



**CATÓLICA
LISBON**
BUSINESS & ECONOMICS

Department Corporate Management & Economics
Seminar International Strategy

Master Thesis

Development of Competitive Capabilities in Mature, Slow Moving International Niche Markets – The Case of the Portuguese Port Wine Industry

Executed by:	Nina Anique Haderler
Enrolment Number:	152115037
Course of Study:	International Management
Semester:	Fall Semester 2016
Supervisors:	Nuno Cardeal & Ricardo Reis
Date of Submission:	04. January 2017

Dissertation submitted in partial fulfilment of requirements for the degree of
Master of Science in International Management at Católica Lisbon School of
Business and Economics, January 2017

ABSTRACT

Nowadays, globalization affects every industry. Globalization has likewise accelerated the development speed of alcoholic beverage companies, necessitating any business that wants to remain competitive to adapt. In the international context, the rather unexploited Port wine industry is noticeably stable. Founded in the 16th century, the industry has gone through numerous industry cycles and is currently present in over 100 countries. However, the industry faces several threats, appearing out of its minor size and an increasingly hostile and dynamic environment. This thesis aims to examine the challenges of a mature, slow-moving, yet highly international niche industry, and analyses which strategic moves are specifically necessary in the Port wine industry to develop the dynamic capabilities to remain competitive.

To explore these topics, an inductive exploratory case study was conducted. Eight experts were interviewed to derive three hypotheses about the reasons for the historic stability, the current agility and future prospective of this industry. The results display that (1) in historic context the Port wine industry was able to respond promptly and in consensus to market changes, (2) the core-capabilities of the industry are derived mainly from past-experience and have a shortage in the development and release of new resources, (3) the industry is aware of key threats and opportunities but incapable to transform the knowledge accumulated into a new value-creating strategy. The findings implicate that collaboration and a more modern approach to marketing is needed to regain visibility in saturated markets and capture new customers.

Keywords: Wine, Port wine, Douro, dynamic capabilities, strategy, innovation, collaboration, brand definition.

RESUMO

Atualmente a globalização afeta todas as indústrias. Como tal, a globalização tem vindo a acelerar a velocidade de desenvolvimento das empresas de bebidas alcoólicas, induzindo à necessidade de adaptação das empresas para se manterem competitivas. Notoriamente estável no contexto internacional encontra-se a pouco explorada indústria do Vinho do Porto. Fundada no século XVI, esta indústria passou por diversos ciclos e encontra-se presentemente em mais de 100 países. Porém, a indústria enfrenta diversas ameaças resultantes da sua reduzida dimensão do ambiente cada vez mais hostil e dinâmico. Esta tese pretende examinar os desafios desta indústria madura e de mudança lenta, ainda que corresponda a uma indústria de nicho substancialmente internacionalizada, e analisa quais os movimentos estratégicos necessários para o desenvolvimento das capacidades dinâmicas necessárias à manutenção da sua competitividade.

Para explorar estes tópicos, realizámos um estudo de caso indutivo e exploratório. Entrevistámos oito especialistas para formular três hipóteses relativas à indústria: estabilidade histórica, agilidade atual e prospetivas futuras. Os resultados obtidos evidenciam que: (1) no contexto histórico a indústria do Vinho do Porto foi capaz de responder atempada e consensualmente às mudanças do mercado; (2) as capacidades centrais da indústria resultam essencialmente das experiências passadas e a indústria demonstra dificuldades na criação e no desenvolvimento de novos recursos; (3) a indústria está ciente das ameaças e das oportunidades-chave, mas é incapaz de transformar o conhecimento acumulado numa nova estratégia de criação de valor.

Estes resultados sugerem que colaboração e uma mais moderna abordagem de marketing são necessárias para que a indústria reganhe visibilidade em mercados saturados e capture novos clientes.

Palavras-chave: Vinho, Vinho do Porto, Douro, capacidades dinâmicas, estratégia, inovação, colaboração, definição de marca.

ACKNOWLEDGEMENTS

As my thesis would not have been possible without the help of several persons, I would like to take the chance to acknowledge all my supporters during the last years and especially during my master studies time.

First of all, I want to thank my main supervisor Professor Nuno Cardeal for his guidance through my thesis and also my second supervisor Professor Ricardo Reis for his assistance. Secondly, I want to say to all my knowledgeable editors that I really appreciate the time you have spent for all the reviews and advices, namely Afonso, Joseph, Juri, Mikael, Mariam, Pascal, Stina and Zé.

Moreover, I want to say thank you to the best mentors I could have asked for. On the academic side, I was always able to count on the support of Professor Hermut Korman, who showed me how much enjoyable academic work is. On the other side my professional advisors Rui Nabeiro and Florian Langenscheidt, who accompanied me by finding out in which direction I want to go in my professional future.

I also would like to take this opportunity to acknowledge the help of all the Port wine companies, the IVDP and AEVP and the wine journalists without whom this research project would not have been possible.

Finally, I would like to thank my friends and family. My friends for always supporting and motivating me in whatever I did, and my family to never stop believing in my decisions and the encouragement to take my own path.

TABLE OF CONTENTS

LIST OF TABLES	VII
LIST OF FIGURES	VIII
1 INTRODUCTION	1
2 STATE OF RESEARCH	3
2.1 Internationalization of the Wine Market	3
2.2 Concretization of Research Focus: The Port Wine Industry	5
2.3 Introduction into the Research Field of Dynamic Capabilities	7
2.4 Industry Life Cycle Analysis	9
2.5 Missing Empirical Research in the Subject of Internationalization and Innovation of Saturated Niche Markets	11
3 METHODOLOGY	12
3.1 Data Collection	13
3.1.1 Focus of Analysis.....	13
3.1.2 Selection and Number of Interview Partners.....	14
3.1.3 Development of the Semi-Structured Questionnaire	15
3.1.4 Conduction of the Interviews.....	17
3.1.5 Transcription of the Interviews	17
3.1.6 Enhancement of Data Collection.....	18
3.2 Data Analysis	19
3.2.1 Procedure of Data Analysis	19
3.2.2 Ensuring High Research Standards.....	20
4 RESULTS	21
4.1 Thematic Field 1: Historic Development and Main Changes	21
4.1.1 Reasoning Behind Historical Development	21
4.1.2 Major Market Changes	22
4.2 Thematic Field 2: Internal and External Influence Factors	24
4.2.1 Internal Influence Factors.....	24
4.2.2 External Influence Factors.....	25
4.3 Thematic Field 3: Perceived Future Threats and Opportunities	27
4.3.1 Threats	27
4.3.2 Trends and Opportunities.....	29

4.3.3	Overall Success Factors	32
4.4	Summary of Results	33
5	ANALYSIS AND DISCUSSION OF THE RESULTS	34
5.1	Findings from the Thematic Field Junction and Hypothesis Construction	34
5.2	Resume	38
6	OUTLOOK	39
6.1	Implications for Academia	39
6.2	Practical Implications	40
6.3	Limitations	44
7	APPENDICES	I
7.1	Appendix Methodology	i
7.2	Appendix General Information	xi
8	LIST OF REFERENCES	XVII

List of Tables

Table 1. Drivers and inhibitors of a company's wine export level	4
Table 2. Market concentration index Port wine industry	6
Table 3. Development Port wine industry overall	7
Table 4. Development special categories Port wine	7
Table 5. Mature and decline stage in the wine industry life cycle	10
Table 6. Advantages- and disadvantages of qualitative research	12
Table 7. Interview partners	15
Table 8. How to build a future for the Port wine industry	31
Table 9. Product ideas	31
Table 10. Overall success factors of the Port wine industry	32
Table 11. Capabilities of the Port wine industry	37
Table 12. Main threats and opportunities of the Port wine industry	38
Table 13. Possible brand definition of the Port wine industry	43

Appendices

Table 14. Characteristics of potential interview partners	ii
Table 15. Further processes to ensure research quality	iv
Table 16. Storage of White Port wines	xi
Table 17. Storage of Ruby Port wines	xii
Table 18. Storage of Rosé Port wines	xii
Table 19. Storage of Tawny Port wines	xii
Table 20. M&A in the Port wine industry	xv

List of Figures

Figure 1. The four dimensions of a core capability	8
Figure 2. Stages in the industry life cycle	10
Figure 3. Observation of the decision-making process	14
Figure 4. Main categories	16
Figure 5. Excerpt of a coded section	19
Figure 6. Final coding tree	20
Figure 7. Main changes in the Port wine industry	23
Figure 8. Internal factors influencing the Port wine industry	24
Figure 9. Threats to the Port wine industry	27
Figure 10. Trends in the Port wine industry	30
Figure 11. Industry life cycle stages of the Port wine industry	35

Appendices

Figure 12. Numeric trends in the Port wine industry	xvi
---	-----

1 Introduction

Internationalization¹ is for most industries not only an option anymore, but essential to remain competitive in the increasing worldwide competition (Morrison & Roth, 1993). Internationalization is especially a challenging topic for niche markets. Due to their small size, they often suffer from financial constraints and within these limits, encounter challenges such as how to innovate and to build a strong brand (Aufreiter, Elzinga, & Gordon, 2003; Petromilli, Morrison, & Million, 2002; Fleming & Marx, 2006; Fleming, King III & Juda, 2007). However, there is only a vanishingly small number of conceptual works exploring how firms in small declining markets gain, use and develop their capabilities to align with modern market requirements (Argyres & Bigelow, 2007; Leonard-Barton, 1992; King & Tucci, 2002; Barreto, 2010; Becheikh, Landry, & Amara, 2006; Ambrosini & Bowman, 2009; Wu, 2010; Camisón & Villar-López, 2014). To close this gap, the following research project analyses the influence factors on international competitiveness and innovative-potential of saturated niche markets.

This work has three objects of investigation:

1. Empirical exploration of the internationalization and innovation of the slow-moving niche market Port wine.
2. Discussion of the hereby mentioned factors and comparison with the dynamic capabilities framework, to weight theory against management practice.
3. Derivation of implications for the practical strategy definition of niche markets and suggestions for academia.

To reach the named objectives, the research question guiding this master thesis is:

What are the main strategic challenges of a slow-moving industry that copes with a saturated international market and which steps should be taken specifically in the Port wine sector to sustain long-term competitiveness?

¹ Internationalization is the configuration of the company's development by the growth in variable international markets (Engelhard, 2015).

This lead question was divided into three thematic sub-questions: (1) Was the industry historically able to respond promptly to market changes? (2) How vigorous is the industry nowadays? (3) What are the essential threats and opportunities for the Port wine industry in the international market?

To answer those questions, an explorative study with inductive research design was conducted. Relevant data in this unexplored industry was gathered through eight expert interviews in the Port wine industry with the objective to make knowledgeable claims about their decision-making process (Suddaby, 2006). The Port wine industry was chosen because the industry is an excellent example of how a product with long historic tradition has coped with a significantly hostile international environment. The long-term stability of the Port wine industry might be explained not only by the uniqueness of the product, but by industry specific characteristics, which are rather unexplored (Lopes, 2005; Lopes, 2014). This empirical research has novelty character due to its qualitative approach and the rigorous focus on one unexplored market. Therefore, a valuable contribution to the research in the field of internationalization in niche markets is made.

The work is structured as followed: In Chapter 2 a short introduction about the internationalization research of the general wine market and the specific niche market Port wine is given. This is followed by a brief overview of the dynamic capabilities framework and the industry life cycle. Furthermore, the research gap will be defined. The research method and data evaluation can be found in Chapter 3, whereas main results and their discussion are in Chapter 4 and 5. Concluding implications for academia and practice are assembled in the final chapter, ending with the research limitations.

2 State of Research

The objective of this chapter is to develop a basic understanding of the subject. First, a short overview of wine internationalization research will be given. This is followed by an introduction into the specific characteristics of the wine subcategory Port wine. To enable a deep analysis of the industry's long-term stability later in Chapter 4 & 5, the reader will thenceforth be introduced to the dynamic capabilities framework and the industry life cycle model. Finally, the data will be aggregated to outline the research gap.

2.1 Internationalization of the Wine Market

Virtually the whole world is affected by globalization, regardless of the chosen economic system. Globalization is the result of 200 years of economic growth but has accelerated exponentially in the 20th century (Spahni, 2000; Heijbroek, 2003). Globalization is also not a new phenomenon in the wine industry: Whereas before the 1990's the production and consumption had a local focus, the market since then has spread international due to decreasing tariffs, logistical price reduction and the disappearance of trade barriers (Castaldi, Cholette, & Hussain, 2006).

The market is divided into new world and old world producers (Rebelo & Correia, 2008).² Since the 2000s, new world producers could significantly increase their market shares³ and in 2015 already contributed ~35% to the overall world production (Anderson & Nelgen, 2011; Organisation International de la Vigne et du Vin (OIV), 2015). Yet, old world producers still defend the lead position, with the European Union (EU) as major player. Recent numbers from 2015 display that the EU in world-scale accounts for 45% of the wine-growing areas, 65% of production, 70% of exports and 57% of consumption (European Commission, 2016).

Apart from this development, some negative trends are threatening the wine industry. Primary, although world consumption is still increasing, European consumption by capita is decreasing (European Commission, 2015). Subsequent, a grape and wine oversupply

² New world producers are e.g. the Americas or South Africa and old world producers the countries of the European Union (Rebelo & Correia, 2008).

³ Drivers are i.a. high investments into modern methods such as employee training, improved production techniques and professional management (Giuliani, Morrison, Petrobelli, & Rabellotti, 2010).

forces the market into heavy discounting to lower the inventories (OIV, 2015). To stop this downward spiral for the wine producers, Remaud and Couderc (2006) extract two major options: First, develop a niche strategy by offering a specific service or product to differentiate themselves. Second, become global by investing into the major wine producing countries. Hence, the likeliness of a wine company to expand successfully on a global scale depends on several influence factors. Quantitative researches characterized the following as key drivers and inhibitors of successfulness on a global scale (Wickramasekera & Oczkowski, 2006; Wickramasekera & Bianchi, 2013):

Table 1. Drivers and inhibitors of a company's wine export level

Drivers	Inhibitors
<ul style="list-style-type: none"> – High wine quality & uniqueness – Firm distributor network – Strong marketing skills – Skilled management – Strong mission and motivation – Innovation capability specifically and dynamic capabilities in general 	<ul style="list-style-type: none"> – Exchange rate variability – Missing reliable foreign distributor – Limited government support – Low market prices

Source: Wickramasekera & Oczkowski (2006); Wickramasekera & Bianchi (2013).

A still relatively stable production country is Portugal, with only a slight decrease in the annual rate of change (CARC) of -0,2% between 2009-2013 (revenues), with similar forecast numbers until 2018 (AGRO.GES, 2012; Trade Data and Analysis, 2015).⁴ The core growth accelerator is export: 70% of Portuguese wine has an international destination, which leads to a positive value in the Portuguese wine trade balance (AGRO.GES, 2012). The Portuguese stability can be connected to the country's extensive history of wine making and therefore a far developed distributor network, high wine quality and strong motivation. Since 2000 BC grapes have been grown in the region, which results in deep ties between wine and Portuguese culture, reaching in some regions even iconic status (Vinhos de Portugal, 2016). A role model is the Douro regions with its representative, the Port wine and recently growing in importance, the Douro table wine (Hall & Mitchell, 2000).

⁴ To compare: CARC 2015: Spain -3,3% and France -0,6%.

2.2 Concretization of Research Focus: The Port Wine Industry

Named after Portugal's second largest city Porto, Port wine is one of the best-known members of the fortified wine category.⁵ With an overall world-sale of €366 million, Port wine contributed in 2015 to roughly 8,8% of the Portuguese wine market (Instituto dos Vinhos do Douro e Porto (IVDP), 2016a, IVDP, 2016b). However, when considering the fortified wine sector which had a 2015 European revenue of €3594 million, the Port wine industry accounts only to a diminishing number (Statista, 2016). Remarkably, this niche market stands nonetheless as a benchmark case of successful implementation in international markets: With entrepreneurial and commercial strategies, the category successfully responded to key market changes of the last decades (Rebelo & Correia, 2008).

The Port wine industry has always been export oriented. Starting with a weak phase until late 1950s, production and trade increased until the 1970s and after some slow down, stabilized again from 1990s onwards. Nowadays, Port wine is exported to over 100 countries with the main destinations France (22,5%), Netherlands (11,6%), U.S (9%) and UK (8,9%) (IVDP, 2016b). The Port wine industry has a highly-regulated market, with strong influence of the public institution, currently the IVDP.⁶ The production of Port wine takes place in the 1757 declared "Douro Demarcated Region", 18,3% occupied by vineyards and representing 15% of the overall vineyards in Portugal (Pereira, 2012; IVDP, 2010a).

Facing challenges of product substitutes, scarcity of distribution and a decrease in consumption, particularly in the main market Europe, immediately after the second world war Port wine companies started a process of a still ongoing market consolidation (Sequeira & Crespo de Carvalho, 2012; Rebelo & Correia, 2008). A major driver of this consolidation was the entrance and exit of multinationals like Moet Chandon, Bacardi-Martini or Seagram.⁷ During the 1960s they declared the Port wine market as interesting

⁵ Fortified wines contain additional alcohol. For more information see Appendix 7.2.

⁶ The IVDP is the Portuguese public organization of Port wine. For more information see Appendix 7.2. The word association is used to ease the reading flow, even that only the AEVP is an association while the IVDP is an organization.

⁷ See Appendix 7.2 for an overview about the main consolidations and historic trends.

investment and acquired several companies. However, as Port wine is an agriculture product, short-term return on capital is unlikely and the possibilities to scale limited. Facing this dissatisfying truth, most of the major multinationals divested the Port wine Market! in the 2000s. Nevertheless, their appearance brought two major positive changes: First, the professionalization of the industry by turning the sector from a product-driven viewpoint to a consumer-driven philosophy by i.a. segmenting the market and creating product line extensions to respond to the consumers need (Rebelo & Correia, 2008). Second, a process of vertical-integration to control all stages of the value chain to increase the product quality (Sequeira & Crespo de Carvalho, 2012).

Seeing a gap in the market, Portuguese firms started a process of national concentration, acquiring several Port wine brands from multinationals to fuse national leadership (Rebelo & Correia, 2008). This trend led to a current quasi-oligopolistic market structure, with five groups dominating ~80% of total sales (Woodard, 2008; Association, personal communication, November 11, 2016).⁸ The following table displays the increasing market concentration by firm and holding in a concentration index:⁹

Table 2. Market concentration index Port wine industry

Market concentration in %		1991	1998	2004
Main 4	Firm	35	34.7	49.2
	Holding	48.9	44.4	59.1
Main 8	Firm	54.6	52.5	69.1
	Holding	73	64.2	77.2

Source: Adapted from Rebelo & Correia (2008), p.112

This table shows that the market is since 1998 mainly controlled by very few market participants. This stands in contrast to the overall wine industry, where the leading three companies only reach an overall market volume of 7% (Heijbroek, 2003).

⁸ In order of size: Gran Cruz, Symington Family Estate, Sogrape, The Fladgate Partnership, Sogevinus (Woodard, 2008).

⁹ The table is divided into on top the four leading Port wine traders, and beneath the biggest eight companies, including the first four. The concentration concerning holdings are higher, as they unit several companies in one, i.a. Fladgate Partnership.

As already named above, a second major transformation in the industry has been the change of the distribution network. Starting with an informal trade mainly between individual producers and small merchants, the rise of new distribution channels like supermarkets and e-commerce made it necessary for the Port wine industry to position their product more clearly. After trying to respond to the market pressure with very low prices and even the use of Port wine as a loss leader, the market recently reports a stabilization in prices by a reduction of volume. This slight turn-around can be explained by a trend towards the higher priced special categories.¹⁰ Both can be seen in the following graphs:

Table 3. Development Port wine industry overall

Percentage Development (Ø)	2002-2006	2007-2011	2012-2015
Sales Volume	-0,53	-1,99	0,03
Quantity	-0,74	-1,99	-0,07
Price	0,22	-0,02	0,29

Source: Author analysis based on numbers provided by IVDP

Table 4. Development special categories Port wine

2012-2015	Market Growth Sales (%)
Special Categories	2,7
Normal Categories	-1,6

Source: Author analysis based on numbers provided by IVDP

To sum up, instead of focusing all the energy either on innovation or tradition, Port wine has always tried and still tries to find a balance between tradition and modernity. Though, after already adopting to several market changes, the industry currently struggles to locate their position in the fast-moving beverage environment.

2.3 Introduction into the Research Field of Dynamic Capabilities

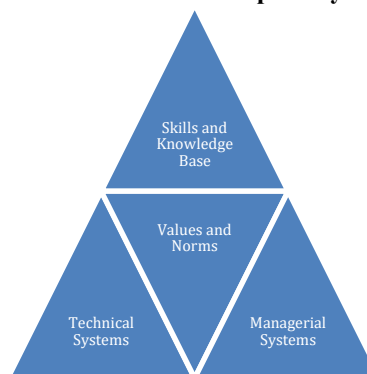
Recent studies display that the average time a company can protect its competitive advantage is decreasing and a rising number of companies find themselves in hypercompetitive or high-velocity environments (Wiggins & Ruefli, 2005). Therefore, company's need to develop the capacity to adapt faster to respond constantly on environmental changes (D'Aveni, 1994; Eisenhardt & Martin, 2000). Likewise, the Port

¹⁰ Special categories are a term to describe the portfolio besides Ruby, Tawny and White. Examples are Vintage, Late Bottle Vintage (LBV) or aged Tawny. For more information see Appendix 7.2.

wine industry is heavily influenced by this transformation: Even through this niche market can be described as a slow-moving industry, it is still acting in the dynamic beverage market (Brown & Eisenhardt, 1997).

In 1992 Leonard-Barton introduced the four-dimension model of a core capability, where he described it as interrelated self-determining knowledge system, building the core of the agility-perception of an industry. He named the following dimensions as relevant for a core capability, varying in importance by each industry:

Figure 1. The four dimensions of a core capability



Source: Adapted from Leonard-Barton (1992), p.114

Connected to this knowledge, the dynamic capabilities framework was introduced 1997 by Teece, Pisano, and Shuen. They defined dynamic capabilities “*as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environment*” (p.516). Dynamic capabilities enable firms to “*create, deploy, and protect the intangible assets that support superior long-run business performance*” (Teece, 2007, p.1319) and are the reason to which extent a firm can recombine their alter resource base into new sources of competitive advantage to form new value-creating strategies (Teece, 2007; Teece et al., 1997; Pisano, 1994).

Literature generally accepts that capacities develop over time (Laamanen & Wallin, 2009; Newbert, 2007), especially in traditional industries (Easterby-Smith, Lyles, & Peteraf, 2009). Already in 1997, Teece et al. stated that capabilities are constructed over time by producing organizational and production knowledge experience, and therefore cannot be acquired through market transactions (Teece et al., 1997; Langlois & Foss, 1999). King and Tucci (2002) developed this knowledge further and separated two different types of

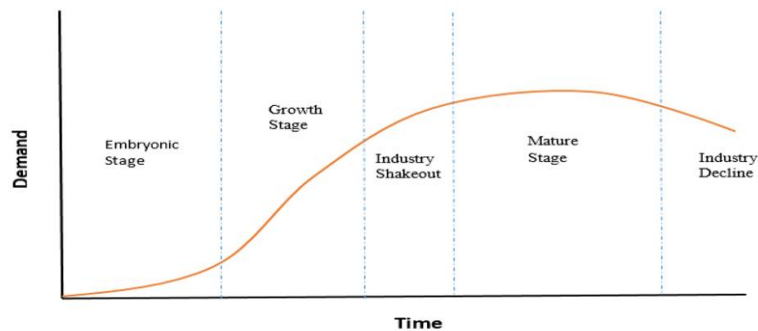
knowledge that are influencing those learning abilities. The first ability is the strategic experience, which is “*acquired from further analysis of existing structures, position and strategies*”. The second ability is the transformational experience, which “*is gained from changing these attributes*” (p.183). Static knowledge seems to support companies in expanding into new niche markets, while transformational experience does not seem to have a strong influence (King & Tucci, 2002). Extending this knowledge, Olmos (2011) proved that experience does not have to be gained by years, but can also be acquired through market contact. He even stated that years can lead to routines that hinder innovation. Following Shuen and Sieber (2009) dynamic capabilities reached a new relevance through Web 2.0. Constant improvements in technology enable companies to develop their dynamic capabilities more easily through supporting collaboration and interaction between companies and customers.

Several studies have examined the internationalization drivers of the wine market (Beaujanot & Lockshin, 2002; Fernandes, 2011; Karelakis, Mattas, & Chryssochoidis, 2008; Lindgreen, 2001; Maurel, 2009; Wickramasekera & Oczkowski, 2006). However, only a small number of wine research in general, and in niche-markets specifically used the framework of dynamic capabilities (King & Tucci, 2002; Garud & Nayyar, 1994, Kogut & Zander, 1992). Likewise, the use and development of dynamic capabilities is unexplored in the Port-wine industry. As the results of this specific industry are easily applicable to other markets due to often similar market structures, it is thought-provoking to explore (1) to which degree the Port wine industry developed its resources out of the extensive market experience and (2) how they can transform them to sustain competitiveness in its saturated but fast-moving environment (Rebelo & Correia, 2008; Lopes, 2014).

2.4 Industry Life Cycle Analysis

Which dynamic capabilities are substantial also depends on the industry’s development stage. The theory of an industry life cycle has been introduced by Utterback and Abernathy (1975) and Abernathy and Utterback (1978). According to their theory, the environment needs change as the industry moves through the five stages of development (Christensen, Suarez, & Utterback, 1998):

Figure 2. Stages in the industry life cycle



Source: Hill & Jones (2012), p. 65

How long each phase sustains varies; movements in the cycle can be noticed by changes in the system of the industry's part that govern performance (Karniouchina, Carson, Short, & Ketchen, 2013). As for an industry, it is beneficial to know the stage of development to adjust and respond to the competitive environment (Sabol, Sander, & Fuckan, 2013; Cusumano, Kahl, & Suarez, 2006). For companies, this analysis allows them to develop a sustainable strategy and adapt their business model thereupon (Greiner, 1998; Hill & Jones, 2012; Cusumano et al, 2006). Considering the stage analysis, the Port wine industry can be positioned in between mature and decline phase, which are displayed in the following table:

Table 5. Mature and decline stage in the wine industry life cycle

	Mature	Decline
Production Quantity	Slope decreased and stabilized	Demand for the product has decreased, so has production
Domestic Supply	<ul style="list-style-type: none"> – Supply level peaked – Demand has peaked 	<ul style="list-style-type: none"> – Supply quantity decreases – Demand has begun to decrease
Export Quantity	<ul style="list-style-type: none"> – Reached their peak, – Stabilization as demand has stabilized 	<ul style="list-style-type: none"> – Decrease as demand has also begun to decrease – Firms focus on lowering costs
Import Quantity	<ul style="list-style-type: none"> – Remain stable – Difference between exports has reached its maximum 	May increase slightly as production levels begin to decrease or will remain relatively stable
Area of land	Little change as land has been developed and demand has peaked	Decrease slightly as firms leave the industry
Hectoliters Per Hectare	Little Change	May increase as firms attempt to maximize production without increasing their costs

Source: Adapted from MacDonald & Hartt (2014). p.120

This knowledge will be used in Chapter 5 to develop suitable strategic implications for the industry.

2.5 Missing Empirical Research in the Subject of Internationalization and Innovation of Saturated Niche Markets

Amongst others, Argyres & Bigelow (2007); King & Tucci (2002); Barreto (2010); Ambrosini & Bowman (2009); Wu (2010); Camisón & Villar-López (2014), specified that research is missing in the field of how industries can develop a strategy to respond to the modern market requirements. As stated in the former analysis, noticeable stable in the international context is the nearly unexplored Port wine industry. Therefore, this research project aims to close the research gap by exploring, through expert interviews, the everyday reality of the Port wine industry and “*the interpretations of those who participate in them*” (Glaser & Strauss, 1967, p.239). Due to qualitative research in only this specific market, potential bias in the focus was avoided (Barreto, 2010).

To allow a deep analysis of the results, the gathered qualitative data will be compared with the dynamic capabilities framework. This thesis will test the collected data on four by Barreto (2010) defined dimensions to analyze, if the fulfillment of the framework can be an explanation for the success of the Port wine category: The ability (1) to sense opportunities and threats (2) to make timely decision (3) to make market-oriented decisions (4) to change the firm’s resource base.

This thesis has on the one hand the objective to forward academic research, but on the other hand to address the non-academic audience by developing implications for the practical strategy development for niche markets in international environments. Therefore, this research can be described as a nexus between internationalization research and guide for practitioners.

3 Methodology

In this research project, an inductive reasoning scheme is followed. The premises are supplied by evidence of the conclusion by an empirical examination of preselected observed companies and associations (Copi, Cohen, & Flage, 2006). Thus, qualitative data gathering is used to explain a causal connection between occurrence and result (Gläser & Laudel, 2009). This approach of theory generation is adequate if the current empirical research can be stated as insufficient (Strübing, 2014).

The qualitative research method consists of many advantages but also disadvantage. The following table displays a selection of the most important:

Table 6. Advantages- and disadvantages of qualitative research

Advantage	Disadvantage
The trust relationship developing out of the personal contact can animate the interviewee to more comprehensive and honest responses	Selection of adequate interview partners
The interviewer gets the possibility to broach the subject again if the answers is not clear or if it seems that the interviewee can give further input	High amount of time and cost expenditures
Complexity and subjectivity can be answered by immediate reaction	Statistical representability not possible as only a sample can be included
Non-verbal movements can support a better understanding of what is important to the interviewee	Bias due to the compression of interview material
As a deeper preoccupation with the presence of an interviewer is made to the topic, the interviewee is motivated to link causal connections → explorative development	Possibility of emotional influence through interpersonal contact
The interviewer can react on knowledge gaps of the interviewee immediately	Interpretative procedure

Source: Adapted from Mayring (2002), p.65 ff.

This research project follows the methodology rules of grounded theory (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). In 1967 the methodology was established by Glaser and Strauss to respond to constant positivism in social research. Grounded theory is the nomenclature for a multi-level, iterative-cyclic, interpretive and explorative procedure

(Schatzman, 1991; Strauss, 1991). Therefore, the objective is to develop “(...) *meanings and concepts used by social actors in real settings*” (Gephart, 2004, p.457). Its main advantage is that the research develops in circles, which enables the researcher to define the final research questions during the process, enabling them to adapt the study direction to new findings. A further benefit of this method is that the data evaluation can already begin, while the process of data collection and analysis is still ongoing. Thus, a holistic approach is possible. Grounded theory persists out of a three-step process, in which the open and selective coding is controlled by theoretical sampling (Brüsemeister, 2008; Breuer, 2009).

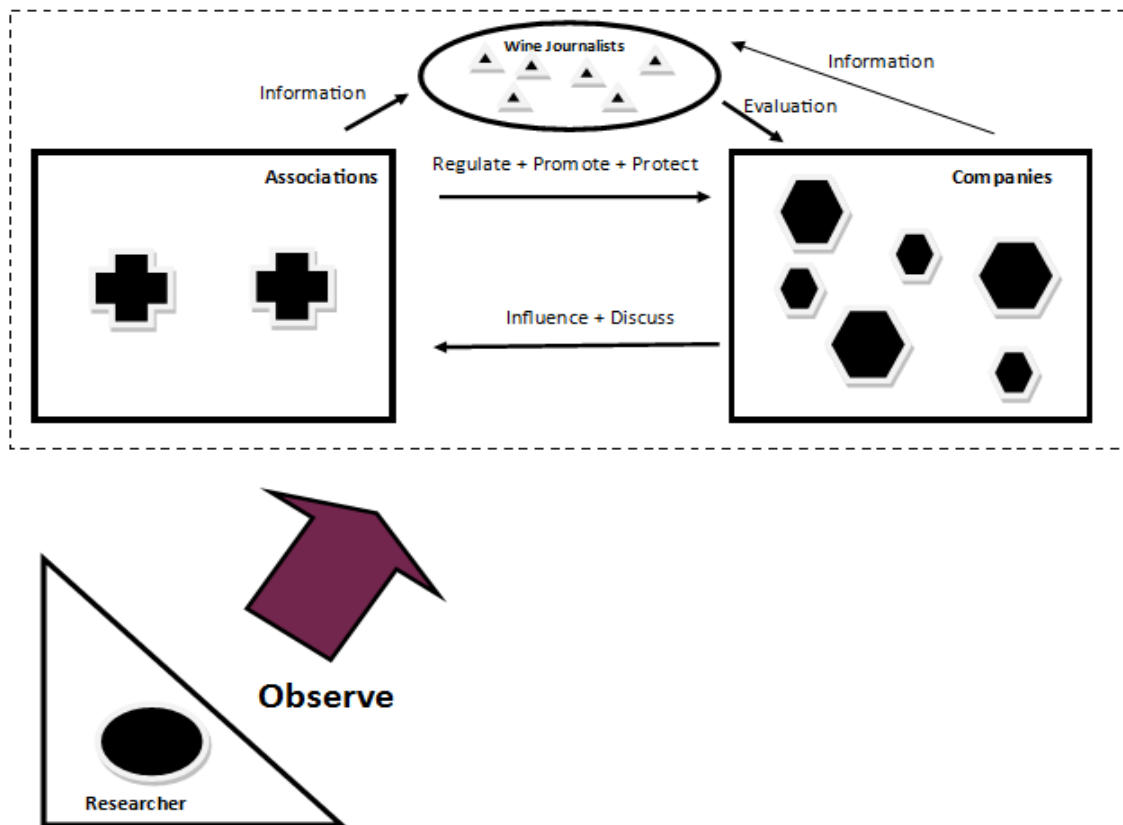
3.1 Data Collection

3.1.1 Focus of Analysis

The focus of the analysis lays on the Portuguese Port wine industry. Besides other reasons named before, the sector is a highly interesting market due to, but not limited, to its restricted production sides, market concentration, strong networks concerning distribution and associations, high regulation level and a strong focus on export from the earliest stage on. Despite that, the Port wine industry faces a highly competitive environment, being pressured not only by the wine-category but also non-wine segments like whiskey. Currently, there is only rudimentary knowledge about how the industry accomplished to maintain its relatively stable size within the international competition (Rebelo & Correia, 2008; Sequeira & Crespo de Carvalho, 2012; Lopes, 2014). Thus, spectators can view the results of this particular and other similar markets to sustain and enhance their position. From an academic aspect, this study follows calls for deeper investigations in the internationalization process and strategy finding of niche markets (Rebelo & Correia, 2008; Lopes, 2014; Argyres & Bigelow, 2007).

Besides the market factor, the choice was favored by some practical decisions. First, a high rate of English proficiency in Portugal made it possible for the researcher to conduct all interviews in English. Second, a good network of the supervisors, the university and the researcher herself enabled a diverse selection of interview partners. Third, the Port wine industry was predestinated for an empirical relevant qualitative research, as because of its limited size an investigation of nearly all major actors in the market was possible. The empirical approach used in this thesis is symbolized in the following figure:

Figure 3. Observation of the decision-making process



Source: Own display

In this setting, the researcher is looking from the outside into a relatively closed environment, in this case the intertwining of companies, associations and wine journalists. Having this position, it was possible to understand the reasoning processes for group specific behaviors and how each party is tangent to the other (Davide & Antunes, 2015). This observing approach avoids the general problem of generalization, which commonly appears in quantitative approaches.

3.1.2 Selection and Number of Interview Partners

In contrast to the sample size of quantitative research, qualitative project samples are only restricted by the hermeneutic interpretations size of $n \geq 6$. Main goal is to receive the most significant answers possible by selecting adequate interlocutors (Gläser & Laudel, 2009; Eisenhardt, 1989). To get a holistic view on the market and receive valid conclusions, the researcher decided to contact ten Port wine companies, three Port wine journalists and four Port wine associations (Trochim, 2000). Three associations, two journalists and three companies accepted the request, which depicts a representative number of eight interviews (Gläser & Laudel, 2009). The following experts were part of the project:

Table 7. Interview partners

Name of association	Main objective	Position of interviewee
Associação das Empresas de Vinho do Porto (AEVP)	<ul style="list-style-type: none"> – Embody and defend interest of members – Embody and defend industry and trade of Port and other wine products of the Douro Demarcated Region 	Management Assistant
Vini Portugal	<ul style="list-style-type: none"> – Endorse Portugal's image in terms of wine 	Marketing Director
Instituto dos Vinhos do Douro e Porto (IEVP)	<ul style="list-style-type: none"> – Promote – Control quality and quantity – Protect Port wine 	Chief Executive Officer
Name of Journalist	Main fields	Position of Interviewee
Rui Falcão	<ul style="list-style-type: none"> – Portuguese wines, Port and Madeira 	Independent Wine Expert and Critic
Luis Antunes	<ul style="list-style-type: none"> – Portuguese wines and Port wines 	Independent Wine Journalist
Name of company	Product Portfolio	Position of Interviewee
Fladgate Partnership	Port wine	Board Member
Sogrape	Port wine, wine, spirits	Board Member
Symington	Port wine, Douro wine, Madeira wine	General Manager

Source: Own display

The interviews have been conducted in the time interval between September and November 2016.

3.1.3 Development of the Semi-Structured Questionnaire

Following the guidelines of grounded theory, the development of the questionnaire has been an iterative-cyclic process (Schatzman, 1991; Strauss, 1991). As a first step, literature review and discussions guided to a first draft. In a second step, this draft was pre-tested by experts. In the subsequent bimonthly field research, the questionnaire was constantly updated to account for the new findings of the researcher. Responding to varying knowledge two slightly different questionnaires have been developed: One for the associations and journalists and another for the companies.¹¹ The question structure

¹¹ Both final questionnaires can be found in Appendix 7.1.

was half-standardized, which implies that the question order is set but the response frame open. Therefore, a comparableness was secured, while place for situational reaction was ensured (Helfferich, 2009).

Going through the cyclic steps of literature review and expert opinions, the questions for the interviews have been divided into the following conceptual categories (Glaser & Strauss, 1967):

Figure 4. Main categories

Past	Current Situation	Future
<ul style="list-style-type: none"> • Development • Main changes 	<ul style="list-style-type: none"> • External Factors • Internal Factors 	<ul style="list-style-type: none"> • Opportunities • Threats

Source: Own display

The first section focused on the business specific internationalization process. Concerning the companies, the aim was to find out how the market and the firm developed during time and reacted on market changes. The main emphasis was to analyze the past dynamic capabilities. Concerning the associations', the researcher tried to gain information about the reasoning of their formation, the associations development and how the associations responded to environmental changes to support the Port wine market (4 items). In the second part, the interview focused on the present status of the firms and its associations with its accelerators and retardants. During the first step, the interview focused on the sole external factor of association and European Union to perceive in which sense they influence the companies' achievement of strategic goals. In the second step, internal factors that affect the accomplishment of the companies' objectives were discussed to gain a better understanding of the most important business areas.¹² Hence, due to a very broad variety of answers, the list of main factors was constantly broadened by topics such as *channel-knowledge* abroad or *external reviews*. Concerning the association interviews, this section focused on the general external influence factors and the possibilities of the

¹² Internal factors are inner strengths and weaknesses that a company faces. They can positively or negatively affect the accomplishment of a company's strategy. External factors are outside factors that can influence a business ability to achieve its strategic goals. They may include elements like legal, social, technological, political and economic changes. Hence, due to the limited resources, the interview focused solely on political and association influence (N.N., 2016).

association to strengthen positive internal development of the Port wine companies (~11 items). In the third and final part, all topics concerning the future of the market have been discussed, embracing topics such as major innovations, opportunities and threats. The interview concluded with a general reflection of reasons for the industry stability (~17 items).¹³

3.1.4 Conduction of the Interviews

All interviews have been non-recurring interviews without preliminary talk. The interviewees received the guideline questions and an exposé before-hand to make themselves familiar with the subject. In former projects by the researcher, this process enhanced the interview output tremendously due to a more focused conversation. In average the interview took 75 minutes, with a time variance of 30 minutes.

Excluding one interview, all meetings have been face-to-face. This setting has been chosen so that personal contact and non-verbal impressions like gesture and facial expression can be considered. In this research this was particularly important, as most of the interview partners were experienced at being interviewed and therefore more guarded about their speech. Moreover, the interviewees came from different departments and had therefore divergent expert fields; primary contact softened the distant atmosphere and offered the possibility to react immediately on knowledge deficiencies and proficiencies (Gläser & Laudel, 2009).

3.1.5 Transcription of the Interviews

Comparability and reflection are important fundamentals of a valid qualitative research. Consequently, both need to be ensured in the process of data collection and interpretation. To enhance speed of the transcription, the researcher followed the transcription rules of Kuckartz, Dresing, Rädiker, and Stefer (2008). Therefore, language and interpunctuation has been smoothed while the content was literal transcribed.¹⁴ This simplification has been declared as sufficient, as the interviews goal was the collection of expert information.

¹³ The variables have been based on examined factors & capabilities perceived as important for export performance (Fernandes, 2011; Simon, 2012; Karelakis et al., 2008; Maurel, 2009; Cavusgil & Nevin, 1981; Teece et al., 1997; Eisenhardt & Martin, 2000; King & Tucci, 2002).

¹⁴ The adapted and original rules and further information about the transcription are in Appendix 7.1.

3.1.6 Enhancement of Data Collection

In accordance with grounded theory¹⁵, the researcher is supposed to start coding in an early stage of the interview process. Reasoning behind this rule is that questions can be tested on their significance and hence adapted, deleted or if necessary, even new questions added. Therefore, adaptations are not resulting in a deterioration of a project but are an elementary part of theoretical sampling, and therefore indispensable for an appropriate research work (Wiedemann, 2013; Strübing, 2014; Suddaby, 2006; Eisenhardt, 1989; Glaser & Strauss, 1967).

In this respect, the researcher started coding after the conduction of three interviews. Due to those result, some adaptations had to be made. In the first thematic field of industry history and key changes, two key issues became obvious: (1) the entrance and exit of the multinationals and following consolidations to respond to the scarcity of distribution channels and (2) the change from a product-driven to a consumer-driven market and the struggle of the Port wine industry as a niche category to cope with the changing market environment and far greater beverage industries such as the Whiskey market. Therefore, the researcher specifically set about to highlight these topics during the following interviews. Correlating with the relocation in the first section, small parts in the second shifted. Namely, the discussion of internal factors was dominated by the topic of business partnerships, collaboration in general and the new need to invest into Research & Development (R&D) and Marketing to keep up with the development of a product-driven market to a consumer-driven market. The last section about the future of the market remained question-wise identical.

Overall, the research focus transformed to a concentration on the interrelation between the capabilities gained from experience and how this knowledge could be transformed to cope with new market challenges.

¹⁵ To remember, grounded theory is a social science approach which is primarily used for the systematic analysis of qualitative data. Objective is the generation of a theory. See more about this topic in Strübing, (2014); Eisenhardt, (1989); Eisenhardt & Graebner, (2007).

3.2 Data Analysis

As a method of evaluation, content analysis have been chosen. In this method, a high significance lays on the formal-descriptive statements, which is in line with the exploring structure of grounded theory. The inference was based on formal text criterias, which implies that the transcripts were used to conclude general phenomenons. To ensure transparency, the content analysis have been made with support of the academic analysis tool Maxqda. This tool enables the development of code trees to connect reasonings between different interview partners. Therefore, bias is narrowed as every coded text passage can be retraced (Kuckartz et al., 2008).

3.2.1 Procedure of Data Analysis

In the procedure of data analysis with Maxqda, a category-system¹⁶ is constructed in the early stage but constantly improved. Individual sentences and complete text passages were connected to essential unities of meaning (Kuckartz et al., 2008). To avoid the appearance of a closed system right from the beginning, contents were assigned without connection to the questionnaire. The following displays an example:

Figure 5. Excerpt of a coded section

Document:	Interview Companies: Firm XY
Weight:	0
Position:	44 - 53
Code:	Threats\No cooperation

H: Do you also work together with the other Port wine companies?

B: No, it is very separated. I think this is one of the problems of the industries. We do not work together in part of promotion or having a bigger scale and impact on the consumer. We probably should do that, but it is difficult to agree to how to put things. We have different positions about what is important.

Source: Own display

As stated before, the system building started after the first three interviews. Subsequently, every new interview was assigned to existing categories, or if it did not fit existing categories, new categories have been declared. Quickly it became clear, that the initial main categories of the questionnaire were also suitable as main categories of the code tree: (1) Past (2) Current situation (3) Future. Additional, the category (4) Main Reason

¹⁶ The chosen categories can be perceived as peculiarity of variable and the text elements as indicators (Diekmann, 2009; Mayring, 2008).

for stability was added. Following the finalization of all interviews, the quality of each code was controlled and several text sections had to be newly aligned out of several reasons:

- Codes appeared that seemed more appropriate to the section.
- Some categories appeared to be redundant and were condensed
- Additional sub-categories were constructed to ease the overview

The final category system consisted from 374 coded text passages, seven subcategories and three main categories. A section of the final tree can be seen in the following display:

Figure 6. Final coding tree

● Past		0
● Historic development Association		4
● Historic development Companies		3
> ● Changes in the market		43
● Current situation		0
> ● Internal Factors		34
> ● External Factors: Association work		53
● Future		0
> ● Threats		85
> ● Trend/ Way to go		136
● Main reason for stability		11

Source: Own display

In a next step, the codes were transformed into rich-text formats to create summarizing data memos.¹⁷

3.2.2 Ensuring High Research Standards

Due to its open methodology framework, grounded theory is often misunderstood. In a highly-rewarded article, Suddaby (2006) summarized the main misconception to avoid future researchers of tapping into common deceptions. To ensure the quality of this investigation, the researcher underwent a self-assessment of the termed six main fallacies, which can be found in Appendix 7.1.

¹⁷ The anonymized memos can be requested from the researcher.

4 Results

The objective of Chapter 4 is to display the main findings from the formerly described research process. Aligned with the research fields¹⁸, the results are organized chronologically, starting with (1) the former major changes in the Port wine industry and how the industry reacted to them. With the more profound understanding of historic reasoning, the next section (2) examines the current situation of the industry with the interplay between associations and companies and the interviewees perceived most important internal factors. The final section (3) documents the interviewees perceived risks, trends and opportunities of the industry. Rounding off, the chapter ends with (4) a personal resume of the interviewees about the stability of the market and (5) a researcher's summary about all results.

4.1 Thematic Field 1: Historic Development and Main Changes

Two sections will be enlightened in the following: At first, a short introduction into the reasons behind historical industry development is given. Aligned with this look back, the most influential market changes are characterized.

4.1.1 Reasoning Behind Historical Development

Organizations are commonly stable, slow-changing constructs, characteristics that also present the Port wine associations. In terms of market participants, the most important transformation has been the foundation of the IVDP in 1933, the disappearance from the producer association "Casa do Douro" and the foundation of the exporter association "Associação das Empresas de Vinho do Porto" in 1975. The interviewees concluded that the appearance and disappearance were reactions to an increasing professionalization in the international environment and therefore the need to join forces and align strategies. Concerning the associations structure, the most influential movements have been two relatively recent alterations. Firstly, the foundation of the interprofessional council¹⁹ in 2003 with the objective to increase strategic alignment and secondly, the extension of the

¹⁸ To remember: (1) Historic development and main changes in the Port wine industry (2) Internal and External Influence factors on the industry (3) Perceived future threats and opportunities.

¹⁹ The interprofessional council is responsible for managing and coordinating the Douro viticulture which includes: promotion of the will of the professions, establish strategic plans, coordinate distribution and set quantity and quality standards. The power is divided between producers and trade equally (IVDP, 2016b).

AEVPs' portfolio by Douro table wine as a response to the increasing importance of the product and the hereby avoidance of the companies to create a further association.²⁰

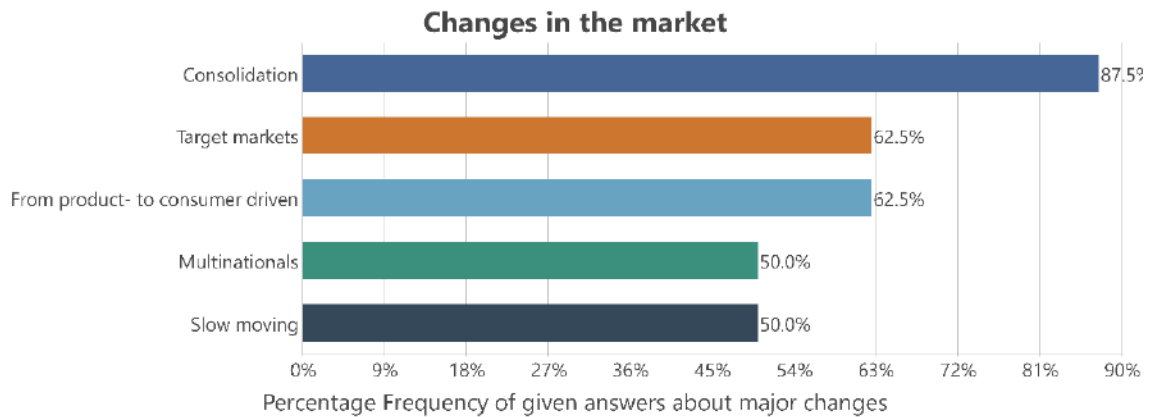
Due to the early trade with England and several foreign ownerships, the Port wine companies were international from the beginning on. The gained knowledge was perceived by the interviewees as very important factor for the Port wine industry's stability. Moreover, the interviewees expect this knowledge to enable further expansion. As one interviewee explained *"We have done it so many times, I think we really know how to approach a new market"* (Company, personal communication, November 11, 2016). Besides this experiential learning, several interviewees named the ownership an important decision-making factor in the industry. While the still present family-involvement always fostered long-term strategy, the entrance of multinationals forced them to rethink and modernize their structures to better adapt to customers' demand.

4.1.2 Major Market Changes

Previously in the literature review, the researcher detected very few movements in the industry, and none that could be labeled as disruptive. This perception stabilized during the interview process. A wine journalist tried to pursue the reasons for the slow pace: *"(...) So changes came always in a very very slow pace. Not only because this is Portuguese mentality, Portuguese tend to be very conservative, and the wine trade is even more conservative. When we get to the Port sector, the fortified wines, it is even more conservative. (...) We are talking about tradition, we are talking about long history, we are talking about something that is around more than 250 years. (...) The only reason why the industry changed was the economy. Driven by necessity than by initiative."* (Wine journalist, personal communication, October 10, 2016) The following table summarizes the major changes as perceived by companies and associations:²¹

²⁰ Most Douro wine brands are owned by Port wine companies (AEVP, 2016).

²¹ The percentage number displays the share of interviewees that broach the issue.

Figure 7. Main changes in the Port wine industry

Source: Own display

Consolidation in mature markets is a very common phenomenon (Greiner, 1998). Hence, in the Port wine industry, it was mainly a strategic move based on the inevitability to respond e.g. to a scarcity of distributors.²² To cope with the change, companies had to merge, acquire and vertically integrate the value chain. A manager stated: “*Consolidation is also a way to cope with this changing reality. If it wasn’t for all of that, we would lack resources to innovate*” (Company, personal communication, November 11, 2016). With this changing reality one major transformation was encompassed: the transformation of the industry from product- to customer driven. Owing to an increase in choice and information, customers became more demanding and forced the industry to react. Therefore, R&D and marketing increased in importance. Another rather slow but influential change was the shift in consumer nationality. While up to the 19th century England contributed 64% to the international demand, the import-countries are nowadays spread all over the world. In the viewpoint of the interviewees’, the growth in Portugal’s domestic demand, which was accelerated through market-specific marketing, rise in tourism and EU membership, had the strongest influence on the market structure.

Overall, the market successfully managed to respond timely to market changes. Nevertheless, even though the interviewees described the Port wine market as stable, they observed that the overall market speed in their surrounding increased significantly in the last years urging more readily response.

²² An overview about the consolidation activities can be found in Appendix 7.2.

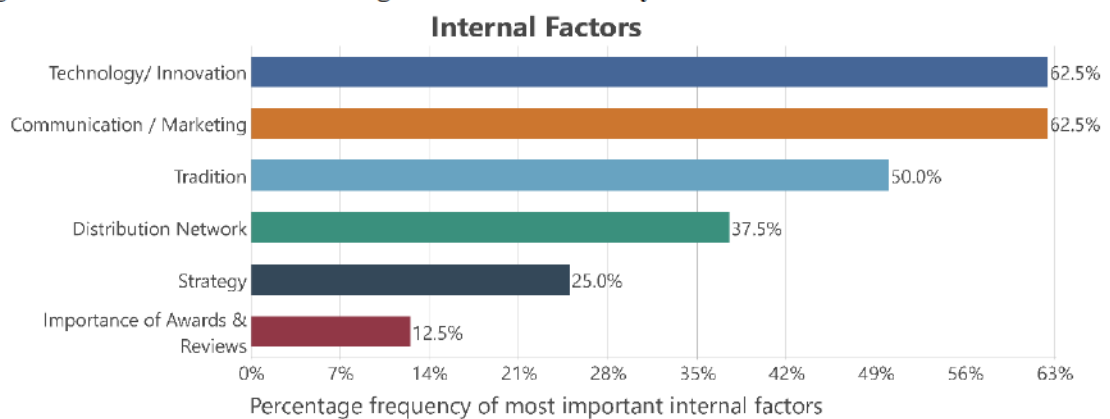
4.2 Thematic Field 2: Internal and External Influence Factors

The objective of this thematic field is to give insights into the current structure of the industry. Therefore, the interviews emphasized the self-perceived most relevant internal and external influence factors by companies and organizations. This topic was particularly relevant in context of a very divergent view between associations and companies about the role the associations should fulfill.

4.2.1 Internal Influence Factors

All companies had very distinct strategies concerning their product portfolio; some focused solely on Port wine while others had a broad product variety. Congruent with this range was a diverse view on which internal factors are important. The following table displays the most significant:²³

Figure 8. Internal factors influencing the Port wine industry



Source: Own display

Innovation in the sense of technology has been, for the majority of the interviewed companies, the most important topic. The companies' unison response a constant increase in the importance of R&D to make progress in terms of bottling process, new Port wine styles or quality. Correspondingly, the use of information technology (IT) was a central topic but due to the interviewees, currently not far enough developed.

The second central factor was marketing and communication, named by 62,5%. To enable an adequate market approach, the industry invests a significant share (some interviewees named numbers around 12% of sales). Nonetheless, they claimed that in comparison to

²³ The percentage number displays the share of interviewees that broach the issue.

their competitors' marketing efforts and financial abilities (e.g. whiskey-category), they will always lack strength. One manager summarized the issue: "*Our marketing and sales strategy is a multivariable process. We have to invest into so many lines to ensure that we keep the visibility, make people interested in our product and actually buy it*" (Company, personal communication, November 11, 2016). As a solution for the small-market trap, many companies sought digital marketing. However, in line with the shortcomings in IT, the use of digital marketing was not far developed and money mainly invested into traditional channels like print magazines and promotions.

Many interviewees connected the overall backwards driven behavior with the strong tie to tradition. In this sense, it was not surprising that the interviewees respected the protection of very old institutions like the Port brotherhood.²⁴

4.2.2 External Influence Factors

(1) The role of the associations as perceived by them

An often-debated topic is the hazard of counterfeit products (Bush, Bloch, & Dawson, 1989). The Port wine industry has not been spared and still faces several legal disputes with foreign countries and companies.²⁵ The interviewed organizations, on a positive note, had identified those problems and implemented the following tools as countering measures:

- Mandatory legal rules of necessary heritage
- Quantity restrictions
- Enforcement of quality standards

Besides regulation, the Port wine organizations described their objective as ensuring the visibility of Port wine on an international scale. Hence, marketing, education and promotion in terms of the organization of trade fares, tastings and events was named as their role. Contrary to the past where only the IVDP was involved in advertisement, the

²⁴ See for more information about the brotherhood Appendix 7.2.

²⁵ E.g. protested in 2005 the Portuguese Ministry of Agriculture against an agreement between EU and US, which would make the labeling of American wine as vintage, tawny and ruby legal (Rebelo & Correia, 2008).

AEVP nowadays tries to add this role into their portfolio to “*complete the actions of IVDP*” (Association, personal communication, October 18, 2016). Opposed to the generic promotion of IVDP and EU, the AEVP emphasizes single brand promotion.

Overall, the IVDP perceived themselves as a control and protection institution, but also as a connector between producers and businesses, knowledge giver and promoter. The AEVP understood their role as strong voice of the companies, representing their will in the IVDP and other occasions.

(2) The role of the association (AEVP & IVDP) perceived by the companies

In contrast to the associations, the interviewed companies did not support the associations approaches concerning advertisement²⁶ because in their opinion companies surpass the association’s market understanding and are therefore better capable to do impactful communication. This position was well summarized by one of the managers: “*(...) IVDP and AEVP are very strong protectors and that is where they are very good at. We are excellent in distribution and marketing and production. Let us do our job. I am sure that 1million € spent by the AEVP into marketing or 1 million € spend by the companies would be much better spend by us*” (Company, personal communication, November 11, 2016). However, some accepted the role of the organization as host for tastings and trade show representative and one wine journalist even took a contrasting position and endorsed the organizations’ advertisement approach, since only that would ensure the visibility of small companies. Opposing the critical view on the organizations’ marketing approaches, all companies highly valued the well enforced market rules concerning quality and quantity, as they ensure the reputation of the product.

(3) The influence of the European Union

As a further external influencer, the interviewees claimed that the European Union (EU) has an increasing impact on the Port wine industry, like imposing rules such as new label guidelines, dedicating funds to projects like the “Museo do Vinho do Porto” or pushing

²⁶ Advertisement as generalizing term is used to ease the reading flow, however, it embraces several factors, like promotion, marketing, etc.

the alcohol industries to implement projects such as “Wine in Moderation.”²⁷ Thus, the intensified influence is seen critical by the associations, as the principle of proportionality is not always respected, given the small size of the Port wine industry.

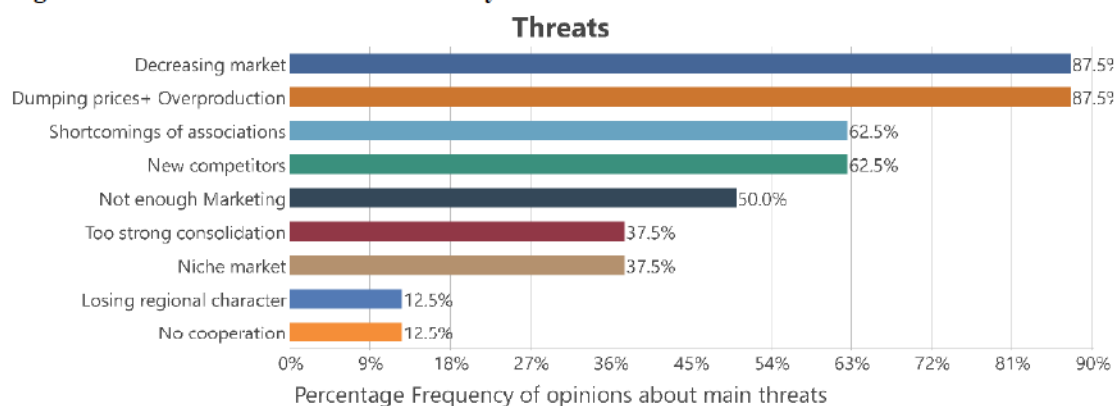
4.3 Thematic Field 3: Perceived Future Threats and Opportunities

This thematic field prospects the future of the Port wine industry. Several possible threats and opportunities for the Port wine industry will be presented, ending with interviewees statements about the reasoning behind the stability of the Port wine industry. This section is the most extensive, because it became clear in the interview process that a lot of uncertainty governs this field and therefore the result are especially interesting.

4.3.1 Threats

Only when knowing the deficiencies, an industry can take countermeasures. Results from the qualitative research uncovered that the industry’s perception of their key threats is relatively concordant:²⁸

Figure 9. Threats to the Port wine industry



Source: Own display

For several years, the Port wine industry has faced a decrease in volume of 1-2% every year, which created strong pressure on the market. Within the interviews different aspects appeared as reasons for that negative market trend:

²⁷ Wine in moderation is a new marketing campaigns of the European Union to promote a moderate consume of alcoholic beverages (Wine Plus, 2016).

²⁸ The percentage number displays the share of interviewees that broach the issue.

- **Outdated image of Port wine:** A wine journalist stated: “(...) *it is one of the most difficult wines to sell because of the outdated image, people have this grandmothers image of it*” (Wine journalist, personal communication, October, 18, 2016). According to him, the strict focus on communicating the traditional link - such as typical drink for Christmas – limits the market by itself.
- **Aging customer:** 90% of all interviewees named this as a tremendous effect. One interviewee summarized: “*If you are 60 or older it is probably a very stylish wine for you, but if you are under 60, which is the majority, you probably don’t even think about drinking Port wine*” (Wine journalist, personal communication, October, 18, 2016). This risk will increase in the future when the population that knows and consumes Port wine dies and no younger clientele can be attracted to follow.
- **Health trend:** People are more conscious about calories and the negative influence of alcohol, which puts Port with its high content of especially sugar, but also relatively high amount of alcohol in a dangerous position.
- **Religion:** Increasing influence of Islamic countries and the Islamic culture with its anti-alcohol rules decreases the number of possible new markets.

The lower demand triggered price-dumping as a mayor negative effect. Due to decreasing sales quantity and demand, the negotiation position of Port companies with distributors and retailers weakened vastly. Even though several interviewees reported a current relief in the price pressure because of growing sales in the high-category Port wines; private-brands of supermarkets and an overall increase in bargaining power of stores are still forcing the companies to keep prices down for the lower-categories.

Interestingly, Port companies placed the threats of shortcomings in association work third on the list of threats to the industry. The main critique points from the companies towards the work of the associations were the following:

- **Non-consistent communication strategy:** The work of IVDP and AEVP is in some sense not very well aligned, resulting e.g. in cases where both associations communicated different messages to the same markets within a short time frame. This led to consumer confusion.

- **Poor education:** The organizations do not approach the relevant customer groups, and are not able to bring the opinion leaders into e.g. Master classes.²⁹
- **Lack of innovation:** Innovation processes referring product and marketing tools are not actively supported or even hindered by a strong attachment to tradition.

Increasing competition was placed equally important as inferior association work. As possible competition, the interviewees mainly named companies from abroad that produce the legally allowed *Port styled* wine (IVDP, 2016b). However, in the interviews it appeared as though the threat of counterfeit products is more hypothetical: Entry barriers were perceived as sufficient and moreover the minor quality of counterfeit products stops replicants from gaining market shares. Nevertheless, competition from other alcoholic beverage segments were classified as relevant threat, especially those not directly connected to fortified wines, as they occupy market shares. A lack of funding in comparison to several competitors was described as problematic, as it limits marketing capabilities and bargaining power of the Port wine industry. However, opposed to information collected earlier in the interviews, in this section the interviewees revealed that the small market size is, but a minor threat. The interviewees named as greater potential hazard the very high industry consolidation and too strong ties to tradition: Both were identified to hinder innovation in the sense of outdated marketing techniques and the inability to approach young customers with a modern market message.

During the interview-process, a very strong cross-connection between all threats became obvious, e.g. decreasing market size limits the industry to invest, this leads to less marketing, which encourages a vanishing of brand visibility, which decreases the chance to appeal to new customer.

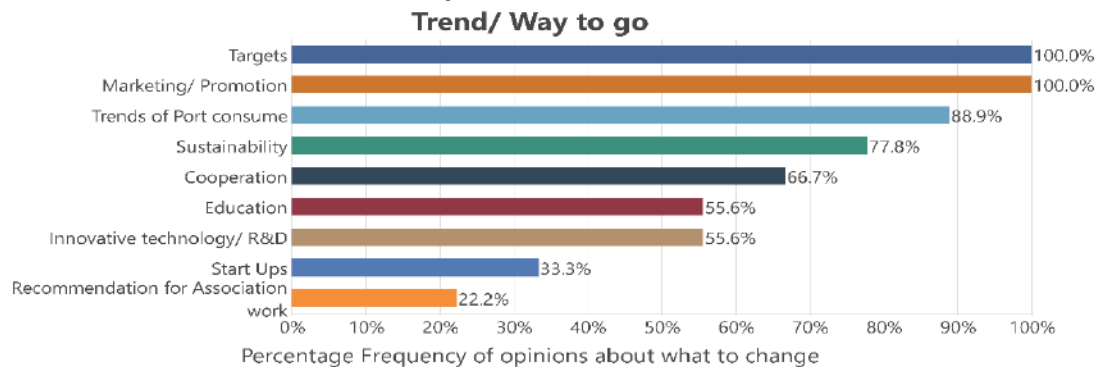
4.3.2 Trends and Opportunities

A major competitive advantage for an industry is if they are capable of not only identifying their threats but are also able to cope with them by being knowledgeable of trends and opportunities (Teece, 2007; Teece et al., 1997; Pisano, 1994). Therefore, it was one of the key objectives of this paper to uncover what the interviewees classify as

²⁹ Master classes are lectures, where a product is presented, explained and tasted to educate, in best case, market influencers.

the key future trends and opportunities. The results are summarized in the following table.³⁰

Figure 10. Trends in the Port wine industry



Source: Own display

100% of the interviewees named targets and marketing as most essential. The aspect of targets includes targeting new markets and customers. Looking first on targeting customers, most producers and distributors intend to invest into the young generation. A manager explains the plan: *“We are trying to explore that (the market opportunity) to modernize and make the brands more appealing to younger consumer”* (Company, personal communication, November 11, 2016). Companies are not unified in deciding which market to target. Some named the concentration on markets they are already well positioned in as most fruitful. Their idea is to use these markets as cash cows: Currently countries like Belgium and France are mainly buying low-price Port wines. Accordingly, if the companies will be able to shift them into higher-priced Port wine, they can accelerate their profits. Opposed to that, others perceived new markets like China as more interesting, because they sense a greater growth potential and the opportunity to decrease the dependency on Europe.

The second most important field was marketing, where the industry sensed an increase in speed. A manager specified: *“We need to be aware of all this fast-changing reality”* (Company, personal communication, November 07, 2016). Thus, the industry has several ideas how to cope with this reality. The following table summarizes the most relevant:

³⁰ The percentage number displays the share of interviewees that broach the issue.

Table 8. How to build a future for the Port wine industry

Tool	Anticipated output
Online tools like digital marketing or social media	Increase customer retention and acquisition at relatively low cost
Online and offline wine clubs	Increase the personal connection and repurchase rate
Story telling	Build emotional attachment through telling stories about families, odd production technique, beautiful valley, etc. An interviewee said:” <i>Millennials don’t care about tradition. (...) They like stories but not tradition in that sense that it’s connected with rules</i> ” (Company, personal communication, November 11, 2016)
Parties	Parties with focus on cheaper Port wines to engage younger customers
Trade shows	Increase visibility
Promotion and Specials	Increase direct sales
Invest into positive reviews and awards	Increase visibility and influence buyers’ behavior in store
Tourism	Create a personal attachment to the region
Sustainability	Possible tool to emphasize new target groups but not yet explored
Master classes	Gain visibility and recognition of the wine experts
Restaurant and bar promotion	Gain visibility and new customers

Source: Own display

As can be seen above, the industry tries to develop a mixture between marketing tools with focus on local domestic markets and those with international spread potential. Aligned with the marketing approaches, the interviewees named several ideas how to verge on new customers’ in the future by divers product strategies:

Table 9. Product ideas

Tool	Anticipated output
Cocktails	Introduce younger people to Port wine. Increase visibility and show the various possibilities of how Port can be consumed
Promote food pairings	Increase knowledge about the use of Port (not to confuse with using Port as ingredient, this is not wanted)
Focus on quality	Increase margin and outweigh the decrease in consumption
New categories	Attract new customers and increase modern image (e.g. Pink Port and LBV)

Source: Own display

A further market opportunity is the trend to join forces to extend the capabilities of the niche market. Cooperation can be of different nature: Company-to-Customer, Company-to-Company or Company-to-Distributor are possible connections. The interviewees mainly focused on a good distributor-network. A manager explained the inevitability of cooperation with distributors: *“Port wine is a very small category in the wine business and so you need to have a focused partner that also want to develop your brand, this is why our partnership with () and () is so important for us”* (Company, personal communication, November 11, 2016).

To stay competitive, 55% of the interviewees named the investment into technology an important factor with the intention to improve processes to gain cost-saving and develop close-to-market products. Lastly, startups were an interesting topic. While established competitors were described as a threat, some interviewees mentioned that start-ups could attract younger people and accelerate market publicity.

4.3.3 Overall Success Factors

As a final question, the interviewees have been asked what they perceived as their major competitive advantage. The following answers have been given:

Table 10. Overall success factors of the Port wine industry

Reason	Justification
Stability	Luxury good and therefore a safe market without many changes
Average person taste	The taste of Port wine is generally perceived as pleasant
Future investments	The market is and always was very future oriented and invests in the three main areas: viniculture; wine production; marketing & distribution
Clear customer focus	Constant concentration on market demand
Cooperation	The early investment into partnerships is nowadays supporting the market to stay competitive
Secured quality	Reputation of the product is ensured by the enforcement of very strict rules
Family ownership	Intense dedication to the business and long-term investment
Risk distribution	Presence in more than 120 countries

Source: Own display

4.4 Summary of Results

“Sometimes you tend to judge that our industry is old, but we invest a lot into the future” (Company, personal communication, November 11, 2016), this quotation of an interviewee summarizes well the perceptions after presenting all the relevant results.

While Thematic Field 1 focused on reasons behind historic developments and changes, Thematic Field 2 concentrated on the industry’s external as well as internal influence factors. Agreeing with former findings, Thematic Field 3 exemplified the interviewees’ awareness of opportunities for future developments, by respecting and addressing the threats to the Port wine industry. This knowledge was used in the following Chapters to analyze the results and derive implications.

5 Analysis and Discussion of the Results

The objective of this chapter is the analysis and discussion of the most relevant results. Therefore, hypotheses are formulated to give response to the formerly stated questions. Furthermore, the results will be evaluated in light of the dynamic capabilities framework.

5.1 Findings from the Thematic Field Junction and Hypothesis Construction

The qualitative data collection was pursued with the objective to answer the following question, which arises out of the research gap defined in Chapter 1&2:

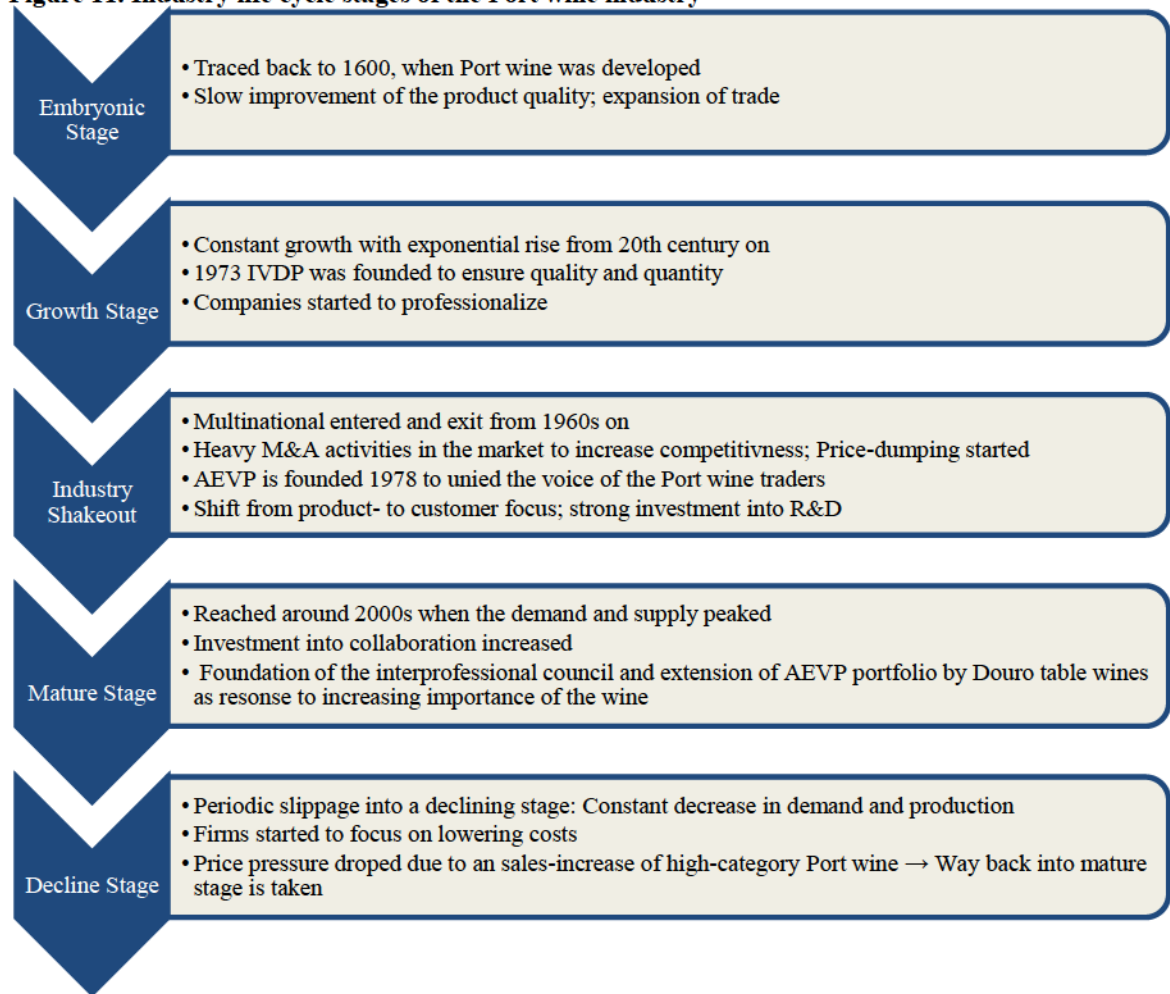
What are the main strategic challenges of a slow-moving industry that copes with a saturated international market and which steps should be taken specifically in the Port wine sector to sustain long-term competitiveness?

Subsequently, three sub-questions were extracted in Chapter 1. To answer those questions, an iterative-cyclic process between qualitative data gathering and literature review led to a break-down of three interrelated thematic fields: (1) Historical agility (2) Current industry structure (3) Future of the market. Since comprehensive result have been presented in Chapter 3, deriving responses to this researcher's questions are the objective:

(1) Historical agility: *Was the industry historically able to respond promptly to market changes?*

In accord with Chapter 2, it is generally accepted that dynamic capabilities develop over time (Laamanen & Wallin, 2009; Newbert, 2007). Concordant to Easterby-Smith et al. (2009) this especially counts for traditional industries like Port wine. To approach the question if the industry responded timely and market-oriented on market changes, it is useful to apply the formerly explained industry life cycle. Therefore, the following graph briefly analyzes the Port wine industry's development through the industry cycle's stages and displays the related market activities:

Figure 11. Industry life cycle stages of the Port wine industry



Source: Own display

Teece et al. (1997) and Langlois & Foss (1999) mentioned that experience can be only acquired through the production of organizational and production knowledge. That knowledge was expanded by King and Tucci (2002) by defining two types of experiential knowledge³¹, which will be here applied on the Port wine industry:

(1) Strategic experience

As can be seen above, the Port wine industry constantly analyzed their surrounding and gathered a significant knowledge-base of static comprehension. Therefore, they undoubtedly have strategic experience.

(2) Transformational experience

The industry adapted their existing structures and strategies at a slow pace but constantly to market conditions. Hence, they have extensive transformational knowledge.

³¹ See Chapter 2.3.

However, the researcher perceived since the 2000s a slow-down in the innovation of the industry. The last change in the associations structure was more than ten years ago, and also the market-participants gave the impression that they struggle to use their experience to approach e.g. young customers with significant success. Hence, this problem can be connected to Olmos (2011), who warned of the threat that routines gained over years can hinder innovation and Mintzberg (1989), who proclaimed that within the aging process of an organization often comes an over-formalized behavior. This problem is accelerated by an increasing speed in the beverage markets, which urge more readily response (Chen, Reilly, & Lynn, 2005). Another factor could be the importance of tradition, which has been named both by companies and organizations as a significant influence factor. As mentioned before, family ownership, which generally embrace a long-term view with high risk-aversity, is common in the industry (Aronoff & Ward, 1995; Astrachan, 2010). In this sense, it is not surprising that very old institutions like the Port brotherhood³² are kept alive and are even developed further with groups like the “Douro Boys”.³³ This traditional behavior was supporting the stability but now seems to hinder adaptation to new market conditions.

Overall, it can be summarized that in historic context the Port wine industry was able to sense threats and opportunities and responded to them on time with market-oriented decisions.

H1: In historic context, the Port wine industry responded promptly and congruous to market changes.

(2) Current industry structure: *How vigorous is the industry nowadays?*

To analyze the current dynamic capabilities, Leonard-Barton’s (1992) four-dimension model of a core capability will be used.³⁴ The following table analyses where the Port wine industry has, and where they lack capabilities:

³² See for more information about the brotherhood Appendix 7.2.

³³ The Douro boys are a group of five wine estates that since 2003 organize events such as joint presentations, seminars and tastings (Douro Boys, 2016).

³⁴ More information about the model in Chapter 2.2.

Table 11. Capabilities of the Port wine industry

Technical Systems	+Constant development of technical systems concerning viticulture +Support of organizations -Lille use of new marketing technologies
Skills and Knowledge Base	+Immense experience +Far developed production skills +Strong distribution networks -Lack of inter-industry consents and exchange → Lack of decision-making in get-togethers like meetings of AEVP -Slow development of knowledge (e.g. concerning digital marketing) -Non-focus of association on core-skills -Lack of collaboration with customers
Values and Norms	+Strong influence of tradition led to stability +Clear value of long-term thinking - High entry-barriers due to e.g. strict rules could hinder innovation -Out-dated image -Hold back of ideas
Managerial System (Not a relevant topic in interview)	+Clear constant organization structure in industry -Blurred structure of the role of the AEVP

Source: Own display

Overall, the industry has several robust assets, like deep values and norms or a broad base of skills and knowledge based on experience. However, fruitful communication in-between the industry is lacking; collaboration especially with customers is improvable and new tools like digital marketing are underexploited.

H2: The core-capabilities of the Port wine industry are mainly based on experience. Deficiencies in the development and release of new resources are hindering development.

(3) Market future: *What are the essential threats and opportunities for Port wine in the international market?*

Opposed to Thematic Field 3, the industry had equitable perception of which opportunities in the future are most relevant and which threats to encounter:

Table 12. Main threats and opportunities of the Port wine industry

Main Threats	Main Opportunities
Decreasing market	New targets concerning customer groups and markets
Price-dumping	New marketing tools
Deficient cooperation	Consumer trends (Cocktails, Luxury Port)

Source: Own display

Industry ideas about how to cope with future threats and how to exploit the opportunities have been divergent. This could be a consequence of the shortcoming in the constant meetings the industry keeps hosting: Several interviewees named that problems and opportunities are well-discussed but amicable solutions are usually not found. Therefore, it can be summarized that the industry has the ability to sense opportunities and threats but is discordant about which changes in the resource base are necessary to ensure a superior or at least stable industry performance in the long-run.

H3: The Port wine industry is aware of the major threats and opportunities but cannot transform the knowledge in a new value-creating strategy.

5.2 Resume

Summarizing the three thematic fields, a divided view of the dynamic capabilities of the Port wine industry is grasped. The industry is capable to sense opportunities and threats but has no value-creating strategy to exploit the knowledge. The industry was in the past able to make timely decisions, but due to a speed-increase in international markets, they today lack the flexibility to react to fast-developments like the rise of digital marketing or rapid changes in consumer-preferences. Moreover, as for the third ability (market-oriented decision-making) a biased picture is presented: Decisions like the investment into higher-categories are successful as they comply with customer demand, however, successfully reaching younger target groups or a real breakthroughs in new-markets are not achieved. Interrelated with this struggle, the change of firms' resource bases in the past were effective but nowadays firms fight to create intangible assets that would back a long-term market growth.

Concerning the use of the dynamic capabilities framework, it can be stated that this tool could be of assistance to understand the activities in the Port wine industry, but, as the name already states, can be only seen as enlightenment of already existing capabilities.

6 Outlook

The presented research project has novelty of character regarding its methodological approach and the rigorous focus on one rather unexplored industry, Port wine. The research intention was to close the research gap of how firms in niche markets can develop and use their capabilities to align with international market requirements and therefore explain the stability of the Port wine industry. In the following chapter the results will be taken to develop a forward-looking outlook on academia and extract practical strategic implication. The work will be closed with the research limitations.

6.1 Implications for Academia

Following the American researcher Whetten (1989) theoretical work should have an approach to support its readers' ability to detect new occurrences or view former knowledge from a different perspective. However, the most regarded academic contributions into the field of internationalization of niche markets is characterized by theoretical models and frameworks, where the methodological approach only has little connection to practice. Concordantly, the broader audience is excluded, as they cannot be motivated to read the of them as *unrealistic* labeled contributions of the academic world.³⁵ To overcome this problem and build a closer connection between practice and research, the reputation of qualitative works increased. Instead of numbers or literature, the decision-makers are the main foundation of the knowledge (Nordqvist, Hall, & Melin, 2009; Pukall & Calabró, 2014). As the topic of internationalization is predestined for qualitative research, this project tried to create even this link and therefore offers connection points to further investigations.

A first interesting subject for future research is the family-influence in the Port-wine industry. Several times during the interview process, the influence of the families on the companies' decisions appeared. Due to the fact that family-owned companies tend to internationalize differently and also set their focus on the development of other capabilities than non-family owned businesses. This perception is already generally accepted, but there is still a research gap about how family companies internationalize

³⁵ This assessment is a result of the summarized perceptions of the interviewees of this research project and a former research project of the author (Hadelar, 2015).

(Pukall & Calabró, 2014). Further, it would be interesting to get deeper into the decision-making process depending on ownership in favor- or against a foreign market and the strategy formulation when the decision is made (Pukall & Calabrò, 2014; Kontinen & Ojala, 2010; Holt, 2012; Arregle, Nordqvist, Hitt, & Naldi, 2012). Also, when excluding the ownership factor, it could be of interest to investigate deeper the reasoning behind the export behavior of companies in niche markets (Olmos, 2011).

Another further research project could be to investigate, if the size of a market influences the ability to transform knowledge into action. This topic came up in the second and third thematic fields, when it became obvious that the industry and especially the companies know very well their threats and opportunities but struggled to use this knowledge. It might be that the limited resources have here a major influence factor, as the industry can not as easy use approaches like trial and error, as financially stronger industries can.

A great question is if the Port wine industry should focus on the topic of sustainability. So far, studies could not prove that sustainability is a competitive advantage yet but indicate that in the future it could be (Pullman, Maloni, & Dillard, 2010; Forbes, Cohen, Cullen, Wratten, & Fountain, 2009). Thus, other studies stated that customers link sustainable wine with inferior quality (Schmit, Rickard, & Taber, 2013). In the Port wine industry sustainability is so far understood in terms of an environmental concern to increase the quality of viticulture (Christ & Burritt, 2013). More studies are needed to make any recommendations on the topic of a sustainable Port wine.

Finally, it would be interesting to explore the reasons for the divergent strategies of the company's associations towards their members. It might be a result of narcissistic behavior of the associations to impose their role in the market against the will of their affiliates. If this is the case it might be useful to develop tools to prevent such behavior.

6.2 Practical Implications

As named before, the objective of this research was not only to extend the academic knowledge, but also to derive implications for the strategy definition of the industries in general, and the companies in particular. The following recommended actions are

specifically dedicated to the Port wine industry, but can be transferred to industries with similar market structures as it answers in a practical way the research question:

What are the main strategic challenges of a slow-moving industry that copes with a saturated international market and which steps should be taken specifically in the Port wine sector to sustain long-term competitiveness?

Reaching the mature or even declining stage of the industry life cycle offers several opportunities to rethink the strategy and product portfolio. The Port wine industry has strength in self-assessment but struggles to implement a stronger entrepreneurial orientation³⁶ to react flexibly to changes (Lumpkin & Dress, 2001). This conflict is a common phenomenon in family dominated enterprises: While multinationals are short-term oriented and therefore mainly focused on sales-increase, family businesses also care about i.e. the high quality of the product to protect the families name (Astrachan & Jaskiewicz, 2008; Bird, Welsch, Astrachan, & Pistrui, 2002; Blumentritt, 2006; Calabrò, Mussolino, & Huse, 2009). Hence, there is a need to implement a more innovative mindset, to increase reactiveness (How a company uses market opportunities by taking initiative in the space) and competitive aggressiveness (how companies react on demands and competitive trends that are already present in the market) (Lumpkin & Dress, 1996). To rebuild the ability to react timely to market requirements; collaboration and new ways of marketing could be explored.

Collaboration

Nowadays, a minority of companies embrace all necessary resources and capabilities to implement a multidimensional market strategy. To overcome weaknesses, firms need to collaborate to access complementary capabilities and stress synergies. Following Barlett (2014), only those companies that collaborate will survive. The advent of Web 2.0. is a great opportunity to further orchestrate and connect the dynamic capabilities of the industry with external knowledge to transform the rich experience resource base of the participants into value creation. This co-creation can span over several types of collaboration (Shuen & Sieber, 2009):

³⁶ The term embraces strategy-making processes and styles of firms that are involved in entrepreneurial activities.

– **Distributor/ Retailer-to-Company collaboration**

A critical success factor for any producer is a healthy partnership with its distributors and retailers (Sequeira & Crespo de Carvalho, 2012; Thach & Olsen, 2006). Strategic alliances between producers and distributors can ensure shelf-space and decrease price pressure (Spawton, 2008). Port wines bargaining potential is positive: Several supermarket chains perceive the product as high-value good and are therefore willing to include it in their merchandising strategy and market profile (Spawton 2008). However, to respond to the chains requirements like volume, companies must reach a critical size (Raposo & Sequeira, 1998).

– **Company-to-Company collaboration**

This led to the second form of collaboration. The endorsement of companies in the same business without financial connections.³⁷ This form of clustering can increase bargaining power, enhance government support, favor the development of a stronger generic brand, leverage specific strengths and capabilities, save costs and guide to knowledge transfer. On the downside, hostile cooperation reduces competitive intensity, which isolates non-collaborating market participants and increase market barriers, which prevents the entrance of start-ups that could bring a “fresher” image to the market. Moreover, asymmetrical advantages of the partnerships can occur.

– **User-to-Company collaboration**

Collaboration with the customer seemed not to be explored in any sense by the Port wine industry. The only tools they use to connect the customers to the product so far are activities like trade-shows or restaurant promotion. In the future, a stronger concentration is needed with lead users, bloggers, e-commerce affiliation and cross-industry promotion to increase the demand-side network effect.³⁸

Marketing Strategy

To educate and connect customers to a product, marketing is the essential tool. Moreover, higher investments into advertisement can lead to higher export rates as the brand-

³⁷ More about the topic of business clusters can be found in Dalmoro (2013) or Cardeal (2010).

³⁸ The demand side network-effect is the increase of the willingness-to-pay increases with demand, this is relevant for Port wine, as they want to create the image as luxury product.

recognition increase if a suitable strategy is selected (Olmos, 2011). The interviews showed that most market participants rely more on their intuition than on a fact-based marketing approach, therefore it is recommended to use more sophisticated analytical tools.³⁹ Moreover, the industry should focus on regaining market visibility. One method could be the following:

Brand definition

In the past, the common strategy to increase brand recognition has been the acquisition, launch or extensions of brands. Yet, recent studies prove that particularly in mature markets it is more profitable to focus on existing brands and the brand-interrelationship of the portfolio (Petromilli et al., 2002). As most Port wine companies have several brands, companies should not only emphasize on the tangible benefits like taste, but stress more intangible benefits to build an emotional connection. Potentials are endless, some could be:

Table 13. Possible brand definition of the Port wine industry

Idea	Expected output
Story telling	<ul style="list-style-type: none"> – Development of a unique image of the industry (Rocchi & Gabbai, 2013) – Focus on regional heritage: The region of origin positively influences the rating and the price (Caldas & Rebelo, 2013)
Wine tourism	<ul style="list-style-type: none"> – Implementation of e.g. wine routes, to take advantage of an increasing number of tourist – Use tourist as ambassadors of Port wine (O’Mahony, Hall, Lockshin, Jago, & Brown, 2005; Boatto, Galletto, Barisan, & Bianchi, 2013; Correia, Passos, & Charters, 2007)
Build touch-points	<ul style="list-style-type: none"> – Identify touch-points the customer rely value – If younger people should be targeted: Events like Port wine parties or Hip-Restaurants – Create a stronger connection between Douro table wine and Port wine, by e.g. use same brand names to increase visibility and take advantage of reputation
Digital Marketing	<ul style="list-style-type: none"> – Invest into IT skills to improve digital marketing (Bharadwaj, 2000) – Create websites with the approach not to only teach the customer, but learn from their activities – Develop online clubs or apps to increase engagement

³⁹ Recommended can be e.g. Aufreiter et al., 2003.

Reputation building	<p>An increase in reputation can diminish the informational asymmetry problem of wine. Three factors can be stressed (San Martin, Troncoso, & Brümmer, 2008)</p> <p>(1) Producer/ Brand recognition connected with “objective” characteristics like style, year, color: Already good in Port wine. However, complicated to understand</p> <p>(2) Expert opinions: E.g. by offering Master classes</p> <p>(3) Industry reputation through more products like Taylor’s Scion</p>
---------------------	--

Source: Own display

6.3 Limitations

The present master thesis has been written to the best of the researchers’ knowledge and all attempts have been made to comply with high methodological standards. Nevertheless, this research has some limitations, which should not be withheld from the reader.

This work is the result of inductive research, which draws conclusions from a limited number of interviews. Therefore, no statistical representation can be achieved for all participants of the Port-wine market. Furthermore, there is only a limited generalization possible, since the research has a strict focus on the Portuguese Port wine industry. Aligned, the classical criteria of social research could only be fulfilled to a limited extent

(1) Objectivity in qualitative research is limited: While a constant review of the research process in an exchange with other scientist took place, a certain bias of researcher and interviewees cannot be fully prevented. (2) Reliability (repeatability) is barely possible since the interviews conducted cannot be carried out identically.

7 Appendices

7.1 Appendix Methodology

<h4>Transcription rules</h4>

Original transcription rules by Kuckartz et al., translated into English (2008, p.27):

- (1) Interviews are transcribed word-for-word, which implies spoken language have been smoothed and summarized words written out. Present dialects are not transcribed.
- (2) Language and interpunctuation is slightly smoothed to converge to written German.
- (3) All statement that allow a drawback to the interviewed person are anonymized.
- (4) Significant, longer pauses are marked through suspension points (...).
- (5) Particularly stressed terms are underlined.
- (6) Agreeing sounds of the interviewer that support the responses of the interviewee are not noted.
- (7) Tosses of the opposite site are marked in parentheses.
- (8) Agreeing sounds of the interviewee (Hmmm) that support or illustrate (laughing) the response are noted in parentheses.
- (9) The interviewing person is marked through an "I", the interviewed person through a "B", followed by the code number (e.g. "B4").
- (10) Every change of spokesperson is noted through a double pressing of the enter-key, which means a blank space in between the spokespersons, to enhance the readability.

Researchers transcription rules reclined on the rules above:

- (1) The interviewing person is marked through the first letter of the surname; the interviewed person is marked through a random letter.
- (2) All responses that could lead to recognize the spokesperson are anonymized.
- (3) Every change of spokesperson is noted through a double pressing of the enter-key, which means a blank space in between the spokespersons, to enhance the readability.
- (4) Only the spoken word is transcribed and colloquial language transferred.
- (5) Pauses, filling sounds or tosses are not named, if they do not influence the interviews.
- (6) Paragraphs that are not at all correlated with the topic have been left out, but marked with suspension points (...).

Principles for the selection of interview partners

Potential interview partners have been carefully chosen after specific criteria to secure validation of the given information:

Table 14. Characteristics of potential interview partners

Sector	Port Wine
Taken up residence	Portugal
Interviewee Background	International development; Strategic operations; Marketing, Board member; Market expert
Market sector	Wine association; Recognized wine journalist; Port wine company

Source: Own display

Ensuring the quality of qualitative research

Self-assessment after the guidelines of Suddaby (2006):

Grounded Theory Is Not an Excuse to Ignore the Literature

The researcher began the project with a brought literature review to ensure that the assumptions were backed up. Moreover, it was controlled that the research-field is not in “*well-tilled soil*”, in the sense that there is already extensive theory.

Grounded Theory Is Not Presentation of Raw Data

The purpose of raw data gathering is to abstract the subjective experiences into “*theoretical statements about causal relation between actors*” (p.635). Aligned with this objective, the researcher was eager to abstract the result of the specific niche market Port wine, to use the result for markets with similar structures.

Grounded Theory Is Not Theory Testing, Content Analysis, or Word Counts

This research had the intention to understand the relationships between different actors in the market to analyze how they see reality and how their reality is correlated with former research (Glaser & Strauss, 1967).

Grounded Theory Is Not Simply Routine Application of Formulaic Technique to Data

The use of technique, e.g. for the coding process, has the shortcoming of destroying the interpretative process. However, the decision of the researcher to use a technological analysis tool (Maxqda) is supported by Strauss and Cobin (1990) who allowed a limited use of formal and prescriptive routines.

Grounded Theory Is Not Perfect

Suddaby promotes a less fundamental approach without the need to fulfill an extensive number of rules. Therefore, this research project only followed the most common guidelines.

Grounded Theory Is Not Easy

Adequate use of Grounded theory depends heavily on the sensitivity of the researcher and his/ her former experience with this methodology. The author of this research has gone through stages of sensitization for grounded theory with methodology classes, sociology studies and the conduction of a former qualitative research project, where this approach was utilized. Therefore, an adequate level of self-reflection is ensured. A former lack of knowledge in the wine sector was diminished by an extensive literature review and several on-site expert talks. With respect to the varying interview locations, the researcher was not able to ensure similar interview situations. To nonetheless ensure comparability after Gläser & Laudel (2009), any peculiarities concerning the interview atmosphere or interpersonal relation was recorded afterwards. The transcription of the interviews were made as soon as possible after the interview, to include the new information into the research process.

Besides the former named steps, further steps that have been taken to ensure the research quality, which are summarized in the following table:

Table 15. Further processes to ensure research quality

	Case study tactics	Phase of investigation	Used tactic
Validation of the construct	Use multiple sources of evidence (Yin 2009; Eisenhardt, 1989).	Data collection	Semi-structured interviews; direct observation; literature review.
	Establish a chain of evidence (Yin, 2009).	Data collection	Sequential work: Case study analysis, protocol, data base in Maxqda, final report.
	Review of the reports of the case studies (Yin, 2009).	Composition	Every transcript was sent back to the interviewee for revision and further comments.
	Process and revision of coding process (Miles & Huberman, 1984).	Data analysis	The process was developed in iterative-cycles and constantly controlled by oral-communication.
	Construct correspondence patterns (Trochim, 1989).	Data analysis	In the analysis of the cases, the patterns obtained were empirically compared with the expected patterns of the theoretical viewpoint.
Internal validation	Use replication logic in multiple case studies (Yin, 2009).	Research design	The cases have been selected with the objective to allow the best replicability.
External validation	Use case study protocols (Yin, 2009).	Data collection	Protocols have been written for each interview.
Reliability	Develop a database of case studies (Yin, 2009).	Data collection	All pieces of evidence have been catalogued, including the transcription of all interviews.

Source: Adapted from Cardeal (2009), p.84

Guideline Questions

For Association**The Internationalization and Innovation of niche markets on the example of the Portuguese Port wine market**

Interviewer:

Date:

Association:

Past development of the Portuguese Port wine market

- 1) What were the reasons for the formation of the association and what are their main objectives?
 - 2) How did the market change since the foundation of the association?
 - a. What were major shocks in the industry?
 - b. How did the association react on these changes?
 - 3) Would you name the Port wine industry a slow or fast moving market?
-

Accelerators and Retardants of the industry

- 1) What are the external factors that influence the industry the most?
 - a. What is the impact of private Port wine organizations on the company's business?
 - b. How important are public organizations and the governmental and EU actions such as the Brand Protection through European Union Protected Designation of Origin
 - c. Are there any further rules that would accelerate market development?

- 2) What are the internal factors influencing the industry the most and what is the association doing in order to support positive internal developments?

Concerning...

- a. Business partnerships
 - b. Investment into trainings and education
 - c. Participation in trade shows
 - d. Channel-knowledge abroad
 - e. Network of distributors
 - f. Quality of products
 - g. Expert reviews, reputation and awards
 - h. Others
-

Future of the market

- 1) What is the association doing in order to secure or improve market growth in the future?
 - a. Are any major marketing campaigns planed?
 - b. How are they financed?
- 2) What are major market innovations?
 - a. Concerning Products
 - b. Concerning Processes
- 3) In which direction is the industry going concerning ...
 - a. New markets
 - b. Social Media
 - c. Technology
 - d. New target segments
 - e. Distributor and retailer network
 - f. Mergers and Acquisitions
 - g. Sustainability

- 4) What are the main threats for the market?
 - a. New competitors
 - b. Aging customers
 - c. Others

 - 5) As a reflection, what are the main reasons for the success of the market as a whole?
-

General association data

Number of members	
50	
50-150	
150-500	
> 500	
Employees	
<10	
10-50	
>50	
Association founding year	
>100 years ago	
100-50 years ago	
50-20 years ago	
>20 years ago	
Finance plan	
Type of association (Private/ Public)	

For Companies

The Internationalization and Innovation of niche markets on the example of the Portuguese Port wine market

Interviewer:

Date:

Company:

Past development of the Portuguese Port wine market

- 1) How did the company start its business?
 - a. What was the internationalization process of the company?
 - b. Did the company made any mergers or acquisitions, and if yes, what were the major reasons?
 - c. What were the main changes in the company, counting from the beginning on?

 - 2) In general, how did the market change from the foundation until today?
-

Accelerators and Retardants of the industry

- 1) What are the external factors influencing the company the most?
 - a. What is the impact of private Port wine organizations on the company's business and what can they improve?
 - b. How important are public organizations, the Portuguese government and EU actions such as the Brand Protection through European Union Protected Designation of Origin?
 - c. Are there any further rules that would accelerate market development?
 - d. Others

- 2) What are the internal factors influencing the company the most?
 - a. Business partnerships
 - b. Investment into trainings and education
 - c. Participation in trade shows
 - d. Channel-knowledge abroad
 - e. Well established network of distributors
 - f. Quality of products and subsequent expert reviews and awards
 - g. Firm innovation
 - h. International employees
 - i. Others
-

Future of the market

- 1) What undertakes the company to secure or improve their market share?
 - a. Are any major marketing campaigns planed?
 - b. Is the company investing into new technologies?
 - c. Further merges and acquisitions or strategic alliances?

- 2) Do the company invest a great share into innovation or lays the focus on tradition?
 - a. What are the major internal innovations?
 - i. Concerning Products
 - ii. Concerning Processes

- 3) In which direction is the industry going concerning ...
 - a. New markets
 - b. Social Media
 - c. Technology
 - d. New target segments
 - e. Distributor and retailer network
 - f. Mergers and Acquisitions
 - g. Sustainability

- 4) What are the main threats for the company and the entire market?
- a. New competitors
 - b. Aging customers
 - c. Others
- 5) As a reflection, what are the main reasons for the success of the company and the market as a whole?

General company data

Annual turnover (in Mio €)	
<20	
20-100	
100-200	
> 200	
Employees	
<50	
50-100	
100-500	
>500	
Year of foundation	
Product range	
Export rate	
Equity ratio	
Total return on capital	

7.2 Appendix General Information

Fortified wines

Wines grouped as “Fortified wines” contain additional alcohol. Most famous products classified in this category are Sherry, Port wine, Madeira and Vermouth. The segment revenue amounts to about US\$3.882m in 2016, with most revenue generated in Germany (US\$653m). However, the average per capita revenue with 1.2L in 2016 is still low compared to other comparable products such as Whiskey (Statista, 2016).

Condensed overview about Port wine (IVDP, 2010b)

Following production, the Douro wines are shipped for aging and storage to Vila Nova de Gaia, a small town close to Porto. The fortification is realized by the addition of brandy before the final fermentation starts. Background of this process are based on the country’s historically close ties to England. In 1703, the Methuen Treaty between the two countries allowed Portuguese products easy access to the English market in return for increasing imports of British textiles to Portugal. To make the wine non-perishable, spirit was added before the transport. This slightly sweeter wine became a huge success in the British market and therefore was preserved even when this procedure was no longer necessary due to improved shipment facilities (Sequeira & Crespo de Carvalho, 2012). In the following, the four different types of Port wine are briefly described:

White

White grapes are the foundation of white Port wine. The grapes used to produce Port are Gouveio, Malvasia Fina, Rabigato or Viosinho. The Port ages in oak vats of about 550 liters and is segmented into sweeter and dryer styles. This segmentation is due to the periods of aging and the different levels of sweetness that are a result of the various methods in which the with Port is elaborated.

Table 17. Storage of White Port wines

Dry White	Fine White	Lágrima	Aged White Port
3 to 4 years in oak vats and stainless steel vats	3 to 4 years in oak vats and stainless steel vats	3 to 4 years in oak vats and stainless steel vats	Blending of wines with 10, 20,30 and 40 years in oak barrels

Source: Adapted from IVDP (2010b)

Ruby

Ruby, LBV and Vintage are red fruit Ports. Those mainly young wines are categorized by their quality. The lowest quality has the fine ruby, which is usually very fruity. Second is the reserve ruby, followed by the late bottled vintage (LTB). Vintage is the top of the hierarchy and needs to traverse a complicated process to be declared.

Table 18. Storage of Ruby Port wines

Fine Ruby	Reserve Ruby	Late Bottled Vintage	Vintage Port	Port (Vintage) Single Quinta Vintage
2 to 4 years in oak vats and stainless steel vats of up to 90.000 liters	5 years in oak vats and stainless steel vats	4 to 6 years in oak vats. Grapes are chosen from only one year	2 to 3 years in oak vats. Grapes from one year and continues to age in bottles	Produced out of grapes only from one harvest and one single Quinta or wine estate

Source: Adapted from IVDP (2010b)

Rosé

Rosé can be named as an under category of ruby, but is processed without skin. This relatively new kind of Port is produced by a vitification technique which occurs due to a limited contact with the pellicle of classic Port grape varieties.

Table 19. Storage of Rosé Port wines

Rosé
3 years in oak vats and stainless steel vats. The fermentation process stops after the third day

Source: Adapted from IVDP (2010b)

Tawny

Tawny is famous for its character of dry fruits and wood. The characteristics are developing with time in the 550 liter casks. Tawny, Tawny Reserva and Tawny with indication of age are mixed from several year lots. Only Colheita is an exception, as they are only produced with wines from a single year. A Colheita can be qualified by the companies itself without influence from IVDP.

Table 20. Storage of Tawny Port wines

Tawny	Reserva Tawny	Aged Tawny Port	Colheita
3 to 4 years in oak barrels	7 years in oak barrels	Blending of wines with 10, 20, 30 and 40 years in oak barrels	Minimum 7 years in oak barrels but usually longer time periods

Source: Adapted from IVDP (2010b)

Instituto dos Vinhos do Douro e Porto (IVDP, 2016b) and Associação das Empresas de Vinho do Porto (AEVP, 2016)

Numerous organizations can look back on an extensive history, this includes the public institution Instituto do Vinho do Porto (IVDP) with more than 80 years. Founded in 1933, the institution shaped the development of Port wine with rules concerning the production process, protection of heritage, quantity and quality. In 1974 the corporate organization was extended by the private association “Associação dos Exportadores do Vinho do Porto”, today called “Associação das Empresas de Vinho do Porto” (AEVP), a union of Port wine companies. AEVP’s structure had two significant differences to former associations: the membership was optional and the government no direct influencer. A subsequent key alteration was the foundation of the interprofessional council in 2003, where the public and private organizations come together to discuss about future strategies.

AEVP is an association representing 15 Port companies. They are a private non-profit organization. In numbers, they present the following share of the Port wine industry:

- € 341 million of the commercialized Port wine
- 92 Percent of the sales volume

The main objective of the association is to represent and protect the companies. Besides from that, they focus on the promotion and protection of the Port and Douro wines from the Demarcated Douro Region. In addition, they have taken a communication role with the funds of the European Union and are leading the campaign of “Vinho com Moderacao”.

The regulatory role of the IVDP is established by Decree-Law No. 47/2007 of 27 February, IVDP, I.P. (Silva, 2007, p.1-5):

- Proposes the strategic orientation and implements winegrowing production policy for the Demarcated Region of Douro by ensuring knowledge of the entire production and

trade structure, including export activity, and actions which are delegated to it by the Instituto da Vinha e do Vinho, I.P. (Vine and Wine Institute)

- Promotes convergence of production and trade interests in defending the general interests of RDD, regulating, controlling and supervising the production and marketing of wines produced in the RDD, and ensuring the portfolio of plots of vines in the region, monitoring the counting of grape-growers by carrying out appropriate checks to this end and specifying any necessary remedial action
- Monitors, promotes and defends the RDD denominations of origin and geographical indication and the other wine and wine products produced, developed in or passing through the RDD
- Carries out investigations of misdemeanors and applies the penalties to offences detected by its departments or other agencies, over which it has jurisdiction;
- Promotes the adoption of best practice in viticulture and in technological development

It should be highlighted that IVDP, I.P. current structure is the result of the merger by the incorporation of the Comissão Interprofissional da Região Demarcada do Douro (CIRDD) (Inter-professional Commission of the Demarcated Region of Douro) into the former Instituto do Vinho do Porto (IVP), plus the assumption of new responsibilities performed until then by the Casa do Douro (CD) (Douro House).

The Port wine Brotherhood: Confraria do vinho do Porto (Confraria do Vinho do Porto, 2016, p.1 ff.)

Founded in 1982, the brotherhood's intent is to bring higher visibility to the Port wine. Members of the brotherhood are individuals, that promote Port wine such as retailers, advocates or journalists. To become a member of the brotherhood, a member with at least the status of Mestre, needs to nominate the candidate. The brotherhood is hierarchical order as followed:

- (1) Active Brothers
 - Mester: Director or owner of a Port wine company
 - Experto: Manager or employee within a Port wine company
 - Chancelaria: Selected members of the brothers

(2) Honorary Brothers

- Cancelarion: This title is given to heads of states who bring honor to the brotherhood
- Infancao: Title of all individuum or institutions that are contributing to the prestige and promotion of Port wine, either by their personal prestige or high ranking position
- Cavaleiro: This is a special status for the people who do not fulfill the former named attributes but merit acknowledgment due to their service to Port wine

Once a year the brotherhood is organizing the “Rabelo Boat Race”, with the purpose to acknowledge the former Port wine transportation boats, used until 1964. Besides that, the brotherhood declares the “Confraria Vintage”.

Overview about Market Consolidation

Table 20. M&A in the Port wine industry

Year	Acquired firm	Acquiring firm	Country of acquiring firm
1960s			
1961	Cockburn	Harvey’s (Allied Domecq)	United Kingdom
1961	Martinez Gassiot	Harvey’s (Allied Domecq)	United Kingdom
1962	Offley Forrester	Sandeman	United Kingdom
1970s			
1972	Croft Delaforce	Grand Metropolitan	United Kingdom
1975	Gran Cruz	La Martiniquaise	France
1978	Rozès	Moet Chandon (60%), Taylor (40%)	France
1980s			
1980	Sandeman	Seagram	Canada
1983	Offley Forrester	Bacardi-Martini	Bermuda
1987	A.A. Ferreira	Sogrape	Portugal
1987	Rozès	Luois-Vouiton/ Henessey	Moet France
1990s			
1990	Adriano Ramos Pinto	Roeder	France
1990	Quinta do Noval	Axa	France
1996	Offley/ Forrester	Sogrape	Portugal
1999	Burmester	Amorim	Portugal
1999	Rozès	Vranken	France

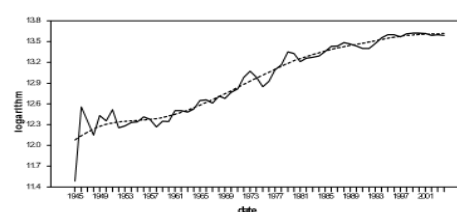
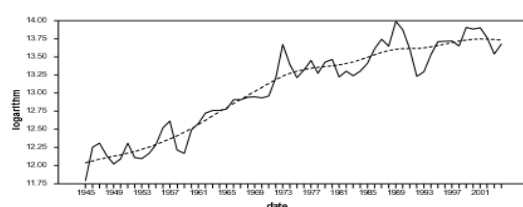
1999	Calém	Caixa Nova	Spain
1999	Quinta do Ventozelo	Proinsa	Spain
2000s			
2002	Sandeman	Sogrape	Portugal
2002	Croft Delaforce	Taylor and Fonseca	Portugal
2005	Burmester	Caixa Nova	Spain
2010	Cockburn's Port	Symington	Portugal
2013	Wiese & Krohn	Fladgate Partnership	Portugal

Source: Own display with data from Lopes (2005), p.560 ff.

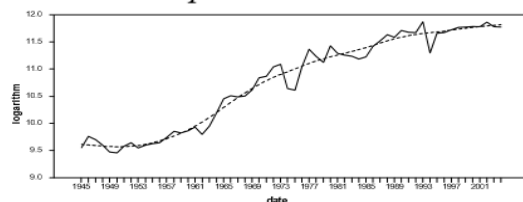
Historic numbers

Figure 12. Numeric trends in the Port wine industry

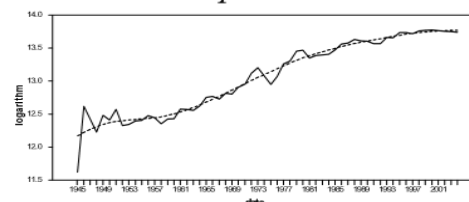
Actual and trend (dashed line)



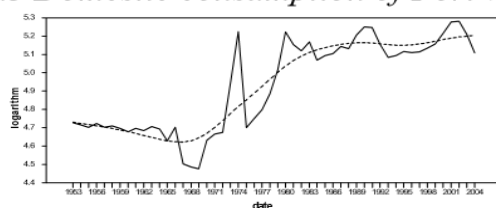
1.1 Port Wine production



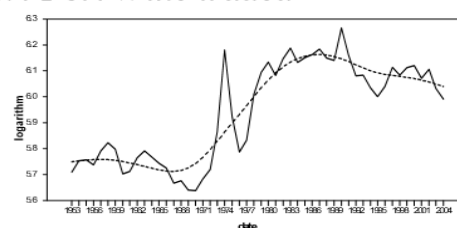
1.2. Port Wine exportation



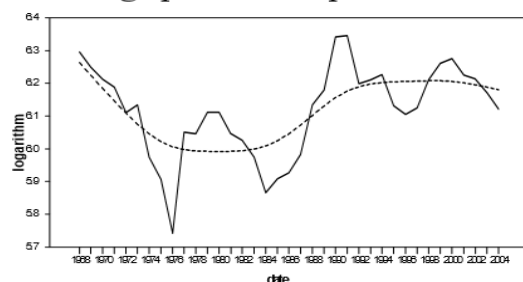
1.3 Domestic consumption of Port Wine



1.4 Port Wine traded



1.5 Average production price



1.6 Average exportation price

Source: Rebelo & Correia (2008), p.107

8 List of References

- Abernathy, W. J., & Utterback, J. (1978). Patterns of Innovation in Technology. *Technology Review*, 80(7).
- AGRO.GES. (2012). *Plano estratégico para a internacionalização do sector dos vinhos de Portugal* (pp. 1–44). Lisboa: ViniPortugal.
- Ambrosini, V., & Bowman, C. (2009). What are Dynamic Capabilities and are They a Useful Construct in Strategic Management? *International Journal of Management Reviews*, 11(1), 29–49.
- Anderson, K., & Nelgen, S. (2011). *Global Wine Markets, 1961 to 2009: A Statistical Compendium*. University of Adelaide Press. Adelaide.
- Argyres, N., & Bigelow, L. (2007). Does Transaction Misalignment Matter for Firm Survival at all Stages of the Industry Life Cycle? *Management Science*, 53(8), 1332–1344.
- Aronoff, C., & Ward, J. (1995). Family-Owned Businesses: A thing of the Past or a Model of the Future? *Family Business Review*, 8(2), 121–130.
- Arregle, J., Nordqvist, M., Hitt, M., & Naldi, L. (2012). Internationalization of Family-Controlled Firms: A Study of the Effects of External Involvement in Governance. *Entrepreneurship Theory and Practice*, (36), 1115–1143.
- Associação das Empresas de Vinho do Porto. (2016). *Associados*. Vila Nova de Gaia: AEVP. Retrieved from <http://www.aevp.pt/ASSOCIADOS>
- Astrachan, J. (2010). Strategy in Family Business: Toward a Multidimensional Research Agenda. *Journal of Family Business Strategy*, (1), 6–14.
- Astrachan, J., & Jaskiewicz, P. (2008). Emotional Returns and Emotional Costs in Privately Held Family Businesses: Advancing Traditional Business Valuation. *Family Business Review*, 21(2), 139–149.

- Aufreiter, N., Elzinga, D., & Gordon, J. (2003). Better Branding. *The McKinsey Quarterly*, 4.
- Barlett, C. (2014). BRL Hardy: Globalizing an Australian Wine Company. In *Transnational Management: Text, Cases & Readings in Cross-Border Management* (7th ed., pp. 612–628). Boston: McGraw-Hill/Irwin.
- Barreto, I. (2010). Dynamic Capabilities: A Review of Past Research and an Agenda for the Future. *Journal of Management*, 36(1), 256–280.
- Beaujanot, A. Q., & Lockshin, L. (2002). Export Success Factors. *Australian & New Zealand Wine Industry Journal*, 17(5), 93–96.
- Becheikh, N., Landry, R., & Amara, N. (2006). Lessons from Innovation Empirical Studies in the Manufacturing Sector: A Systematic Review of the Literature from 1993–2003. *Technovation*, 26(5–6), 644–664.
- Bharadwaj, A. (2000). A Resource-Based Perspective on Information Technology Capability and Firm Performance: An Empirical Investigation. *Management Information Systems Research Center*, 24(1), 169–196.
- Bird, B., Welsch, H., Astrachan, J., & Pistrui, D. (2002). Family Business Research: The Evolution of an Academic Field. *Family Business Review*, 15(4), 337–350.
- Blumentritt, T. (2006). The Relationship Between Boards and Planning in Family Businesses. *Family Business Review*, 19(1), 65–72.
- Boatto, V., Galletto, L., Barisan, L., & Bianchi, F. (2013). The Development of Wine Tourism in the Conegliano Valdobbiade Area. *Wine Economics and Policy* 2, 2, 93–101.
- Breuer, F. (2009). *Reflexive Grounded Theory: Eine Einführung für die Forschungspraxis*. Wiesbaden.

- Brown, S. L., & Eisenhardt, K. (1997). The Art of Continuous Change: Linking Complexity Theory and Time-Paced Evolution in Relentlessly Shifting Organizations. *Administrative Science Quarterly*, 42(1), 1–34.
- Brüsemeister, T. (2008). *Qualitative Forschung. Ein Überblick*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Bush, R. F., Bloch, P. H., & Dawson, S. (1989). Remedies for product counterfeiting. *Business Horizons*, 32(1), 59–65.
- Calabrò, A., Mussolino, D., & Huse, M. (2009). The Role of Board of Directors in the Internationalization Process of Small and Medium Sized Family Businesses. *Int. J. of Globalization and Small Business*, 3(4), 393–411.
- Caldas, J., & Rebelo, J. (2013). Portuguese Wine Ratings: An old Product a new Assessment. *Wine Economics and Policy* 2, 102–110.
- Camisón, C., & Villar-López, A. (2014). Organizational Innovation as an Enabler of Technological Innovation Capabilities and Firm Performance, 67(1), 2891–2902.
- Cardeal, N. (2010). *PME's em "clusters": Desenvolvimento de vantagens competitivas em indústrias maduras, em mudança lenta. O caso da indústria portuguesa de calçado* (Doutor em Gestão). Instituto Universitario de Lisboa, Lisbon.
- Castaldi, R., Cholette, S., & Hussain, M. (2006). A Country-Level Analysis of Competitive Advantage in the Wine Industry (pp. 15–27).
- Cavusgil, S., & Nevin, J. (1981). Internal Determinants of Export Marketing Behavior: An Empirical Investigation. *Journal of Marketing Research*, 18, 114–119.
- Chen, J., Reilly, R. R., & Lynn, G. S. (2005). The Impacts of Speed-to-Market on new Product Success: The Moderating Effects of Uncertainty. *IEEE Transactions on Engineering Management*, 52(2), 199–212.

- Christ, K., & Burritt, R. (2013). Critical Environmental Concerns in Wine Production: An Integrative Review. *Journal of Cleaner Production*, 53, 232–242.
- Christensen, Suarez, J., & Utterback, J. (1998). Strategies for Survival in Fast-Changing Industries. *Management Science*, 44, 207–220.
- Confraria do Vinho do Porto. (2016). *História*. Vila Nova de Gaia: Confraria do Vinho do Porto. Retrieved from www.confrariavinhodoporto.com/contactos.html.
- Copi, I., Cohen, C., & Flage, D. (2006). *Essentials of Logic* (2nd ed.). London: Routledge.
- Correia, L., Passos, M., & Charters, S. (2007). Wine Routes in Portugal: A Case Study of the Bairrada Wine Route. *Journal of Wine Research*, 15(1), 15–25.
- Cusumano, M., Kahl, S., & Suarez, F. F. (2006). Product, process, and service: a new industry lifecycle model. A research and education initiative at the MIT Sloan School of Management. *Working Paper*.
- Dalmore, M. (2013). The Formation of Country Wineries Networks for Internationalization: An Analysis of two new World Wines Regions. *Journal of Wine Research*, 24(2), 96–111.
- D'Aveni, R. (1994). *Hipercompetition*. New York: Free Press.
- Davide, N., & Antunes, L. (2015). Modelling Structured Societies: A Multi-Relational Approach to Context Permeability. *Artificial Intelligence*, 229, 175–199.
- Diekmann, A. (2009). *Empirische Sozialforschung*. Reinbek: Rowohlt.
- Douro Boys. (2016). Douro Boys – Home. Retrieved December 23, 2016, from <http://www.douroboys.com/>
- Easterby-Smith, M., Lyles, M., & Peteraf, M. (2009). Dynamic Capabilities: Current Debates and Future Directions. *British Journal of Management*, 20(1), 1–8.
- Eisenhardt, K. E. (1989). Building Theory from Case Study Research. *Academy of Management*. *The Academy of Management Review*, 14(4), 532–550.

- Eisenhardt, K. E., & Graebner, M. E. (2007). Theory Building from Cases: Opportunities and Challenges. *Academy of Management Journal*, 50(1), 25–32.
- Engelhard, J. (2015). *Internationalisierungsstrategie*. Berlin: Springer Gabler Verlag.
Retrieved from <http://wirtschaftslexikon.gabler.de/Archiv/1243/internationalisierungsstrategie-v9.html>
- Eisenhardt, K., & Martin, J. (2000). Dynamic Capabilities: What are They? *Strategic Management Journal*, 21, 1105–1121.
- European Commission. (2015). *WINE - Market Situation: Evolution and Background information* (pp. 1–8).
- European Commission. (2016). Wine statistics and data. *Agriculture and rural development*. Retrieved from http://ec.europa.eu/agriculture/wine/statistics_en
- Fernandes, O. M. (2011). The Determinants of Internationalization: Evidence from the Wine Industry. *Applied Economic Perspectives and Policy*, 33(3), 384–401.
- Fleming, L., King III, C., & Juda, A. (2007). Small Worlds and Regional Innovation. *Organization Science*, 18(6), 938–954.
- Fleming, L., & Marx, M. (2006). Managing Innovation in Small Worlds. *MIT Sloan Management Review*, 48(1), 8–9.
- Forbes, S., Cohen, D., Cullen, R., Wratten, S., & Fountain, J. (2009). Consumer Attitudes Regarding Environmentally Sustainable Wine: An Exploratory Study of the New Zealand Marketplace. *Journal of Cleaner Production*, 17(1).
- Garud, R., & Nayyar, P. . (1994). Transformative Capacity: Continual Structuring by Intertemporal Technology Transfer. *Strategic Management Journal*, 15, 365–385.
- Gephart. (2004). Qualitative Research and the Academy of Management Journal. *Academy of Management Journal*, 47(4), 454–462.

- Glaser, B., & Strauss, A. (1967). *The discovery of grounded theory: Strategies in qualitative research*. London: Wiedenfeld and Nicholson.
- Gläser, J., & Laudel, G. (2009). *Experteninterviews und Qualitative Inhaltsanalyse: als Instrumente Rekonstruierender Untersuchungen* (3rd ed.). Wiesbaden: VS Verlag für Sozialwissenschaften.
- Greiner, L. E. (1998). Evolution and Revolution as Organizations Grow. *Harvard Business Review*, 37–46.
- Giuliani, E., Morrison, A., Pietrobelli, C., & Rabellotti, R. (2010). Who are the Researchers that are Collaborating with Industry? An Analysis of the Wine Sectors in Chile, South Africa, and Italy. *Research Policy*, 39(6), 748–761.
- Hadeler, A. (2015). *Internationalisierungsstrategien deutscher, produzierender Familienunternehmen in den Vereinigten Staaten von Amerika - eine explorative Analyse über deutsches und amerikanisches Management* (Bachelor Thesis). Zeppelin Universität, Friedrichshafen.
- Hall, C. M., & Mitchell, R. (2000). Wine Tourism in the Mediterranean: A Tool for Restructuring and Development. *Thunderbird International Business Review*, 42, 445–465.
- Heijbroek, A. (2003). *Wine is business*. Utrecht: Rabobank International.
- Helfferich, C. (2009). *Die Qualität Qualitativer Daten: Manual für die Durchführung Qualitativer Interviews* (3rd ed.). VS Verlag für Sozialwissenschaften.
- Hill, C. W., & Jones, G. (2012). *Strategic Management: An Integrated Approach* (10th ed.). Mason, USA: South-Western College Pub.
- Holt, D. (2012). Strategic Decisions Within Family Firms: Understanding the Controlling Family's Receptivity to Internationalization. *Entrepreneurship Theory and Practice*, 36(6), 1145–1151.

- Instituto dos Vinhos do Douro e Porto. (2016a). *Comercialização Vinho do Porto - 2015*. Porto: Instituto dos Vinhos do Douro e Porto.
- Instituto dos Vinhos do Douro e Porto. (2016b). *Estatística Geral*. Porto: Instituto dos Vinhos do Douro e Porto. Retrieved from <https://www.ivdp.pt/pagina.asp?codPag=75&codSeccao=6&idioma=0>
- Instituto dos Vinhos do Douro e Porto. (2010a). *Região (Viticultura)* (pp. 1–3). Porto: Instituto dos Vinhos do Douro e Porto. Retrieved from <https://www.ivdp.pt/pagina.asp?codPag=16>
- Instituto dos Vinhos do Douro e Porto. (2010b). Introduction. Retrieved December 24, 2016, from <http://www.ivdp.pt/pagina.asp?idioma=1&codPag=64&>
- Karelakis, C., Mattas, K., & Chrysochoidis, G. (2008). Greek Wine Firms: Determinants of Export Performance. *Agribusiness*, 24(2), 275–297.
- Karniouchina, E. V., Carson, S. J., Short, J. C., & Ketchen, D. J. (2013). Extending the Firm vs. Industry Debate: Does Industry Life Cycle Stage Matter? *Strategic Management Journal*, 34, 1010–1018. <https://doi.org/10.1002/smj.2042>
- King, A. A., & Tucci, C. L. (2002). Incumbent Entry into New Market Niches: The Role of Experience and Managerial Choice in the Creation of Dynamic Capabilities. *Management Science*, 48(2), 171–186.
- Kogut, B., & Zander, U. (1992). Knowledge of the Firm, Combinative Capacities, and the Replication of Technology. *Organization Science*, 7(3), 283–301.
- Kontinen, T., & Ojala, A. (2010). The Internationalization of Family Businesses: A Review of Extant Research. *Journal of Family Business Strategy*, 2(1), 97–107.
- Kuckartz, U., Dresing, T., Rädiker, S., & Stefer, C. (2008). *Qualitative Evaluation* (2nd ed.). VS Verlag für Sozialwissenschaften.

- Laamanen, T., & Wallin, J. (2009). Cognitive Dynamics of Capability Development Paths. *Journal of Management Studies*, 46(6), 950–981.
- Langlois, R. N., & Foss, N. J. (1999). Capabilities and Governance: The Rebirth of Production in the Theory of Economic Organization. *KYKLOS*, 52(2), 201–218.
- Leonard-Barton. (1992). Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development. *Strategic Management Journal*, 13, 111–125.
- Lindgreen, A. (2001). An Exploration of Contemporary Marketing Practices in the New Zealand Wine Sector: Evidence from Three Cases. *International Journal of Wine Marketing*, 13(1), 5–22.
- Lopes, T. (2005). Competing with Multinationals: Strategies of the Portuguese Alcohol Industry. *Business History Review*, 79(3), 559–585.
- Lopes, T. (2014). A transformacao dos mercados de vinho do Porto. In *O Vinho do Porto e o Douro no seculo XX*. Lisbon: Guichard.
- Lumpkin, G., & Dess, G. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance. *Academy of Management Review*, 21(1), 135–172.
- Lumpkin, G., & Dess, G. (2001). Linking two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle. *Journal of Business Venturing*, 16, 429–451.
- MacDonald, A., & Hartt, C. (2014). A Strategic Industry Life Cycle Analysis for Nova Scotia's New World Wines. *American International Journal of Social Science*, 3(7), 117–132.
- Maurel, C. (2009). Determinants of Export Performance in French Wine SMEs. *International Journal of Wine Business Research*. *International Journal of Wine Business Research*, 21(2), 118–142.
- Mayring, P. (2002). *Einführung in die Qualitative Sozialforschung*. Weinheim: Beltz.

- Mayring, P. (2008). *Qualitative Inhaltsanalyse: Grundlagen und Techniken*. Weinheim: Beltz.
- Mintzberg, H. (1989). *Mintzberg on management*. New York: Free Press.
- Miles, M., & Huberman, A. (1984). *Qualitative data analysis*. Newbury Park: SAGE.
- Morrison, A., & Roth, K. (1993). Relating Porter's Configuration/ Coordination Framework to Competitive Strategy and Structural Mechanisms. *Journal of Management*, 19(4), 797–818.
- Newbert, S. (2007). Empirical Research on the Resource-Based View of the Firm: An Assessment and Suggestions for Future Research. *Strategic Management Journal*, 28(2), 121–146.
- N.N. (2016). What are internal factors? definition and meaning. Retrieved December 23, 2016, from <http://www.businessdictionary.com/definition/internal-factors.html>
- Nordqvist, M., Hall, A., & Melin, L. (2009). Qualitative Research on Family Businesses: The Relevance and Usefulness of the Interpretive Approach. *Journal of Management and Organization*, 15(3), 294–308.
- Olmos, M. F. (2011). The Determinants of Internationalization: Evidence from the Wine Industry. *Applied Economic Perspectives and Policy*, 33(3), 384–401.
- O'Mahony, B., Hall, J., Lockshin, L., Jago, L., & Brown, G. (2005). Understanding the impact of wine tourism on post-tour purchasing behaviour. In *Global wine tourism: Research, management and marketing* (pp. 123–137). CAB International.
- Pereira, G. (2012). *Porto: um vinho com história* (pp. 1–2). Porto: Instituto dos Vinhos do Douro e Porto. Retrieved from <https://www.ivdp.pt/pagina.asp?codPag=9&codSeccao=1&idioma=0>

- Petromilli, M., Morrison, D., & Million, M. (2002). Brand Architecture: Building Brand Portfolio Value. *Strategy & Leadership*, 30(5), 22–28.
- Pisano, G. (1994). Knowledge Integration and the Locus of Learning: An Empirical Analysis of Process Development. *Strategic Management Journal*, 15(Winter Special Issue), 85–100.
- Pukall, T., & Calabrò, A. (2014). The Internationalization of Family Firms: A Critical Review and Integrative Model. *Family Business Review*, 27, 103–125.
- Pullman, M., Maloni, M., & Dillard, J. (2010). Sustainability Practices in Food Supply Chains: How is Wine Different? *21, 1*(Journal of Wine Resesearch), 35–56.
- Raposo, M., & Sequeira, L. (1998). Estudo de Metodos e Politicas de Fixacao de Precos no Sector Vitivinicola Portugues. *Portuguesa de Marketing*, 2(6), 103–112.
- Rebelo, J., & Correia, L. (2008). Port Wine Dynamics: Production, Trade and Market Structure. *Regional and Sectoral Economic Studies*, 1(8).
- Remaud, H., & Couderc, J. (2006). Wine Business Practices: A New Versus Old Wine Perspective. *Agribusiness*, 22(3), 405–416.
- Rocchi, B., & Gabbai, M. (2013). Territorial Identity as a Competitive Advantage in Wine Marketing: A Case Study. *Journal of Wine Research*, 24(4), 291–310.
- Sabol, A., Sander, M., & Fuckan, D. (2013). The Concept of Industry Life Cycle and Development of Business Strategies. In Active Citizenship by Knowledge Management & Innovation: Proceedings of the Management. In *ToKnowPress* (pp. 635–642).
- San Martin, G., Troncoso, J., & Brümmer, B. (2008). Determinants of Argentinean Wine Prices in the U.S. *Journal of Wine Economics*, 3(1), 72–84.

- Schatzman, L. (1991). Dimensional Analysis: Notes on an Alternative Approach to the Grounding of Theory in Qualitative Research. *Social Organization and Social Process*, 303–314.
- Schmit, T., Rickard, B., & Taber, J. (2013). Consumer Valuation of Environmentally Friendly Production Practices in Wines, considering Asymmetric Information and Sensory Effects. *Journal of Agricultural Economics*, 64(2), 483–504.
- Sequeira, L., & Crespo de Carvalho, J. (2012). Cooperation in Port Wine Distribution. *Journal of Wine Research*, 1–20. <https://doi.org/10.1080/09571264.2012.678935>
- Shuen, A., & Sieber, S. (2009). Orchestrating the New Dynamic Capabilities. *IESE Insight*, 4(3), 58–65.
- Silva, A. The regulatory role of the IVDP, 15 1–5 (2007).
- Simon, H. (2012). *Hidden Champions*. Frankfurt am Main: Campus Verlag.
- Spahni, P. (2000). *The International Wine Trade* (2nd ed.). Cambridge: Woodhead Publishing.
- Spawton, A. (2008). Wine brand development and the growing importance of supply chain management in international marketing. Presented at the Proceedings of the Wine & Tourism Marketing Conference, Vila Nova de Gaia.
- Statista. (2016). *Consumer Market Outlook- Fortified Wines* (Consumer Market Outlook).
- Strauss, A. (1991). *Grundlagen Qualitativer Sozialforschung*. München.
- Strauss, A., & Corbin, J. (1990). *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. Newbury Park: Sage Publications.
- Strübing, J. (2014). *Grounded Theory* (3rd ed.). Wiesbaden: Springer VS.
- Suddaby, R. (2006). From the Editors: What Grounded Theory is Not. *Academy of Management Journal*, 49(4), 633–642.

- Teece, D. J. (2007). Explicating Dynamic Capabilities: The Nature and Microfoundation of (Sustainable) Enterprises Performance. *Strategic Management Journal*, 28, 1319–1350.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18(7), 509–533.
- Thach, E., & Olsen, J. (2006). Building Strategic Partnerships in Wine Marketing: Implications for Wine Distribution. *Journal of Food Products Marketing*, 12(3), 71–86.
- Trade Data and Analysis. (2015). *WORLD WINE CONSUMPTION* (pp. 1–51).
- Trochim, W. (1989). Outcome Pattern Matching and Program Theory. *Evaluation and Program Planning*, 12(4), 355–366.
- Trochim, W. (2000). *The Research Methods Knowledge Base* (2nd ed.). Cincinnati: Atomic Dog Publishing. Retrieved from https://www.cengagebrain.co.uk/shop/isbn/9781133954774?parent_category_rn=&top_category=&urlLangId=-1&errorViewName=ProductDisplayErrorView&categoryId=&urlRequestType=Base&partNumber=9781133954774
- Utterback, J., & Abernathy, W. J. (1975). A dynamic model of process and product innovation. *Omega*, 3(6), 639–656.
- Vinhos de Portugal. (2016). History. Retrieved from <http://www.winesofportugal.info/pagina.php?codNode=18094>
- Whetten, D. (1989). What Constitutes a Theoretical Contribution? *Academy of Management Reviews*, 14(4), 490–495.

- Wickramasekera, R., & Bianchi, C. C. (2013). Management Characteristics and the Decision to Internationalize: Exploration of Exporters vs. Non-Exporters Within the Chilean Wine Industry. *Journal of Wine Research*, 3(24), 195–209.
- Wickramasekera, R., & Oczkowski, E. (2006). Stage Models Re-Visited: A Measure of the Stage of Internationalisation of a Firm. *Management International Review*, 46(1), 39–55.
- Wiedemann, P. (2013). Gegenstandsnahe Theoriebildung. In *Handbuch Qualitative Sozialforschung* (pp. 440–445). München: Psychologie Verlag Union.
- Wiggins, R., & Ruefli, T. (2005). Schumpeter's Ghost: Is Hyper Competition Making the Best of Times Shorter? *Strategic Management Journal*, 26, 887–911.
- Wine Plus. (2016). The Way You Drink Matters. Retrieved December 23, 2016, from <http://www.wineinmoderation.eu/en/content/The-way-you-drink-matters.67/>
- Woodard, R. (2008). *Just-drinks' review of the port industry*. Bromsgrove: Aroq Ltd.
- Wu, L. (2010). Applicability of the Resource-Based and Dynamic-Capability Views Under Environmental Volatility. *Journal of Business Research*, 63(1), 27–31.
- Yin, R. K. (2009). *Case Study Research: Design and Methods* (4th ed.). Thousand Oaks: Sage Inc.