, by conducting focus groups or by creating teams per market cluster, which go on field trips to get to know the market and identify business opportunities. This brings tremendous knowledge and networking to the organization which allowed us to eliminate intermediaries.' Duarte Lopes Pinto, CEO at Sumol+Compal

BUILDING PROXIMITY TO THE MARKETS

'Following export opportunities that come up and getting traders to export our products and is relatively easy, but perhaps the sustainability of this approach is questionable. If we do not follow up the dynamics of our products in these markets, we have no control over the development of our brands, and ultimately, we are not creating any brand equity.' Duarte Lopes Pinto, CEO at Sumol+Compal

DEFINING TARGET MARKETS AND BEING RESILIENT IN THE STRATEGIES

'Being an exporter is not selling to everyone that comes up knocking: given limited resources, Portuguese companies should concentrate resources on some priority markets. And then, they must be consistent and coherent with the choices made.' Duarte Lopes Pinto, CEO at Sumol+Compal

'In the beginning, it was a joy every time we received a call from a different country. But we soon realized we should be more selective to be able to invest in the markets, if what we wanted to do was to develop and grow markets, rather than just exporting. And doing so is a long-term investment and has to be seen as such.' Helena Bento, International Business Director at Gallo Worldwide

'The most important thing is not which strategy the company decides to follow, but rather its ability to execute it with rigor and persistence.' António Pires de Lima, Portuguese Minister of Economy

TRANSFORMING NATIONAL BRANDS INTO INTERNATIONAL ONES

'It is easy for producers to be biased towards their brands: they know what made them successful in their domestic operations, and assume the same things for foreign ones. Therefore, companies need to find a way to convert their brands into international ones, for example by hiring unbiased foreign agencies. Not to mention that brands that are perceived as international have a lot of added value to them.' Duarte Lopes Pinto, CEO at Sumol+Compal

RE-ADJUSTING THE ORGANIZATION TO THE NEW INTERNATIONAL AMBITIONS

'Since the moment a company decides to start its international path, it should realize the implications that implies from an organizational point of view. Just like for the national market, specific structures with responsibility over foreign markets should be created. In my opinion, it is a mistake when companies only create structures when business starts to come up, since that is already limiting its potential. Besides, once created, the teams are the ones that have to justify themselves by being

dynamic in searching for business we already know exists abroad.' Duarte Lopes Pinto, CEO at Sumol+Compal

'Unicer began its exporting activity by following opportunities that came up from abroad. But soon Unicer realized that the size of the opportunities abroad justified a restructuring to approach the market. Today our team for the foreign markets has more than 40 people. Of course we could have waited for results to come before restructuring the teams, but we believe in a more long-term view of the business. We believe that if we identify an opportunity we should take the risk to invest and only by doing so significant results will follow.' Lourenço Arriaga, Brand Development Manager at Unicer

'Companies need to understand that exporting is an activity that requires time and money.' Hélder Martins, Account manager for SMEs at AICEP ([25])

LOOKING FOR COLLABORATIVE STRATEGIES WITH OTHER PORTUGUESE COMPANIES

'There are several examples of countries, like the Nordic, whose companies move in clusters when they wish to enter a new market. They might not have business synergies, but perhaps they might share knowledge of the market as they will likely share the same challenges. Besides, these strategies allow companies to gain some dimension to become relevant in the country's 'radar'' Duarte Lopes Pinto, CEO at Sumol+Compal

'I believe a great problem among Portuguese companies is that they don't know how to work together. Perhaps if they did, they would achieve the scale that they lack today and that would allow them to undertake further investments in foreign markets.' Otto Teixeira da Cruz, Export Manager to the European market at Sovena

'There is still little association among Portuguese despite successful examples like 'Pêra Rocha'. Perhaps if we had some more of larger brands, our country could gain some recognition abroad.' Helena Bento, International Business Director at Gallo Worldwide

'Our footwear and textile sectors were mostly composed by family-owned businesses or SMEs. And it was remarkable how the companies in these sectors were able to organize themselves and combine their wills in associations to reach world class positions.' António Pires de Lima, Portuguese Minister of Economy

'Associating several companies and developing collective brands can have several advantages: first, it facilitates the contact between supply and demand, by aggregating suppliers under a single 'roof'; not only it pulls together all the products from smaller producers, in a way that their combined volume can be interesting for larger players, while, at the same times, increases the negotiation power of the former.' Hélder Martins, Account manager for SMEs at AICEP

[25] AICEP is Portuguese governmental entity aimed at supporting the internationalization of the Portuguese economy. It acts on two main domains, transversally to all sectors: foreign direct investment, and exports. On the export side, the main goal is to augment the degree of exposure of Portuguese products abroad, through financial, logistic and informational supports, namely by providing lists of potential clients, information of the markets' specificities, or through supporting associative efforts between companies.

EXPLOITING MARKETS DESPITE LIMITED INVESTMENT RESOURCES

'I always use to say 'In Portugal, there are several highly talented companies. But they were unlucky. They were 'born' in a small country.' Perhaps, if like foreign competitors, our companies have been created in a country with a larger domestic market, they would have the same financial resources to finance their international expansion. S+C found a solution in strategic partnerships: finding foreign partners with high 'strategic fit', were both can win from the complementarities of the businesses and convincing them with the company's success stories and track record abroad that, with wider access to the markets and by sharing production and distribution networks the company would able to replicate that success by skipping the major learning curves of such markets. And this is a cyclical strategy: by highlighting success in certain markets, we were able to reach new ones.' Duarte Lopes Pinto, CEO at Sumol+Compal

'Mature markets, given their large share of private-labelled products have little room for branded products. So, given our limited resources to develop such strong brands often times, Sovena considers, in an initial stage, producing distributors own brands, while selling our brands through other channels. If we are able to win distributors' trust, then eventually we might be able to sell them our brands as well over time. Sometimes companies have to stop thinking of their brands with their heart, and start thinking where larger opportunities for success lie.' Otto Teixeira da Cruz, Export Manager to the European market at Sovena

'Portuguese companies overall suffer from not having, like some other markets do, the internal scale that allows them to have the necessary resources to leverage initially their exporting activity. But that lack in scale might be exactly how we might be able to offer higher quality products. Secondly, the Portuguese have an incredible ability to approach new markets and naturally relate to new cultures. Not to mention how blown away potential clients get when they visit our company, in terms of modernity, dimension and technology.' Lourenço Arriaga, Brand Development Manager at Unicer

'We are incapable financially of having several markets in which we have to educate the consumer on our products. The only way is by having a balanced mix of geographies, in different stages of growth, where some markets generate profitability to sustain the others.' Helena Bento, International Business Director at Gallo Worldwide

WORKING THE QUALITY PERCEPTION SIDE

'When we are trying to sell a product at a premium, unless the consumer perceives some value in it, the company is not going to be able to sell. The first thing we need to do is to awake the awareness of quality of our products in our target consumers, for example, by making consumers perceive our products as essential, a signal of status or, alternatively, start by placing products in niche markets, where consumers value higher the product, to start building a quality perception around our brands. Then we just need to watch supply and demand push the price up. For those markets that are not natural consumers of our products, the company will have to make additional efforts to educate the consumer' Hélder Martins, Account manager for SMEs at AICEP

'Quality is one of the most difficult things to work on and one of the most debatable ones. But it is possible to turn around. For example, every time our products win an international award. Another strategy we use is to bring potential clients to Portugal, so that they can see what we can do, the quality of our facilities and the respect with which we treat our products. All more tangible things that are easier to transmit and where we are strong, in order to build a trust relationship with our clients. Besides, the way the Portuguese are able to welcome foreigners is something they value and almost unique in the world.' Otto Teixeira da Cruz, Export Manager to the European market at Sovena

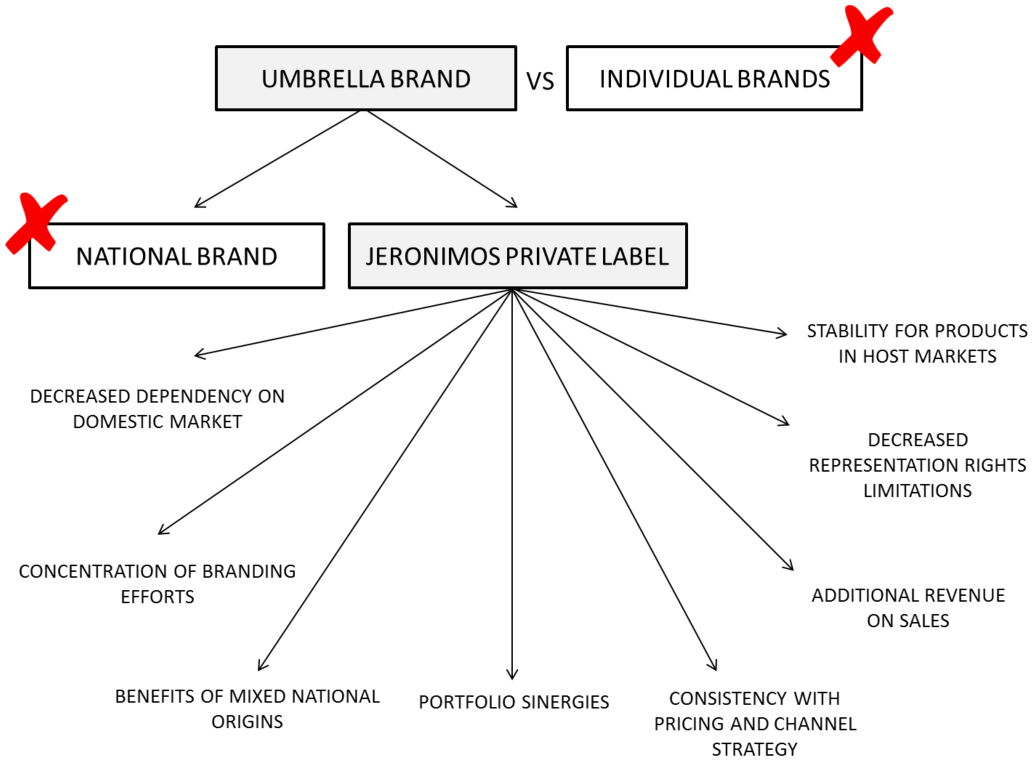
'Today, with Portugal being a fashionable destination, being Portuguese already adds some equity to our brands, if we are able to communicate 'Portugality' as a lifestyle. Lourenço Arriaga, Brand Development Manager at Unicer

'Perhaps some countries, like Germany, when exporting have a 'positive prejudice' via having strong companies related to technology. Over the last ten to twenty years, Portugal has also been able to reinforce its competitiveness through differentiating factors like hospitality: the capability to receive others in our country, which is very visible for example in the tourism sector. I believe this is a capacity that can be generalizable to more companies or sectors and that can create synergies throughout our economy.' António Pires de Lima, Portuguese Minister of Economy

TAKING ADVANTAGE OF WHAT OTHERS ALREADY ACCOMPLISHED

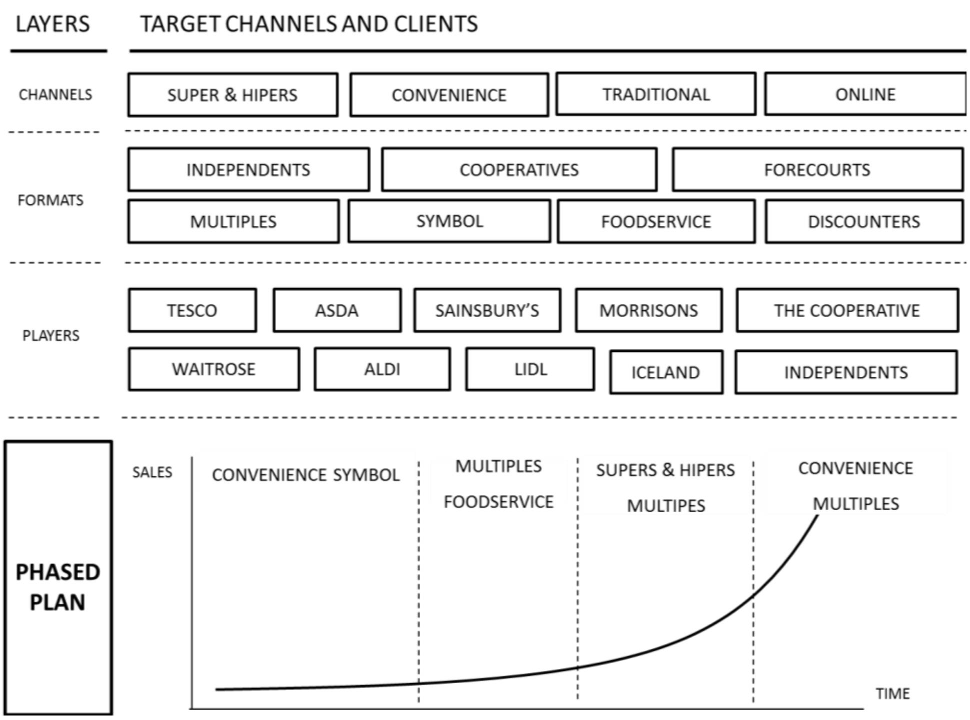
'Often times, the markets which some companies are trying to enter are the same where some other larger Portuguese companies already are. Therefore, successful Portuguese companies can be a business card for others: borrowing their credibility and quality to the country and to companies that follow, just like governments that also open doors through economic diplomacy' António Pires de Lima, Portuguese Minister of Economy

TN-Exhibit 5 - Potential Board Plan for discussion point #3



Source: Case writer

TN-Exhibit 6 - Potential Board Plan for discussion point #4



Source: Case writer

TN-Exhibit 7 – Additional data on symbol groups in the UK

Source: IGD

Available from: http://www.igd.com/

[5 May 2015]

LITERATURE REVIEW

Export-driven adjustment in Portugal

In the context of the globalization and ever since Portugal joined the EU, in 1986, external trade became a very important reality for our country in terms of stability and economic growth (Sousa, 2004 and Sousa et al., 2008, Melo, 2007). Because exporting is seen as the simplest and fastest foreign market entry mode, and one that does not require so high financial and human resources, it rapidly became the most common among internationalization strategies.

However, when the global economic crisis stroke, in 2008, several structural problems begun to show and undermine our productivity and the capability to adjust [82]. Companies, faced with cutbacks in demand, consequently, abandoned some of their previous expansion plans [21], causing exports to fall sharply and affecting the economy overall.

Despite the negative domestic scenario, where demand declined 14% between 2008 and 2012, positive indicators started to come from abroad, with Portugal's main export markets (mainly European) showing signs of economic recovery. This, consistently with the literature (Gao et al., 2010), led Portuguese companies to turn more seriously to the external markets [21], and at that point, even looking for geographical differentiation, exporting to fast-growing countries outside the EU, namely to take advantage of the competitive edge in Portuguese-speaking countries (Felke and Eide, 2014).

All in all, as stated by Felke and Eide (2014), Portuguese economic adjustment after the global crisis was strongly driven by the growth in the export activity [24]. However, despite the present positive signs of these investments, problems associated with the small scale of Portuguese companies and their image abroad are still hindering growth potential [21].

Exporting challenges and success factors

Despite the popularization of the exporting activity, the complexity of the process should not be undermined. From the extra regulatory requirements to the necessary payment arrangements, management of foreign currencies, increased lead times, difficulties in finding suitable overseas representation and initial capital requirements, literature emphasizes the need of being resilient and taking a long-term view over challenges to succeed [66] (Rabino, 1980, Leonidou, 1995 and 2004).

But according to the literature, such perceived barriers will have some relevant differences depending on the export stage of the individual firm and company size (Pinho and Martins, 2010, Katsikeas and Morgan, 1994, Leonidou, 1995). While for non-exporters major concerns tend to be lack of knowledge of potential markets, of qualified export personnel, of product suitability and product competitiveness, the degree of competition in the sector and lack of financial assistance, for exporters, warehousing and control of physical product flow in the target market are the biggest barriers.

To overcome some of the above, the literature highlights several success factors. According to Holzmüller and Stöttinger's (1996), companies able to reduce rigidity and distance themselves from habitual references to own-culture points of views are the most likely to succeed.

Others, like Bredau (1985) stress full commitment: first, the uniqueness of one's products to the overseas markets should be identified; then, full commitment in the sense that, first domestic opportunities should be completely exploited, so that time and resources can be canalized to foreign markets [66].

Having said this, warnings are therefore also made against entering too many markets at once due to the spreading of scarce resources (Montgomery, 1994) Amador and Opromolla (2013) also agree, showing with a sample of Portuguese companies that the variation over time in sales of exporters is mainly driven by sales in continuing destinations, with the variation in the number of destinations only representing one quarter of variation in firm's exports. Nevertheless, others report that profits tend to be larger in firms with more diversified export sales over destination countries (number of countries and share of largest markets), whilst less diversified in the number of goods exported (Wagner, 2014, Iyer, 2010), due to the reduced vulnerability to adverse shocks in the market (Hirsch and Lev, 1971). Bearing all theories in mind, literature seems to pointing toward the need to find the right balance between the spreading of scarce resources and the exploitation of diversification benefits.

According to Tookey (1964), other success factors are: proactivity to investigate and gather information about the market; use of export services such as established large-scale intermediaries; and willingness to adapt its products to export requirements and overseas tastes (defining the minimum order size below which they only supply standard lines or combining orders from a number of markets to justify specific lines); or more generally, looking for joint-action opportunities, in order to share the mentioned information and underlying costs of the activity.

Industry and firm characteristics, such as labor productivity, industry concentration and firm assets, will be central to explain the intensity achieved by companies (Reis and Forte, 2014): the higher the concentration level of the industry, the lower tends to be the export intensity, in line with the conclusions of Zhao and Zou (2002); the higher the labor productivity and the larger firm sizes the higher the ratios of exports, in line with results of Iyer (2010) and Fu et al. (2009), respectively.

Despite the latter conclusions on labor productivity and scale, which ultimately may hinder companies from competing on price, as they cannot achieve cost leadership positions, companies might still find their competitive edge through differentiation (offer something that is perceived as unique) or focusing strategies (concentrating efforts on a narrower group of buyers or markets), according to Porter (1980). Nevertheless, not even uniqueness and differentiation mean unequivocal success (Sogn-Grundvåg and Young, 2013): cost and price gaps can not be too wide, meaning that a balance has to be found between the creation of customer-perceived value and prices. At the same time, the dynamics of the environment cannot be forgotten, as it can create new sensitivities to customers of a market. In these cases, the only ways to avoid short-term placements seem to be offering attractive profitability to retailers, unique bundles of benefits that target specific needs or even distinguishing products through developing strong brands and product history.

Competing in a global scale

When competing in the global market, small-sized companies, like the Portuguese ones, face wider challenges. According to the economies of scale theory, companies located in countries with large domestic markets tend to be in an advantageous position relative to competitors located in countries with small domestic markets. Thus, small countries with potentially more efficient producers may be unable to compete with less efficient producers located in larger countries (Donnenfeld and Hirsch, 1993).

Nevertheless, several authors believe that there are other factors that can play in favor of smaller companies: flexibility and the freedom to explore new approaches, as well as a more decentralized structure that allows quicker decision-making, and in turn, can lead to first-mover advantages (Molinari, 2006). One obvious advantage of flexibility is one of local adaptations (Dawar and Frost, 1999): for industries where success depends on meeting particular demands of local consumers, companies should consider such commitment since, according to Amador and Opromolla (2013), growth in new destinations tends to be achieved through the introduction of new products to the firm rather than just products already exported to other destinations. Otherwise, companies will only be able to succeed where competitive assets are transferable: where market conditions are similar, where expatriate communities exit or where there is a common heritage between the home and host countries (Dawar and Frost, 1999). As Bredau (1985) puts it, 'an export program can only be successful if a company is willing to look at the individual markets and respect the individuality of each'.

Lastly, according to Dawar and Frost (1999) and Sultan (2004), Venkataramanaiah and Parashar (2007) respectively, alliances with local companies or industry clustering can be desirable, as these will allow competitiveness improvements for Small and Medium enterprises (SMEs) by filling in gaps of capabilities or even sharing of distribution networks.

Positioning in foreign markets

After deciding the major strategic lines of entrance, firms must decide on the how, as a successful positioning may insulate a firm from competitive pressures. But this decision is neither an easy task: according to the literature, it cannot be informed only by the unique resources the firm possesses, but also by the industry and institutional contexts within which the firm operates (Peng et al., 2008). Xie et al. (2011) agree, arguing that the highest the host market concentration the more likely the company is to adopt a specialist strategy (focused audience, with specific needs), to avoid great direct competition from established players; while the highest the local market knowledge, the highest the propensity to adopt a generalist strategy (communicating to a larger audience). Previous studies also included firm's international experience as a determinant to a firm's positioning (Hendry, 1996). However, more recent literature disregarding it, as firms might need to adjust their strategy to adapt to the possibility of high regulative, cognitive and normative distances between markets (Xie et al., 2011, Kostova, 1999).

To test the desired positioning and to promote one's products, the literature advices on the participation in Trade Shows (Bredau, 1985, Zanvetor, 2014)

Promoting a national image

Since the late 1990s and particularly with the dawn of the new millennium of globalization, nation-branding idea became a worldwide phenomenon, as states realized that a country's image increases international awareness, and thus a nation's involvement in the global marketplace, where every state is competing for a share of international 'consumers' (Park, 2009, Anholt et al., 2008, Sousa, 2007).

According to some authors the smaller the country, the highest the importance of the national brand in forming total competitive advantage (Kesić et al. 2003, Anholt, 2005): it widens the geographical exposure for products which would otherwise be too small, and, although attitudes towards products vary by product category (Kaynak and Cavusgil, 1983), consumers tend to generalize their attitudes across products, with the country image being transferred from some product categories to others. But how can small or relatively underdeveloped countries 'sell' their national brands to the world, when there is evidence of a systematic bias between product evaluations and the level of economic development of a country (Gaedeke, 1973, Wang and Lamb, 1983)?

In fact, the literature has been showing the consumer's reliance on national stereotypes, such as the one of Belgium or Swiss chocolate (Camgöz and Ertem, 2008) and on clues when evaluating products (Schooler, 1965, Han, 1989): COO (Country-Of-Origin) information triggers expectations about properties and quality of products (Kramer et al., 2008, Pharr, 2005, Erickson et al., 1984), which in turn, affects intentions to purchase (Yamoah, 2005, Chowdhury, Ahmed, 2009) and willingness to pay (Olson, 1978).

Some also claim that national talented personalities (for example, Cristiano Ronaldo and José Mourinho for Portugal), are the best public relations campaign for a country (Lazzari et al., 2012), suggesting celebrity endorsement coupled with host country retailer's image to weaken the negative stereotypes that might exist (Kabadayi, Lerman, 2011). Nevertheless, Park (2009) argues that, in the end, it is not the state itself that becomes well-known of positively perceived. Alternatively, others argue that there is strong correlation between the positive experience of visiting a country and positive feelings towards its products (Anholt, 2007).

Nevertheless, some authors undermine the scope of COO's impact, arguing that it only has impact in purchase decisions when little else is known about a product and as it is only one element in a wide array of influencers (Johansson et al., 1985, Erickson et al., 1984), being significantly less important as a choice determinant than product quality and price (Elliott and Cameron, 1994). In addition, with the phenomenon of globalization, this COO effect is no longer considered just a single country concept (Cattin et al., 1982, Han and Terpstra, 1988), meaning that countries with less favorable nation's images can capitalize on other countries' associations, for example through sourcing or partnerships.

Besides, if a country isn't able to build such a positive perhaps promoting the products' brands themselves and therefore taking advantage of brand equity can be preferable, as the latter exists independently of the country of origin and since both product and national brands considerably influence product choice and consumer behavior (Kesić et al., 2003). In fact, some authors support that brand image is a moderator of negative COO effects (Pharr, 2005).

Still, others believe that a strong brand image may not be enough overcome the effect of a negative Country-of-Origin perception (Chu et al., 2010). For that reason, the literature advices on trying to discover what the perception of the country abroad is, in order to being able to market only those positive, unique aspects (Anholt, 2007).

Some efforts have already been developed to uncover the image of Portugal abroad: according to Loureiro et al. (2013), tourism and people have a positive impact on the cognitive image of Portugal, consistently with others studies which mention tradition and hospitality / service (Filipe, 2010, Melo, 2007, Murraças, 2008, Sousa, 2007), therefore suggesting the exploitation of the people's dimension is one to be exploited on country branding (Sun and Paswan, 2011). In addition, several consider flexibility and price / quality relationship some of the countries' strongest traits.

Nevertheless, despite some exceptions in more traditional sectors, some studies still report general lack of knowledge of Portuguese products, highlighting insufficient marketing efforts and adaptations to foreign markets and perceived lack of differentiation and modernization of products, which are proven to be detrimental to perceived quality, leading some national companies to prefer to 'hide' their products' origin (Filipe, 2010).

Although the perception varies from country to country and although some efforts and initiatives have already been employed to change such negative aspects (Filipe, 2010, Melo, 2007, Murraças, 2008, Sousa, 2007), changing a state' image is a lengthy and complex process. Therefore, Park (2009) reminds of the important role of governments as coordinators of efforts, to avoid company's own versions of the state's image, which could be harmful to the overall brand and as providers of continuity and stability to the process.

In addition, corporations should also be involved since a country's image is also a reflection of consumer's general perception about the quality of products made in a particular country (Anholt, 2007, Sun and Paswan, 2011) and since companies have a far more global worldview, which can impact far more consumers than a government ever could (Goodman, 2006). Therefore, according to White (2012), some positive impacts can be achieved by communicating the COO of national brands that already have competitive reputation.

Despite all of the previous remarks, most consumers still have preference for locally made products over overseas-made ones (Elliott and Cameron, 1994). Therefore, for imported products to be considered, the only exception being some developing countries that seek to emulate western consumption practices, and therefore favor foreign products (Batra et al., 2000, Yamoah, 2005), products will need to be of markedly superior quality or attractively priced.

Disintermediation

Even since information is more widely available, the business environment has been changing, namely with the trend of disintermediation. According to the literature, this process is mostly in line with the product life-cycle (Mills and Camek, 2004): when a manufacturer is wishing to introduce a product in a market where it has no significant presence, distributors are the way into that market; but, as a manufacturer looks to decrease costs, appropriate further profits or increase distribution channels, he can decide to remove exclusive rights of distribution or even decide to distribute himself.

But according to Rosenbloom (2007), this prediction of companies getting rid of the 'middleman' has been overrated, with relationships being rearranged rather than extinguished. One aspect is the quality of the relationship between the parties that several times has the strength to ensure continuous representation, in addition to flexibility and innovation on the former. Besides, if distributors are able to offer a superior service at a lower cost than manufacturers can achieve, most likely distributors can avoid the fate of disintermediation: on the contrary to most manufacturers, distributors are able to spread costs of distribution over large quantities of products from numerous manufacturers, thus achieving both economies of scale and scope.

Competing against private labels

The recent consolidation movement among food retailers has shifted power from manufacturers towards the former. (Maglaras et al., 2013, Kaditi, 2013, Hingley, 2005).

An indicator and a consequence of such trend are private-labelled products, which grew to a point where they are posing a significant challenge to national brands. Inevitably, as the former mature and leverage on brand equity of the retailer (Shetty and Manoharan, 2012), willingness to pay for national brands decreases (Steenkamp et al., 2010).

To fight this trend, literature proposes continuous product innovation and advertising towards creating emotional bonds with consumers and increasing involvement with the category (Steenkamp et al., 2010, Nenycz-Thiel and Romaniuk, 2014). Others, suggest private-label production by national-brand manufacturers, to increase the likelihood of getting shelf space for their brands in the future (Braak et al, 2013). Nevertheless, it is believed that in the high-quality segment, consumers' still favors national brands (Bergès et al., 2013).

APPENDIXES

APPENDIX 1 – Biography of the interviewed Portuguese exporters in the food industry

Sumol+Compal

Sumol+Compal S.A. is a Portuguese food and beverages company specialized in soft drinks. The company was created by the merger between the companies Sumol and Compal, which, at that time, was thought in order to achieve international dimension to start its international expansion. The company started to export more significantly in 2009, and in the last five years, the company was able to triple its exports and to start production in Africa. It is present in more than 70 countries, and its major brands have already more than half of its sales coming from foreign markets.

Sovena

Sovena is one of the largest Portuguese producers of cooking oils and olive oils. The company started exporting in 2002 and in 2013 was already the 57º largest in Portugal in its export business. The company today is present in more than 70 countries, being Spain its primary market (50% of export sales).

Unicer

Unicer is a Portuguese beer producer, owner of several brands and the Portuguese distributor of some other international brands. The beginning of its exporting activity dates back to 2001, being in 2013 already the 32º largest Portuguese exporter. The share of exports in total revenues is already over 35%, being the Angolan and European markets the primary ones. The company's brands today are present in more than 50 countries and the company is already producing outside the national territory.

Gallo Worldwide

Gallo Worldwide is a Portuguese olive oil producer, which exports since 1908. However, it was not until 2009, when the company was spun-off from Unilever Jerónimo Martins, that the company created its worldwide image and its international department, to represent its thrive to be a global player and to proactively develop foreign markets. It is already the number one Portuguese olive oil internationally, and the third largest globally. The company exports to more than 40 countries throughout the 5 continents, exports which already represent more than half of the company's sales. Brazil is the largest market today, were the company is already market leader, among other markets.

APPENDIX 2 – Benchmark with main Portuguese exporters in the food industry

Y2013	JMD	Unicer	Sovena Portugal	Gallo Worldwide	Sumol+Compal
Top 100 largest Portuguese exporters	-	32º	57º	69º	85º
Beginning of export activity	2009	2001	2002	1908	2009
Number of countries	17	41	36	29	58
% of sales through export	5,0%	35,99%	37,61%	71,48%	27,11%

Source: Case Writer, Diário Económico

Available at: http://economico.sapo.pt/public/uploads/especiais_sp/exportadoras18.pdf

[17 March 2015]

Percentage per continent with the total number of export markets

	JMD	Unicer	Sovena Portugal	Gallo Worldwide	Sumol+Compal
Europe	25%	37%	29%	22%	34%
Asia	33%	29%	25%	25%	13%
America	13%	15%	14%	30,5%	13%
Africa	29%	17%	29%	19,5%	35%
Oceania	0%	2%	3%	3%	5%

Percentage per continent with the total number of countries in the continent (penetration)

	JMD	Unicer	Sovena Portugal	Gallo Worldwide	Sumol+Compal	Total Nº countries
Europe	12%	30%	32%	16%	42%	50
Asia	17%	25%	29%	18,75%	17%	48
America	9%	17%	23%	31,4%	23%	35
Africa	13%	13%	26%	12,9%	41%	54
Oceania	0%	7%	11%	7%	20%	15

Percentage per continent with volume of sales

<table>
<tr><th></th><th>JMD</th><th>Unicer</th><th>Sovena Portugal</th><th>Gallo Worldwide</th><th>Sumol+Compal</th></tr>
<tr><td>Europe</td><td rowspan="3"><30%</td><td>20%</td><td>75%</td><td></td><td>14,2%</td></tr>
<tr><td>Asia</td><td>7,5%</td><td rowspan="4">25%</td><td></td><td>0,6%</td></tr>
<tr><td>America</td><td>7,5%</td><td>Brazil > 40%</td><td>3,5%</td></tr>
<tr><td>Africa</td><td>>60%</td><td>65%</td><td></td><td>81%</td></tr>
<tr><td>Oceania</td><td>0%</td><td>0%</td><td></td><td>0,2%</td></tr>
</table>

Breakdown of export markets

	JMD	Unicer	Sovena Portugal	Gallo Worldwide	Sumol+Compal
EUROPE					
Portugal	x	X	x	x	X
Spain		X	x		X
France	x	X	x	x	X
Germany		X	x	x	X
Greece			x	x	
Holland		X	x		X
UK	x	X	x	x	X
Austria					X
Switzerland	x	X			X
Luxembourg		X	x		X
Belgium		X			X
Finland	x	X			X
Poland		X	x	x	X
Island		X			
Jersey		X			
Andorra		X			X
Ireland			x		
Norway			x		X
Sweden			x	x	X
Denmark					X
Ukraine			x		
Russia			x		X
Byelorussia			x		
Cyprus	x				X
Austria		X			
Italy			x	x	X
Estonia					X
Czech Republic					X
ASIA					
Macau	x	X	x		
Japan		X	x	x	X
China	x	X	x	x	X
Jordan		X			
India		X	x	x	
East Timor	x	X			X
Saudi Arabia		X	x	x	X
Korea			x	x	
South Korea		X	x		
Bahrein			x		
EAU	x	X	x		
Iran	x		x		
Israel		X	x		X
Taiwan				x	
Kuwait			x		X
Philippines		X		x	
Singapore	x	X		x	
Qatar			x		
Thailand			x		
Hong Kong	x			x	
Iraq	x				
New Guinea					X
Maldives					X
AMERICA					
Canada	x	X	x	x	X

EUA	x	X	x	x	X
Saint Martin					X
French Antilles		X			
French Guiana					X
Saint Barthelme					X
Guadeloupe					X
Brazil	X	X	x	x	
Bermuda		X			X
Bolivia				x	
Argentina			x	x	
Colombia			x	x	
Venezuela			x	x	
Peru				x	
Mexico			x	x	
Martinique			x		
Ecuador					X
Paraguay				x	
Uruguay				x	
AFRICA					
Angola	X	X	x	x	X
Cape Verde	X	X	x	X	X
Guinea Bissau	X	X	x	X	X
Gambia				X	X
South Africa		X	x	x	X
Tunisia			x		
Mozambique	X	X	x	x	X
Cameroon			x		
Namibia		X	x	x	X
Niger					X
S. Tomé and P.	X	X	x		X
Congo			x		X
Gabon			x		X
Burkina Faso					X
Libya	X		x		X
Liberia					X
Mauritius			x		
Tanzania					X
Togo			x		X
Egypt	X				
Benin					X
Ivory Coast					X
Reunion					X
Sierra Leone					X
Morocco					X
Senegal					X
OCEANIA				x	
Australia		X	x		X
New Zealand			x		
Nouvelle-Cal.					X
French Polynes.		X			X

Sources: Case Writer, Interviews with companies, Corporate websites (most recent info.)

Available at: http://www.unicer.pt/; http://www.sovenagroup.com/pt/; http://www.galloliveoil.com/; http://en.sumolcompal.pt/

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