

INTERNATIONAL COMMERCIALIZATION STRATEGY:
PORTUGUESE WINE IN CHINA

Ana Carolina Martins Mendes

Dissertation submitted as partial requirement for the conferral of
Master of Science in Business Administration

Supervisor:
Dr. Nelson Campos Ramalho, Assistant Professor,
ISCTE Business School

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Abstract

Portugal's economy is strongly built upon wine industry with a per capita production and quality above average world indicators. Its sustainability and competitiveness depends on being able to grow alongside its competitors while looking attentively to emerging markets.

China is one of the fastest growing economies in the world with the corresponding growth in wine consumption. Although China is one of the largest international trading countries with Portugal, and one of its biggest investors, the wine sector has been lagging, especially when compared with France or other wine producers.

Considering its strategic importance it is mandatory that reasons be found to explain such fact with a focus on the Chinese opportunities in order to offer insights.

Keywords: Competitive Advantage, Wine market, Internationalization, China

JEL Classification: M16 International Business Administration, L1 Market Structure, Firm Strategy, and Market Performance, Q17 Agriculture in International Trade

Resumo

A economia portuguesa é fortemente influenciada e condicionada pela indústria do vinho, possuindo uma produção per capita e uma qualidade acima da média mundial. A sua sustentabilidade e competitividade dependem da capacidade de acompanhar o crescimento da concorrência, apostando nos mercados emergentes.

A República Popular da China é uma das economias emergentes com um crescimento mais acelerado no mundo, experienciando a mesma trajetória de crescimento a nível do consumo de vinho. Apesar de ser um dos maiores investidores em Portugal e um dos países com o qual são atualmente efectuadas mais trocas comerciais, a performance de vendas do vinho nacional na China tem ficado aquém das suas potencialidades – especialmente quando comparado com o desempenho de França e dos outros países produtores de vinho.

Tendo em consideração a importância estratégica desta indústria, é crucial que sejam encontradas razões para explicar este fenómeno, de modo a melhor explorar as oportunidades do mercado vitivinícola Chinês.

Palavras-chave: Vantagem Competitiva; Mercado Vitivinícola; Internacionalização; China

Classificação JEL: M16 International Business Administration, L1 Market Structure, Firm Strategy, and Market Performance, Q17 Agriculture in International Trade

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Introduction

People's Republic of China is one of Portugal's top 10 commercial partners. The economic relations between the two countries have never been so strong and keep growing. Since 2011, the exports from Portugal to China have more than doubled and China is one of the biggest investing countries in Portugal. The AICEP - Agência para o Investimento e Comércio Externo de Portugal - endeavored to increase the Chinese interest in the Portuguese market, looking to create new international partnerships that motivate the entrance of capital in Portugal's economy. Wine is amongst the prime exportable goods of Portugal.

According to a study by economists in the University of Adelaide's Wine Economics Research Center, Asian countries will dominate in 2018 the global wine imports and consumption. This is led by the increase of the Chinese imported wine consumption by 17% to 33% between 2011 and 2018, since Chinese production will not grow as much as the consumption (Anderson & Wittwer, 2015). The bottled wine imports in China during January to September 2015 have seen a 39% year-on-year increase in volume and a 35% year-on-year increase on value. While the bulk wine imports have increased an impressive 100% (volume) compared to the same period of the previous year (Schmitt, 2015).

The huge size of China (1.38 billion people from which 1,1 billion adults) and the fact that the wine market is fairly recent and growing, constitutes an unprecedented opportunity for the foreign wine producers that export to this country. The projections show an increase on net imports of wine between 330 and 790 million liters until 2018 (Anderson & Wittwer, 2015).

Portugal's wine market could gain from this since the Chinese wine market is not self-sufficient, especially regarding commercial-premium and super-premium wines. If Portuguese wine companies are to make good use of this opportunity and invest in building relationships with Chinese importers (or in joint ventures in China) they will enjoy long lasting benefits with the world's second largest economy.

France is nowadays the top exporter of grape wine to China and marketing played an important role (Maurel, 2009). As for the known quality and age-worthiness of French

wines, of course they have unquestionable quality, but Portugal offers exceptional flavors along with some of the best wine values on the market (Kramer, 2014).

Portugal is seven times smaller than France but has a large diversity of over 250 different types of indigenous grapes and, according to the World Association of Writers and Journalists of Wines and Spirits (2016), is home to the best wine producer in the world. In both cases, such as in traditional wine producing countries in south Europe, the range of quality is wide (Anderson, 2004) and one can match wines at any level of quality between these countries. However, Portuguese wine brands are unjustly underappreciated and this has nothing to do with their quality (Asimov, 2014). The main reason for this, according with the same author is the lack of knowledge, competitive mentality and investments in research and strategy from the major wine manufacturers.

Taking into consideration this context and opportunity, we believe it is timely to study how wine export strategies have been targeting the Chinese market in order to understand patterns and eventually offer a novel approach that hopefully may contribute, even is minimally, to the betterment of Portuguese wine export effectiveness. This goal is strategic, as it constitutes an opportunity to improve the economic sustainability of this sector, which we believe has a considerable margin to grow. The promotion and further internationalization can be a solution to a high quality national product that has been largely untapped - when compared to others countries' wine commercialization - and might respond to the aspiration of Portugal's competitiveness in this area.

Through the extensive study and research of the Chinese market opportunities and internationalization strategies, it may be possible for Portuguese wines to conquer their space in the Chinese market and fight against the weak awareness of the Portuguese brands, which inevitably nurtures on the country brand, a critical variable in Chinese wine market (Balestrini & Gamble, 2006).

Although recent events suggest the slowdown of China's growth, Anderson and Wittwer (2015) advocate that this crisis will not hold back the wine demand growth, especially in the higher segments of this market. They foresee a growth in Chinese wine consumption due to the high number of adults, which are all potential alcohol consumers.

Literature Review

Literature review focused both strategy studies and some of its concrete analysis instruments. This particular section is thus intended to depict the main concepts and frameworks on strategy in order to establish the background against which wine industry exportation to China is analyzed in this study.

The most used instruments to analyze strategy are arguably Porter's (1979) five-forces model, SWOT analysis, and critical success factors. These will be further developed in this section intending to offer a proper understanding of strategy-related issues concerning wine market stakeholders in Portugal and China. Likewise, market segmentation is naturally an issue one cannot go by without in analyzing business strategy. Lastly, organizational culture has been known to condition what is or not effective in approaching different markets across countries. Therefore we shall explore both topics, Chinese market segmentation and comparative organizational culture, for comprehensiveness sake.

1. Strategy

This particular section is intended to depict the main concepts and frameworks on strategy in order to establish the background against which wine industry exportation to China is analyzed in this study. It covers both conceptual, theoretic and tools that are helpful in conducting strategic analysis.

Strategy has been a subject profusely studied and with high level of publishing where some leading authors and models achieved notoriety and thus play a more central role in understanding its nature, dynamics and management.

Ever since Chandler's (1962) work on strategy, the definition itself of business strategy evolved considerably. With its long roots into world's military history and thinkers (e.g. Sun Tzu, "the art of war" or Von Clausewitz "On war") strategy has been approached from a varied number of disciplinary backgrounds, which on the one hand enriched it but on the other added to conceptual confusion.

A comprehensive definition based on Hakansson & Snehota (1989) takes strategy as a process of adaptation of the activities performed by a given organizations in order to

comply with the external environment requisites in which it operates (or wishes to do so). This is done to maximize its organizational effectiveness.

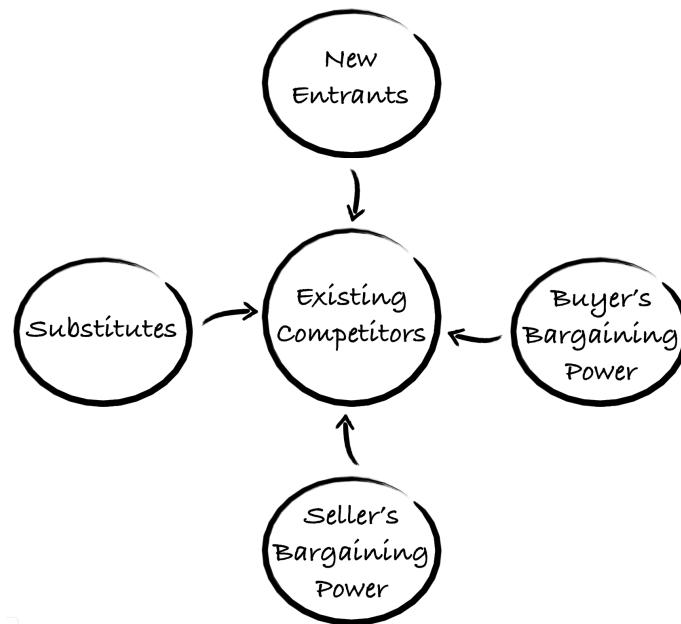
Strategy theory has been criticized for not deepening sufficiently into practice issues (Oliveira, 2008). The author sustains that this occurs because managers perform adaptations that substantially transform the strategy instruments. Because strategic process approach analyses the role of strategic management it tends to neglect its managerial execution, which is a largest limitation. Strategy as practice addresses the managerial development instead of the managerial intention. This perspective pursues stability by anticipating long-term changes and situational issues and adapting to them (Jarzabkowski, 2005).

By focusing on the managerial actions and the people behind them instead of studying a macro-perspective, one may be able to strategize in advance, anticipating and minimizing the hazards of breakdowns (Chia & MacKay, 2007).

1.1. Five forces model

Independently from the definitional concerns, a pragmatic approach to business strategy translates into knowing the most used analytical models. Michael Porter's contribution was a central one for the advancement of Strategy science despite critiques of being excessively focusing on macro analysis or treating customers as a single entity although they must be segmented (Grundy, 2006). According with Porter's proposal the success of an organization depends on how it can adapt its strategy to fit the environment in which it operates. In order to qualify the performance of a certain business, we shall start by characterizing its industry. As Porter (1979) states, the competition within each industry is defined by five forces: the threat of new entrants; the bargaining power of customers; the bargaining power of suppliers; the threat of substitutes and the jockeying among contestants. These five forces are a means to gauge the attractiveness of the industry.

Figure 1. Porter's five forces.



As depicted in the above image, the vertically integrated forces have a competitive nature and the horizontal forces are the cooperative players.

These forces will determine the intensity of the competition and the potential long-term profit of the industry.

- Threats of entry

Economies of scale (the capacity of lowering the costs through the increase of production) greatly affect the entrance of other players in an industry. The new entrant will be forced to increase the production, which implies a big initial investment and the risk of retaliation. The alternative is to start with a reduced production and support the cost disadvantage.

Product differentiation becomes an entry threat due to the customer loyalty towards other products. This can be overcome by investing in marketing and advertising strategies.

The initial *capital requirements* can be very high, mainly when the investment is non-recoverable - publicity and R&D. This constitutes one of the biggest entry threats for certain high-end industries.

Existing companies may benefit from advantages - experience, technology, favorable location, government subsidies, cost advantages - independent from the company's size. These are *cost disadvantages independent of size* for the new entrants.

Distribution channels are usually secured by the established competitors. When the demand is already satisfied, the new entrants can either displace the competition or create its own distribution channels.

The final entry threat mentioned by Porter is the *Government policy*. Due to license requirements and access limitations, the government will in some cases limit or even foreclose new entrants to industries.

- Threat of substitute products

Substitute product is any new offer that competes with existing products for the same customer need. Whenever such products compete by lower price they set new price ceiling thus limiting the potential of an industry (Porter, 1979). It is important to have in mind the products that can offer the same benefit, or a similar one, especially those that bring technological innovation, which have a significant benefit regarding the cost of quality and the substitutes that are subject to improved price competitiveness tendencies.

- Bargaining power of suppliers

As the bargaining power of suppliers grows, so does their ease in controlling the sales prices, payment conditions, delivery deadlines and quality of products. This has a negative effect on the profitability of the industry. If there are few suppliers, their power tend to increase. This is also seen when the clients are of low importance for the supplier industry and the supplied products are indispensable for the producer.

- Bargaining power of customers

Similar to the logic of the bargaining power of suppliers, the more power customer has, the least attractive becomes the industry. Customers have the capacity to force down prices, demand higher quality and choose the competitor's product or service. The customers' bargaining power tends to be higher when the customer concentration is lower and when the product has low significance.

- Jockeying for position among current competitors

The sector's competitiveness influences the price wars and all the marketing strategies to be used. Due to this factor, when there is a high concentration of competitors, the profitability of the industry decreases. The competition tends to be fiercer when: the market's growth is not high; fixed costs are substantial; the product differentiation is low, there are many exit barriers and considerable costs to the activity expansion.

Despite its age, Porter's original proposal remains a key referential to conduct strategy analysis and although the gap between macro-level and organizational-level strategy analysis has been a target of new proposals (e.g. Dobs, 2014) we believe they fail to attain that goal as they mostly detail Porter's original dimensions. Therefore, in order to bridge these levels, we trust complementary analysis can be conducted such as SWOT.

1.2. SWOT analysis

The identification of competitive advantages is crucial for the development of an accurate market and industry analysis. Through the definition of both internal and external positive factors - Strengths and Opportunities - and negative ones - Weaknesses and Threats – one can design a strategy to obtain a superior profitability over competitors. The SWOT (acronym for Strengths, Weaknesses, Opportunities, Threats) analysis uncovers the risks and the problems that should be fixed (Lindon et al., 2004).

Table 1. Swot matrix.

	Positive Factors	Negative Factors
Internal Factors	Strengths	Weaknesses
External Factors	Opportunities	Threats

The internal evaluation identifies positive attributes of the organization that are helpful to the achievement of the objectives and negative attributes that are weak points compromising the achievement of the objectives.

During the external evaluation of the environment/industry the opportunities that may provide benefits and the threats of outside factors are defined.

The ultimate goal is to enhance and use the strengths, eliminate the weaknesses, exploit the opportunities and defend against threats (Hay & Castilla, 2006).

1.3. Critical Success Factors

According to Carvalho & Filipe (2006), the Critical Success Factors are defined as the resources and capabilities of the market that are able to provide a competitive advantage and are critical for the development of the business. These critical areas of activity must be focused and prioritized, as their lack will constitute a serious threat to the success.

There is not an a priori set of critical success factors as they vary according with the nature of the business, industry and contextual configuration. However, such lack of framework does not imply they are overly subjective and prone to bias the analyses. An example of critical success factors use in conducting analysis is provided by Manville, Greatbanks, Krishnasamy & Parket (2012) who, intending to find critical success factors linked with lean six sigma implementation generated a list of plausible factors and ranked them, gathering empirical data. Typically such factors focus on a higher strategic level of dependencies where, in that specific study, the top six critical success factors found are a) senior management support and show enthusiasm with the implementation, together with b) linking it to business strategy, c) to the customer, d) understanding tools and techniques; e) properly select and prioritize projects, and f) providing training and education. Although these findings diverge from previous

findings as regards the specific rank position of each factor, from a pragmatic point of view, they do not differ that much as the whole block focuses similar factors.

It is our trusted belief that such dimensions are expectable to emerge in any study conducted on critical success factors linked with implementation of strategic programs, namely, real support from the top, business strategy alignment, customer (stakeholders) needs alignment, installed and trained technical competency, and adequate project management (activities selection and prioritization).

As shown, market is a must in conducting a comprehensive research on critical success factors. However, market cannot be taken as a single entity, with a single logic and dynamics. It must be taken in its complexity, which implies segmentation analysis.

1.4. Market Segmentation

Market segmentation became a central concept in marketing ever since Wendell Smith coined it in mid 1950s (Wedel & Kamakura, 2000).

Through a post-hoc approach, market segmentation is done after the determination of the data analysis results, which enables to identify groups of consumers that fit a set of measured characteristics.

The segmentation is defined as general (related only to the consumer, and independent of external factors) or product-specific (having in account the relation with the external products or circumstances); as well as observable (i.e., measured directly) and non-observable (i.e., inferred).

Considering that the consumers' personality and image is directly linked to their evaluation of a brand's image and importance (Aaker, 1997) one needs to have in account the consumer's personality, values and lifestyle, in order to analyze product and brand preferences.

Table 2. Classification of segmentation basis (adapted from Wedel & Kamakura, 2000)

	GENERAL	PRODUCT-SPECIFIC
OBSERVABLE	Cultural, geographic, demographic, social-economic variables	User status, usage frequency, store loyalty, external situations
NON-OBSERVABLE	Psychographics, values, personality, life-style	Psychographics, benefits, perceptions, elasticities, attributes, preferences, intentions

Observable general bases are relatively easy to collect. Some examples are of these variables are: a) The socioeconomic segmentation, which is related to the society's social classes and may be determined by household income and education variables; b) The commercially available geodemographic classification systems which are based on geographical, socioeconomic and demographic factors; and d) The household life cycle, which can be determined by the number and age of children, employment status and age of the household members.

Observable product-specific bases comprise the factors related to buying and consumption behavior. These variables are commonly obtained by customer surveys and allow understanding the customer loyalty to a store or brand as well as the consumption patterns (heavy or light users).

Almost exclusive to consumer markets are the unobservable general variables (personality, values and lifestyle). By evaluating these idiosyncratic features, it may be possible to perceive consumer patterns and reactions in order to successfully develop marketing strategies.

The last bases of segment classification are the non-observable product-specific variables: behavioral intentions. These are motivated by the consumer preferences, which in turn are determined by brand attitudes dependent of the product-benefit perceptions and importance.

This means values play an important role in consumer behavior (Manyiwa & Crawford, 2002), and such values are not only influencing at the individual level (where choice actually occurs) as they operate in a more subconscious way at the collective or market level. In the case of societies that hold contrasting values, such as western and Chinese, cultural values play even a more critical role, as showed by Xiao & Kim (2009) where, from a sample of 481 Chinese shoppers that bought foreign brands, those

who reported stronger identification with collectivistic or individualistic values also reported more positive satisfaction with such brands. Results are somewhat surprising but the sample was rather young, educated and urban which would possibly explain these twofold paths of influence. Notwithstanding competing interpretations the study definitely shows that in Chinese market values count.

1.5. Hofstede's Cultural Dimensions

In order to achieve a more realistic market comprehension, we need to evaluate the cultural differences between country of origin and country of destination. In order to do this, and amongst the several cultural models and frameworks, Geert Hofstede's is probably the one that not only deserved more popularity as it parsimoniously conveys usable information for comparative purposes. Adding to this, Hofstede soon realized the importance of a comprehensive model where dimensions would have to describe not only western but also eastern cultures of which the better evidence lies in the emergence of the Confucian dimension after the publication of his paper with Michael Harris Bond in late 1980s (i.e. Hofstede & Bond, 1988) together with individualism-collectivism dimension.

Ever since Hofstede started his research on cultural value, he covered and collected data from more than 70 countries. This study covered social issues such as the social implications of emotion expression and aggression control; social inequality; differences of hierarchical behavior; collective or individual values, amongst other social behaviors that differ between cultures. Hofstede (2011) depicts six cultural dimensions that portray the heterogeneity of each nation:

1. Power Distance

This dimension evaluates the power distribution between different hierarchies of organizations and institutions. The higher the distance is, the more social inequalities are perceivable. In cultures with high power distance acceptance, it is less common for people to demand justifications for social inequality situations, as power inequality is not only accepted as wished for in assuring the desired social order.

2. Individualism/Collectivism

This dimension evaluates the tendency for either societal or individual mindset. In a highly collectivist society, the social connection network is broader and more loyal. There is a collective consciousness and relationships prevail over tasks. On the other hand, individualist cultures emphasize the right of privacy, freedom of speech and loose ties between individuals over harmony and sense of belonging.

3. Masculinity/Femininity

This is used as a societal and not individual characteristic. It describes values between stereotypical genders. Both men and women in masculine societies tend to be more competitive and assertive, whilst in feminine societies, the concepts of modesty and carefulness usually prevail.

In masculine cultures, the behavioral difference between genders is more noticeable. Heroism traits, gender-specific roles and work over family focus are masculinity attributes. On the other hand, compassion for the weak, minimum gender discrimination and balance between family and work are linked with a more preeminent femininity dimension.

4. Uncertainty Avoidance

This dimension expresses the level of a society's tolerance towards ambiguity and uncertainty. It differentiates a society that tries to control and avoid unknown and unstructured situations against one that adapts and lets them happen. A culture with a high uncertainty avoidance level will use strict codes of conduct and prevent new and uncommon ideas. On the contrary, an uncertainty tolerant society accepts change as an inherent aspect of life. Individuals in these societies tend to perceive difference with curiosity and each day is taken as it comes, which generates lower stress and anxiety propensity.

5. Long/Short-Term Orientation

Up to 1990, the previous four dimensions were the only ones Hofstede used to analyse culture. However, in 1991 Hofstede introduced a fifth dimension, originally named Long-term versus Short-term orientation. Because this dimension emerged from the analysis of data collected with a focus on Chinese values, Hofstede also brand it Confucian dynamism. This particular name has been criticized for wrongly depicting

Confucian values system (e.g. Fang, 2003) and therefore the use of short-term versus long-term orientation label is more advisable. Also because it would be the only dimension to take the name from a system of values rather than a value itself. Short-Term oriented societies lean towards immediate results, stability and steadiness. Individuals in these societies usually show great pride and respect for tradition. The search for universal guidelines independent of circumstances is emphasized. On Long-Term oriented cultures, behavior depends on time and context. Adaptability and change is valued. These countries show a faster economic growth as a consequence of their perseverance as well as higher investment and savings rates.

6. Indulgence/Restraint

A parallel research on cultural values conducted by Michael Minkov lead him to find an emerging dimension concerning the degree to which societies put pressure on individuals to comply with norms, restrain their impulses and immediate gratification. Adding this new dimension to the original five-dimension model, Hofstede incorporate Minkov's as a sixth dimension in 2010 (Minkov & Hofstede, 2011). A typically indulgent society allows individual gratification, as in the fulfillment of human desires and pleasures. By contrast, Restraint stands for societies that suppress free gratification through the enforcement of strict social regulations.

This dimension is weakly negatively correlated to the Long/Short-Term Orientation.

Hofstede's model has been evolved ever since and it may be accused of being unstable as the framework is subjected to change across time, however it is but an expression of its continuous fine tuning in a rather complex subject such as cultural values comparison. Despite this, the cultural profiles that have been emerging have converged and they are shown to be stable across cohorts (Beugeldijk, Maselan & Van Hoon, 2015), which means, they show evidence of the most valuable feature of culture as a managerial tool: inertia, in which long-range strategic decisions can get some assurance about its enduring effectiveness.

2. Wine Market

This section is devoted to depict the wine market and further apply previously reviewed concepts and theory of strategy analysis and relevance associated concepts such as market segmentation, and consumer cultural values.

Considering the international economic integration and interdependence, it is of the utmost importance that national markets are able to adjust to the world's global economy. Entrepreneurs that are not willing to opt for a global strategy are in a disadvantageous position comparing to the ones who do business beyond national borders (Campbell & Guibert, 2006).

The wine industry is not an exception to this situation. With broader commercialization horizons comes the opportunity to share production techniques, different marketing approaches and strategies that may result in more efficient and competitive markets. At the same time, considering that this is a sector with a highly traditional image and often linked with a rural context, the globalization might create the risk of an excessive homogenization of the products (Bernetti, Casini & Marinelli, 2006). Within this context, these authors distinguish two divergent groups of wine producers; the Old World, which comprises mostly European producers with an ancient tradition of wine making, and the New World, whose producers are mostly relatively new to the industry and tend to rely more on science than on tradition and terroir.

According to Heijbroek (2003 cit in. Bernetti, Casini & Marinelli, 2006), the New World producers gravitate towards a basic to high quality wine, whilst the Old World producers are more likely to focus on promoting their premium and super premium wines. In general, the traditional wine producers are more fragmented and benefit from a wider variety of unique top quality wines, while the modern wineries of the New World seek to create brand loyalty that outstrips the quality of the product, allowing the targeting of a broader market.

This might be beneficial for Old World producers having in account a market trend that favors quality over quantity. In this case, the Old World wines need a greater investment in strategy and promotion of their premium wines (Bernetti, Casini & Marinelli, 2006). This should help to contradict the declining tendency of the Old

World wine market, since it has been experiencing a production contraction that contrasts with the New World wines' production expansion (Thorpe, 2009).

This New World wine fast expansion is happening in consequence to the production being mostly dominated by big companies that easily respond to a growing demand. Nonetheless, the competitive strength of Old World producers lies in their ability to combine the traditional production methods with the innovation that the international market demands (Bernetti, Casini & Marinelli, 2006).

In order to better understand the wine consumer preferences and to achieve accurate market segmentation one has to recognize the needs and behavior of the customers. A good predictor of consumer behavior is their interest and involvement regarding the respective product type. Most of the highly enthusiastic wine consumers have solid knowledge of the wine producing regions, place great importance on country of origin when purchasing wine and are willing to pay more (Campbell & Guibert, 2006).

And while Somogyi et al. (2011) briefly describe the segmentation of the wine consumers in a simple way - basic, knowledgeable, and conservative wine drinkers – Johnson and Bruwer (2003) proposed a more detailed segmentation:

- Basic wine drinkers;
- Conservative, knowledgeable wine drinkers;
- Image oriented, knowledge seeking wine drinkers;
- Experimenter, highly knowledgeable wine drinkers;
- Enjoyment oriented, social wine drinkers.

Three of these market segments are likely to buy premium and super premium wines.

2.1. Portuguese Wine industry analysis

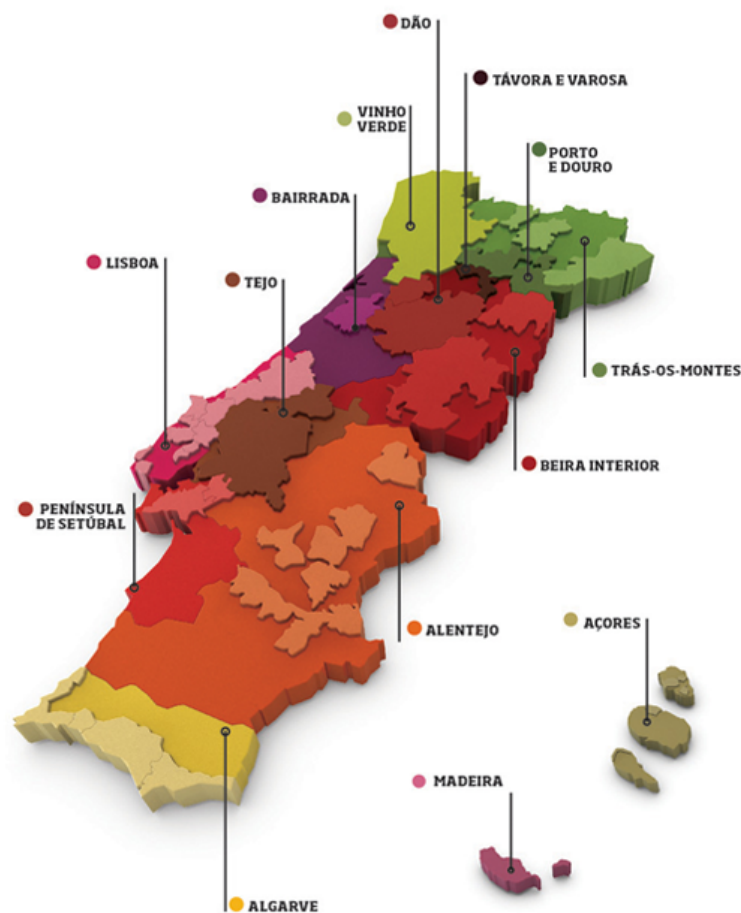
Having had a preeminent role as an export product and as one of the most dominant issues concerning the national agriculture in the past, the wine production and vine culture have a critical and undeniable impact in the Portuguese economy.

During 2011, the value of the trade balance of the agro-food sector was - 4.231 million euros. The wine contribute for this value was of 13,6%, which means that without the profit from the wine sector, the trade balance would get to a worst - 4.807 million euros (ViniPortugal, 2012).

Such economic relevance parallels with cultural centrality for Portuguese heritage, and it shaped and continues shaping the national landscapes, history and culture. According with Phillips (2001) the Portuguese wine production has started even before the Foundation of the Portuguese nationality. The first vineyards are said to have been planted 2000 years B.C. brought by Phoenicians to their trading posts in coastal south Portugal. With the presence of the Romans in Portugal, wine has become a cultural symbol and an icon of power and wealth. Since then, wine kept its significance as one of the most consumed and exported products.

An important point in the wine history in Portugal is the Methuen treaty in 1703, which created special conditions for the wine exports to England. Thanks to this treaty, in 1756, the Port wine was so acclaimed that the first European wine defined region was created (Alto Douro region).

Figure 2. Portuguese wine regions (Wines of Portugal, 2016)



Nowadays, there are 14 wine defined regions in Portugal; Dão, Távora e Varosa, Porto e Douro, Trás-os-Montes, Beira Interior, Alentejo, Algarve, Península de Setúbal, Lisboa, Tejo, Bairrada, Vinho Verde, Madeira, and Açores (Infovini, 2016).

All Portuguese wines need to be certified and are classified as follows:

Protected Designations of Origin: DOC (Denominação de Origem Controlada) and DOP (Denominação de Origem Protegida) are the top classifications of Portuguese wines. They come from the oldest producing regions and are subject to special legislation (defined geographical limits, maximum yields, recommended and permitted grape varieties and minimum alcohol levels)¹.

Vinho Regional (Regional Wine), IG (Indicação Geográfica) and IGP (Indicação Geográfica Protegida) are wines produced in a specific region and contain at least 85% of grapes that grow in that same region. Like the DOC and DOP, these wines are subject to a strict control and a specific legislation.²

Vinho (Wine) is the classification for all the wines that do not fit into any of the other classifications. They must comply with National and European Union regulations.³

The wine certification process begins with a certification request for a specific homogeneous batch. The respective Regional Wine Commission (CVR - Comissão Vitivinícola Regional) proceeds to the registration of the request and initiates the certification process.

Samples of the batch to be certified are then physically and chemically tested and sensory analyzed. When sold in containers with a capacity up to 20L, the label has also to obey to certain rules in order to be approved. After being certified, the warranty stamps are emitted and attached to the containers.

If the wine is destined to exportation, the label guidelines may be adapted to the country of destination.⁴

¹ Decreto-Lei n.º 212/04, de 23 de Agosto, art. 8º, alínea a); Regulamento (CE) n.º 1234/2007 do Conselho de 22 de Outubro, com as alterações introduzidas pelo Regulamento (CE) n.º 491/2009 do Conselho de 25 de Maio.

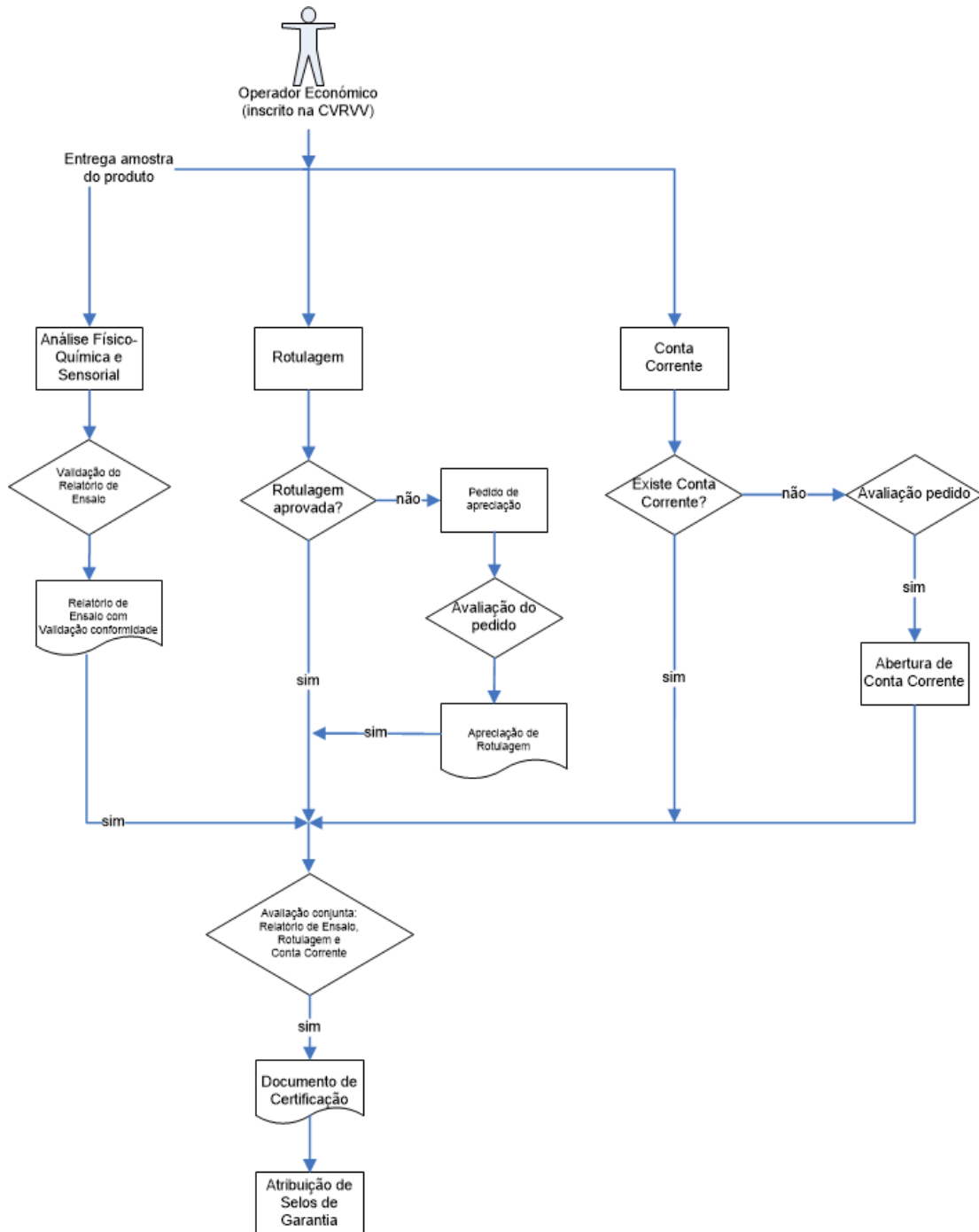
² Decreto-Lei n.º 212/04, de 23 de Agosto, art. 2º, alínea b); Regulamento (CE) n.º 1234/2007 do Conselho de 22 de Outubro, com as alterações introduzidas pelo Regulamento (CE) n.º 491/2009 do Conselho de 25 de Maio; Decreto-Lei n.º 212/04, de 23 de Agosto, art. 8º, alínea b)

³ Regulamento (CE) n.º 1234/2007 do Conselho de 22 de Outubro, com as alterações introduzidas pelo Regulamento (CE) n.º 491/2009 do Conselho de 25 de Maio

⁴ IVV - Regulamento (CE) n.º 607/2009; Decreto-Lei n.º 75-A/86 de 23 de abril

The whole process for Vinho Verde has been clearly depicted by the CVR Vinho Verde both in the Guidelines for Certification (CVR-VV, 2015) as well as in the official site (<http://portal.vinhoverde.pt/pt/selos-de-garantia-processoCertificacao>) from which the following picture was taken.

Figure 3. Vinho Verde wine certification process (CVR-VV, 2015)



There are seven commonly produced wines in Portugal - White, Rosé, Red, Sparkling, Port, Madeira, and Moscatel. One of the most reliable authorities in the Portuguese wine sector – ViniPortugal – characterizes the national wines in their official site as follows.

The white wines may be light and refreshing or full-bodied. The first mentioned (light white wines) are fresh, smooth and fragrant with a low alcohol percentage. The most acknowledged ones are mainly produced in the northwest of Portugal, known as Vinho Verde (“green wine” which means “young wine”). This unique wine is dependent on the specific climate in Minho which gives it a competitive advantage due to being hardly imitable (Fraga et al., 2014). The full-bodied white wines are richer in texture and are born from vineyards exposed to high temperatures during hot summers. Thanks to the native grape varieties, the Portuguese vineyards can endure the hot weather while preserving the acidity that gives freshness to these rich white wines. The ones produced in Alentejo are soft and rich, the ones from Douro are intense and mineral and the most intense ones come from Trás-os-Montes.

Rosé wines can be found in all the regions of Portugal. The most internationally known Portuguese rosé brands are Mateus and Lancers. They have a slightly higher acidity, low alcohol levels and a lighter body that is more noticeable when they grow in cold places with high altitudes or near the coast.

Comparable to the white wines, the red wines’ variety is represented in different groups. The light-bodied, fruity reds are produced in the same coastal areas as the light-bodied whites and have similar traits. The most fragrant and fruity ones come from Alentejo and are produced with ripe grapes. Also included in this classification, the young red wines - *Vinho Verde* - are roughly 40% of all the young wines. They come from the north east of Portugal and are usually produced from the native Vinhão grapes and their skins.

The second red wine group comprises the rich, full-bodied wines from Alentejo. The hot summers in this zone stimulate the ripening of the grapes and give a rich, fruity flavor to the wine. They are produced from a great range of vine varieties - Trincadeira and Aragonez, Alicante Bouschet and Syrah, Touriga Nacional, and Cabernet Sauvignon. Some red wines from other regions such as Tejo and Douro can, occasionally, fall into this category.

Douro is the area most known for the robust reds. These wines have usually, during the first few years, a large amount of tannins. They are often considered as being unique and elegant with complex flavors and a mixture of several different grape varieties. Robust red wines age well and become more sweet and smooth due to the ripening of the fruit. Trás-os-Montes and Bairrada are other regions that produce this kind of wine.

The fourth and last group representing Portugal's reds is the elegant red wines. These are considered as being very versatile and are paired with most cuisines. Dão is one of the regions that produces a wide range of elegant reds thanks to the high altitude and cold weather that results in a lengthy maturation period. The mixture of Touriga Nacional grape variety with Tinta Roriz, Alfrocheiro and other grapes generates balanced yet intense, perfumed and acidic wines (Pinho et al., 2007). Another elegant red that is produced in Portugal is built with Castelão grape. This grape grows in the Setúbal Peninsula and it is difficult to find it elsewhere. Its quality comes from the sandy soils of this land.

As for Portuguese sparkling wines, they are largely produced in the northern, cooler regions of the country. Sparkling wines with the native grapes Baga, Touriga Nacional, Maria Gomes, Arinto, Bical and sometimes with the French Chardonnay are well-known in Bairrada. Although the most used grape to produce sparkling wine in Távora-Varosa is the native Malvasia Fina, it is becoming increasingly common the usage of international Champagne grapes, for instance Chardonnay and Pinot Noir. The regions of Vinho Verde and Bucelas have more recently increased sparkling wine production, as they already have good conditions for this wine category.

The world famous Port wine is produced in the northern region of Portugal. It is divided into three categories: White, Tawny, and Ruby. The white Port has different levels of sweetness; the drier it is, the less sweet it tastes as a general rule in all wines. As for the colors, it ranges from pale white to amber tones. The rosé Port is a new style of sweet Port wine, commonly used in cocktails.

The Port Tawny is nutty and fruity due to the years of slow oxidation. It is identified through the harvest date (Colheita) or the number of decades declared on the label that goes from 10 to 40 years (Aged Tawny). The more decades it has, the more alcoholic the Aged Tawny is.

Lastly, the Ruby Port is somewhat sweeter and fruitier than the Tawny. The Vintage Ruby is the top-end wine of this category. These wines can have a light red to an almost black color.

In the same line of sweet wines, Madeira is also internationally known. The aging process through heat and oxidation gives a lightly caramelized flavor to the Madeira wine. It uses white grape varieties such as Verdelho, Terrantez, Boal, Sercial, and Malvasia or the red grape Tinta Negra. Its traditional production is very reduced nowadays.

Besides the elegant reds, Setúbal Peninsula produces the most popular Moscatel. It is a wine best sold young and fruity. When aged it acquires a hint of nuts and figs. The Setúbal's Moscatel has to be composed of at least 85% Moscatel de Setúbal or Moscatel Roxo grapes. It is a fortified wine. Douro region also produces it but is not as well-known as Moscatel de Setúbal.

Pico and Biscoitos are traditional wines from Azores that have a short supply and are mostly consumed locally. Both of them have a fresh, acidic and nutty flavor. They can have different levels of sweetness from dry to sweet.

2.1.1. Portuguese wine market analysis - Porter's 5 Forces

Threat of new entry

The threat of new entries can be applied either to new entries in the national wine market as to new entries to the wine export to China activity. We will briefly discuss both of them.

Due to the European Common Agricultural Policy, the vineyard area is limited and controlled implying that new entries in the market do not constitute a considerable threat.

As for existing producers wanting to export to China, the existing barriers may be somewhat difficult to overcome. It is a complex industry with an intricate distribution chain and the export costs are high. Furthermore, the recent policies by the Chinese government constraint foreign luxury consumption.

China has no alcohol national monitoring system and no alcohol related bans although the government requires the licensing of all alcohol sales.

As stated by Luo (2011), although China is the second biggest world economy, it has some economic distance to developed countries. This is relevant for the variation of the entry success linked with the economic distance due to the financial factors such as wage rate and technological development of the industry. The more economically distant is the country, the hardest becomes to entry its market.

Threat of substitute products

There is a possible threat of substitute products since there is a lack of regulation in China which might lead to the production and sales of counterfeit products. Additionally, there are not any switching costs related to the substitution of wine for other alcoholic products (e.g. beer).

On a more specific level, the Portuguese wines find many possible substitute wines in China, from the local cheaper wines, to the French and Australian trendier ones.

Bargaining power of suppliers

Wine producers depend on two main supplies: cork and bottles. The world leader of the cork industry is Portuguese - Grupo Amorim - although in consideration of the development distance between both sectors, one can identify the constraint regarding industry cooperation. The Portuguese cork sector is already successful overseas which means, the direct competitors to the wine producers in Portugal are currently benefiting from the innovation of Grupo Amorim. Although this situation can greatly be influenced by cork substitutes due to TCA risk from natural cork use (Buser et al, 1982) new procedures (e.g. TCA analysis in standard quality control, Hervé et al., 2004) plus traditional inertia from consumers offer some foreseeable stability about its use. On the long run, however, cork substitute especially synthetic polymer-cork (Silva et al. 2003), may improve to perform sufficiently better than natural cork to break a large market share.

As for the bottle suppliers, the national market is mostly held by a single company that dictates the supply and payment conditions (Leitão, 2008) which leaves the wine producers highly dependent on the bottle supplier.

Given the wine market's degree of dependency on these two sectors, the bargaining power of suppliers is very strong.

Bargaining power of customers

Regarding the final customers, the bargaining power is considerably high in consequence of the abundance of supply. Since there are so many brands to choose from, the consumers have the capacity to demand lower prices.

As for the Chinese market, the consumers are strongly image driven and - concerning European wines - the French's have the strongest market position.

The intermediate consumers (distributors) have also a strong bargaining power since the distribution chain in China dictates that the wine producers sales should be done through a wholesaler (Polsa, 2002).

Jockeying for position among current competitors

Since it is a large market in growth that is not yet saturated, one could believe there would be no jockeying for position in this specific Chinese market. However, European countries such as France and Italy have already invested in their brands' promotion and benefit from a greater recognition by the average Chinese consumer than Portugal. Even so, local producers may have a cost advantage against these European countries.

The existing competitors are not all foreigner as there is a rivalry amongst Portuguese producers explained by the different size of the wineries. The major companies have the capacity of lowering their costs by increasing the production figures, by doing so they practice lower prices than the small wineries. The high number of Portuguese wine regions may also increase the internal competition amongst producers since it generates rivalry between different types of wine.

2.1.2. Portuguese wine market analysis – SWOT Analysis

Table 3. Portuguese wine sector Swot analysis.

	Positive Factors		Negative Factors	
Internal Factors	STRENGTHS	1. Climate/soil conditions and unique grapes	WEAKNESSES	1. Small dimension of the producers
		2. Know-how and wine tradition		2. Lack of financial capacity
		3. Improvement of wine's quality		3. Quantity of public institutions
		4. European Union Policies		4. Poor acknowledgement of Portugal as a brand

	Positive Factors		Negative Factors	
External Factors	OPPORTUNITIES	1. Wine markets' growth	THREATS	1. Wine area limitation policies
		2. Cross-sector potentialities		2. Competitors
		3. Investigation-corporate world links		3. Foreign policies restricting imports
		4. Increase of consumer's cost and health conscientiousness		4. Lack of economic capacity for public incentives

Strengths

1. The first and one of the most preeminent strengths of the Portuguese wine sector is the set of unique grape varieties that exist in Portugal thanks to the natural climate and soil conditions of the country.

2. Portugal is a country with an ancient wine producing tradition with wines considered some of the best in the world (Rico, 2012). Which this tradition comes, naturally, knowledge and producers with the capability of exploring the full potentialities of the Portuguese natural assets.

3. The quality of the wine produced in Portugal has been constantly improving, the fact that all the wine regions produce VQPRD wine (Vinho de Qualidade Produzido em Região Determinada) proves the value of the products. This comes to show the qualitative efforts made in order to improve and innovate the vineyards and the wine practices (Leitão, 2008).

4. The European Union is also important in the constriction of the Portuguese wineries' strengths due to Common Agricultural Policy which also has implemented important protocols with considerable benefits: the financial aid to the renewal of the vineyard areas and the modernization of the producing companies; the EU aid channeled by the Portuguese agricultural development programs allowed the reinforcement of technical capabilities of the wineries. Along with these programs, the obligation to register vineyards and grapes was implemented and a protection policy for the PDO origin was created (European Commission, 2013).

Weaknesses

1. The vineyard area - along with the country's - is very small in comparison with other major wine producing countries. This is a condition that considerably limits the production capacity and hampers the mechanization of the processes increasing thus, the production costs.

2. Many of the Portuguese wine producing companies are SMEs which face a lack of financial capacity that noticeably hampers their evolution. Some producers are not economically capable of financing R&D studies to support and improve their management strategy. This leads to a poor market and consumer knowledge level, which is a critical flaw that affects the business development. It is necessary to enhance the strategic management capacities of the Portuguese wineries (Rico, 2012).

3. Concerning the public entities that regulate and influence the wine sector, there is a high number of institutions with diffuse responsibilities. There are several state bodies handling regulation and legislation of the wine sector. Monitor Group identified this lack of coordination between public entities as a constraint to the development of the industry (Monitor Group, 2003).

4. Even with the promotional campaigns that have been done and the existence of several Portuguese personalities famous worldwide, there is not enough awareness of "Portugal" as a brand. A research by Filipe (2009) claims that Portugal's image is one of a disorganized and undisciplined country with a lack of initiative and vision.

Opportunities

1. New wine markets are emerging and growing. The dimension of the Chinese wine market aligned with the low wine consumption rates and recency of this industry in the Asian country represent a huge market growth potential.

2. Cross sector activities and promotions may contribute to the effectiveness of the Portuguese wine promotion strategy. Gastronomy and tourism are two sectors with an obvious synergy with the wine sector.

3. The possibility to link academic research with corporate world practices may be beneficial to the wine sector. The core business strategy patent registration is nearly inexistent in Portugal, which portrays the mindset focused more on

vineyard and wine innovations than on strategic management (Monitor group, 2003).

4. The new trends of health and spending consciously may present an opportunity for the Portuguese wine sales overseas due to the health related image of the wine and the good price-quality ratio that Portugal offers.

Threats

1. Although the European Common Agricultural Policy brought many advantages, it also has a negative aspect: the limitations of the vineyard's area that conditions the national wine production growth potential being is a restrictive factor and an obstacle to the sector's development.

2. Foreign competitors exert great pressure due to their dimension, political capacities and economic power (Leitão, 2008). Also, regarding the internal market, the quantity of wine regions is associated with a high number of companies. According with the same author, this leads to internal market competition instead of partnerships creation.

3. External policies that limit the imports, namely the Chinese anti-corruption measures, may result in a decrease of the foreign wine sales due to the restrictions on the imports of foreign luxury products (e.g. high-end wine).

4. The Portuguese lack of economic strength (when compared to other European wine producing countries) leads to a deficit in terms of overseas marketing support programs.

2.1.3. Portuguese wine market analysis – Critical success factors

The critical success factors are characteristics on which variations of competitive strengths rely. If well exploited, these factors will increase the consumption of Portuguese wines. Rui Cardeira (2009) proposes the following Portuguese wine consumption critical factors:

1. To stimulate the access to wine by glass.

In Portugal, unlike many other countries, buying wine by glass is not a common practice. This might affect the bottled wine consumption. The availability of wine by glass offers consumers the possibility of trying several types of wine, helping them to make the decision of which bottled wine they would rather buy. This practice helps

producers by advertising their wines and it is cost efficient because the superior price of wine by glass should compensate eventual spendings with opened bottles that are not fully consumed.

2. Reinforce the marketing, publicity and promotion.

Portuguese wine producers, distributors and retailers have a considerable margin of opportunity in departing from consumers' behavior. Marketing strategies seem to be often non-systematic, and designed independently of consumers' behavioral profile.

Aesthetics, label design, label text, brand image, bottle differentiation and other intangible values and perceptions are associated with wine consumption and it is of utmost importance for marketers to focus on these characteristics. An example of an effective promotion with visible results is the beer producers' marketing strategies, especially within the younger consumer segment.

3. Increase the presence and visibility of wine for less frequent consumers.

Wine is a complex product. The lack of knowledge may keep some wealthy consumers from tasting different and more expensive types of wines - premium and super-premium. Even if the wine has a superior quality, consumers may avoid paying a higher price for an yet unknown product.

Another problem referred by Rui Cardeira (2009) is the young consumers' disinterest. There is not a popular wine culture within the younger alcohol consumers. One way of increasing long-term wine consumption is through their education. Either by resorting to more modern marketing strategies or by differentiating the wines and modifying them to better suit the needs and wants of the young adult population.

4. Enhance restaurant service

There is a common conception that wine is too expensive when sold in the HORECA channel, if compared to other retailer's prices. This is sometimes allied to the poor service, serving wine in inappropriate temperature or in the wrong wine glasses, bad storage conditions in restaurants and coffee shops and the lack of wine education of the waiters. The improvement of wine service may increase the success of the HORECA channel's sales.

According to a study by João Rico (2012), Portuguese producers may also take advantage of these production factors:

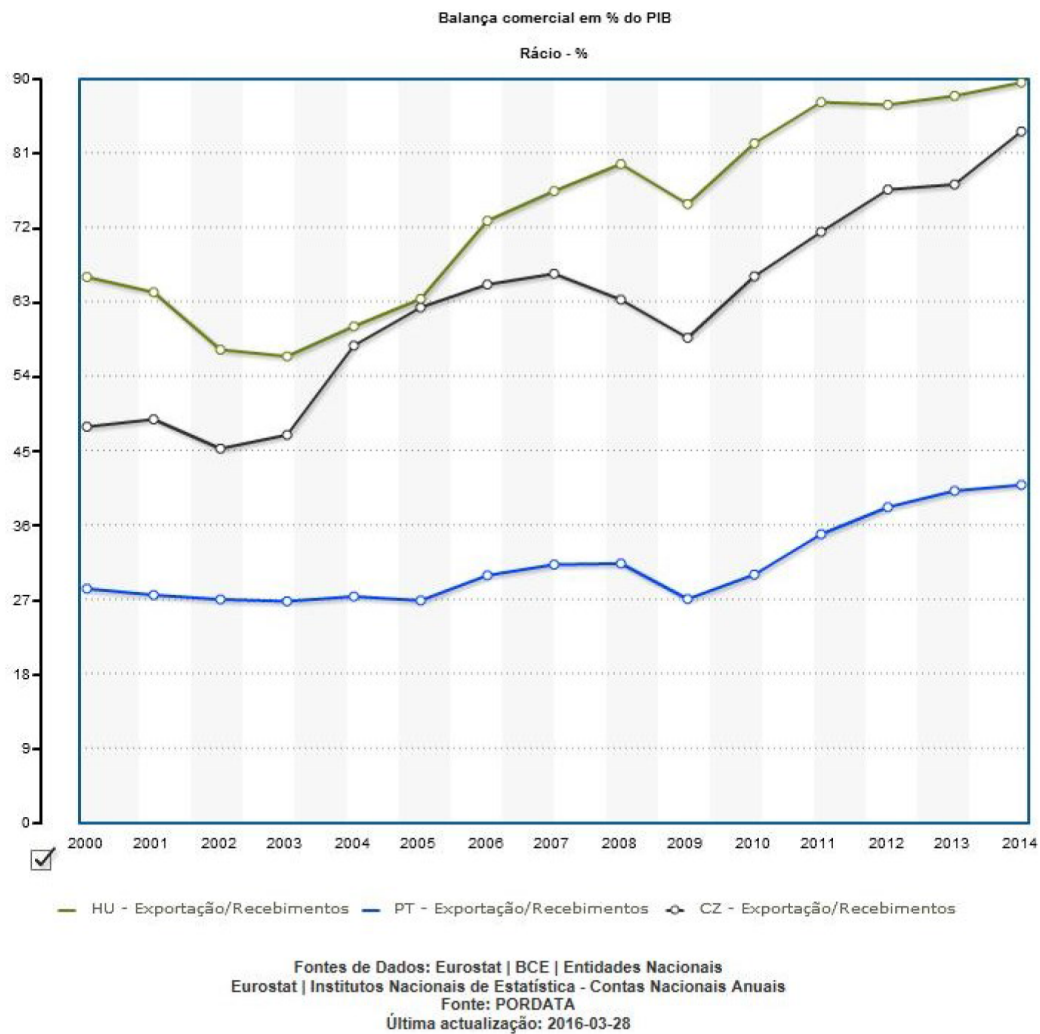
1. Geographical location that provides excellent climate and soil conditions for superior vineyard growth;
2. Development of tourism strategies and the association of Portugal with top quality ecotourism, rural tourism, and enotourism;
3. Great variety of premium quality grapes and wines;
4. Impact of the Portuguese regional cuisines.

2.1.4. Portuguese Wine Export Strategies at play

The increase of exports is a possible solution to the current economic retraction. Portugal still has a great export growth margin when compared to other European Countries.

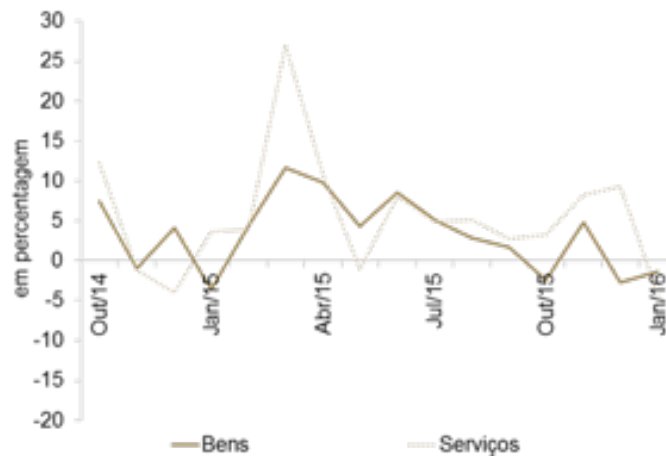
The following graphic shows the exports of Portugal, Hungary and Czech Republic as a percentage of the GDP. A considerable difference is perceptible between the three similar sized European countries.

Graphic 1. Portuguese, Hungarian and Czech Republican exports as % of GDP (Pordata, 2016).



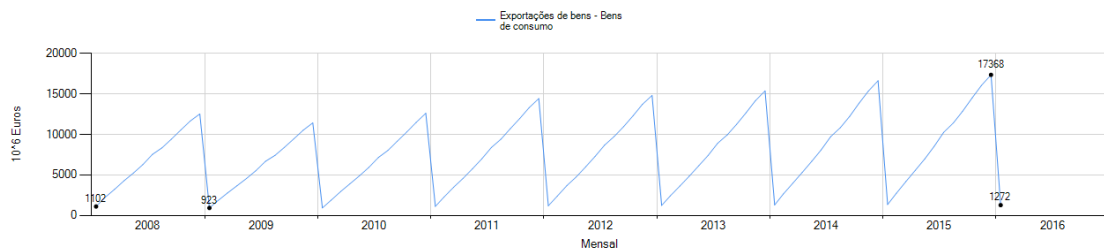
During 2014, Portugal had a 70.964,0 million euros profit in exports representing 40,9% of the GDP. This, against Czech Republic's 129.479,7 million euros - 83,7% of the GDP - and Hungary's 93.388,9 million euros - 89,6% of the GDP.

Graphic 2. Total Portuguese goods and services exports (Banco de Portugal Stat, 2016).



Although there is a lack of competitiveness observed in the total amount of exports, the development of goods' exports has slowly been improving (Banco de Portugal Stat, 2016). This is a proof of Portugal's search for external markets in order to increase profitability.

Graphic 3. Portuguese exports of consumable goods. Total Portuguese goods and services exports (Banco de Portugal Stat, 2016).



Given the size and economic situation of Portugal, it is impossible to compete with bigger and more economically powerful countries using price and size strategies. New World wineries in USA and Australia have an average of 4.200 and 2.500 HL per producer, respectively. Against 39 HL per Portuguese producer (Monitor Group, 2003). The alternative should be the competition through differentiation and high quality standards.

In the year of 2003, a study by Monitor Group defined a strategic plan to improve the competitiveness of the Wine Cluster in Portugal. This study concluded that it would be profitable to bet on the high-end wine exports and that the intern market would not create significant additional value to be worth focusing on.

In order to increase the visibility and popularity of the brand “Portugal” and to gain brand equity, the super-premium and highest levels of premium wines should be refined. This allows the optimization of the quality-price characteristic. Portugal has great quality wines that are sold for half the price of similar French and Italian wines.

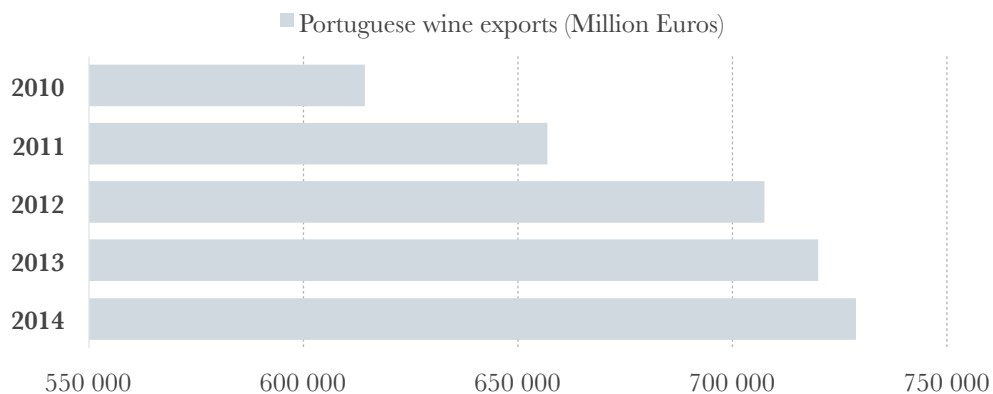
The great variety of native Portuguese grapes is mostly seen as an advantage. However there is the need to perceive the possibility of it being a threat. This characteristic may hamper the promotion of “Portugal” as a brand: having too many wine varieties might be confusing for customers that are new to the Portuguese wine scenario.

The Monitor Group suggests the initial promotion of a few well-known products - Touriga, Arinto, Alentejo, and Douro. Much like Australia (Cabernet Sauvignon, Penfold, Chardonnay) and Spain (Rioja, Ribera Del Duero, Torres) did. This aims for the achievement of a certain level of acknowledgment, nudging these products to the Portuguese top-selling export products.

Although the study advises to modernize the Portuguese wine image using foreign markets and consumer analysis, it focuses on USA and GB as priority markets. The ultimate goal of this strategy was to achieve a total wine export value of 1 billion euros.

Despite the efforts made, although the profit has grown, the value reached in 2010 was only 614.380 million euros (IVV, 2015).

Graphic 4. Total Portuguese wine exports from 2010 to 2014 in million € (IVV, 2015)



In 2012, a new study was commissioned by ViniPortugal to AgroGes. The main export recipients for Portuguese wine identified in this report were Canada, USA, Japan, China, Brasil, UK, and Germany. The study set an internationalization strategy for the 2014 to 2017 period and it was built on three major levels of action:

1. The brand “Portugal” - through the “Wines of Portugal” program, by ViniPortugal
2. Regional brands - promotion of the individual wine regions, particularly Port wine.
3. Private brands - conducted by each producer.

The goal was the international promotion of each of these levels. The private brands each have their own promotion strategies. While the two first levels should share a common one and assure the uniformity of the Portuguese wines’ image.

One of the biggest problems concerning the internationalization of the brand “Portugal” is the lack of cross-sectorial cooperation. There is an obvious synergy between gastronomic, tourism and leisure industries that should be better exploited.

The strategic plan suggested the cooperation between the following sectors:

- Culture
- Golf
- Enotourism
- Olive Oil DOP (protected designation of origin)
- Cheese DOP (protected designation of origin)
- Canning industry

Besides these sectors complement each other, Portugal has worldwide renowned industries that contribute to increase Portugal’s brand equity (e.g. cork industry). According to this same report, the stimulation of these advocacy efforts should be promoted and monitored by public entities such as AICEP.

There are however significant limitations to the development of promotion strategies.

The financial funds allocated to the promotion of the wine sector are low having in account the dimension, distance, time and competition factors. Additionally, the time

limitation imposed upon international promotion projects is insufficient for the biggest developing markets.

Summing up, the wine internationalization strategy for 2014 - 2017 intends to promote Portugal's image as "the new of the Old World". Also, as the previous strategy already stated, increase the focus on top quality wines, offering a good quality-price ratio.

Although this strategy covers the main internationalization aspects, it is a general foreign market study. No matter how good this report is, the complexity of foreign markets prevents us from foreseeing effectiveness maximization linked to generic strategy formulation. In order to better grasp the idiosyncrasies and success drivers of each market, it is necessary to adapt wine internationalization strategies to each singular market.

2.2. Chinese Wine industry analysis

For western countries aiming to do business in China, it is crucial to be aware of the cultural differences and distinctive navigation systems used in oriental countries.

There are several studies researching the cultural differences that result in cross-cultural challenges when westernized countries do business and interact with the Chinese society (Fan, 2000; Pan & Zhang, 2004; Hi & Wang, 2011).

Cultural values have not only a direct influence on management behavior and organization systems, but also on the way political and economic structures are designed (Hi & Wang, 2011).

Pan and Zhang (2004) state that some Chinese management behavioral patterns differ from western cultures - cooperative strategies; conflict management; decision-making; work-group characteristics and motivation systems. Chinese tend to overvalue cooperation as compared with Western countries, due to a heightened sense of collective responsibility, interdependence, and group goals. Convergently, conflict is absolutely avoided in China with built-in behaviors destined to mask, suppress expression and debunk any interpersonal conflicts. Conflicts are often dealt with silence. Decision making is trusted to those with higher hierarchical positions, the desire to take part in decisions and contributing with personal opinions does not exist in most

Chinese companies. The motivation system is not based on equity, but on equality principles. Based on the collectivist nature, one's success is not possible without the whole group, therefore, no individual reward can be claimed. Instead the compensation is given for interpersonal relationship skills.

By crossing data from these studies with Hofstede's Chinese cultural dimensions (2011), we are able to summarize the biggest behavioral differences that influence strategy planning in the Chinese market.

Chinese rank high in attitude towards power distribution inequality. The chain of hierarchy has a tendency to be polarized and that fact is accepted as normal. Society is considerably separated by power, authority, and prestige. Authority enforcement is natural; the subordinates believe in their superior's leadership capacities and find no need to take part in the decision making process. They expect to be told what to do and they trust hierarchy as protecting everybody's interest.

China is classified as a collectivist country; meaning it has a high degree of interdependence between society's members. Conflict is preferentially avoided and harmony is preferred over pursuing personal goals. People rely on groups or institutions, which emphasize loyalty to the group. Cooperation and personal relationships are valued. Preferential treatment of in-group members (such as family and friends) is natural and employee commitment to the organization is low. Worker's quality, history and inter-personal skills are given consideration when promoting inside the organization. When negotiating with Chinese companies, one needs to start by developing personal connections in order for the business deals run smoothly.

“Socializing over drinks and dinner is a good way to build a relationship. Chinese people say: “First you make a friend, then you make a deal” (Luo, 2012: 28).

Chinese are driven by competition, achievement and success since they are children. This has repercussions in their behavior as workers. Leisure time can often be sacrificed for work purposes in order to ensure success. Hofstede's Chinese cultural dimension score on this trait is just marginally high which explains why, despite being a masculine society, it still has femininity traits. An example of this is the behavior when facing a difficult or controversial situation. While most masculinity driven societies opt for direct confrontation, Chinese will rather find a discrete and indirect form of solving the problem - settling things in private will avoid losing face (mianzi) and damaging guanxi

- 关系⁵. This specific feature of Chinese culture implies that personal connections have to be built appropriately by being introduced by someone already in the social network, so to refer personally and build trust.

The dimension Uncertainty Avoidance has a low score in China. This can be relative when considering the existence of an absolute truth, behavioral codes and rules (but not necessarily laws) in immediate social circles. Nonetheless, Chinese people feel comfortable and do not try to avoid unknown situations. Some implications translate into a relative loosen consideration for contracts because modifications according to situational changes are allowed. Even the Mandarin language is full of ambiguities and multiple-meanings. This shows how adaptable and comfortable with uncertainty the Chinese society is.

The Indulgence/Restraint dimension measures the extent to which one tries to control own desires and impulses. China has a low indulgence rate. The Chinese society does not prioritize leisure and has a high control over gratification. Another evidence of the cultural restraint trait is the censorship policy.

The Long/Short-Term dimension was first based on Chinese scholars' studies. Since the Chinese society was so close to the Long-Term pole, the dimension was primarily named Confucian Work Dynamism by Michael Harris Bond, as stated before. Hofstede then added it to his study as the Long/Short-Term dimension (Hofstede & Bond, 1988).

China is a very pragmatic society. A big importance is given to the capacity of adapting to new realities. Thrift and perseverance are important goals. The capacity of learning from other countries combined with a strong propensity to save and invest enables the existence of fast economic growth.

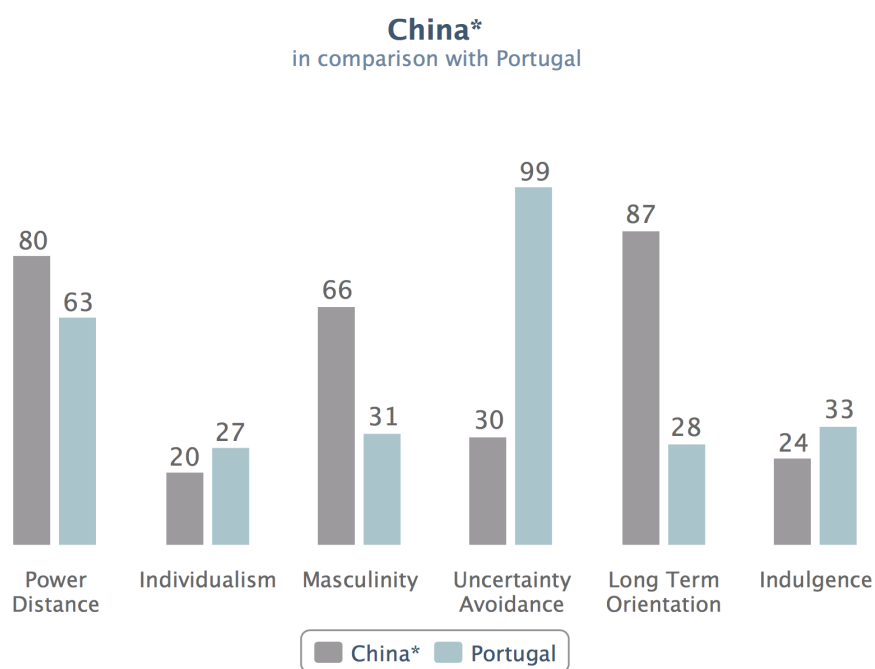
Confucianism also plays an important role in Chinese culture. China's values were shaped by a tradition of thousands of years of history. Although the dimension of the

⁵ It is not uncommon for Chinese people to feel uncomfortable in doing business with strangers. It is wise to make the initial contact through an introduction at a public event or on an official trade mission. Additionally, it will facilitate the communication and trust building process if the initial introduction is done by someone with previous ties to the person/company in question. This network system is called "Guanxi" by the Chinese.

country is large enough for one to expect major cultural differences, the national core values were maintained.

There is also the need to consider the presence of a hierarchical authoritarian control that kept China from the entrance of foreign influences. This greatly contributed for the cultural differences between China and western countries.

Graphic 5. Chinese and Portuguese cultural dimensions (The Hofstede Centre, 2016)



2.2.1. Market State of play

In China, the government has indirect control over all businesses - its economic situation is called a socialism institution.

There are noticeable financial disparities between regions. The variation of per capita income is particularly significant when comparing first, to third and fourth tier cities. Southeast coastal areas, the east coast and the extended Beijing region are the wealthiest zones and the more influential on the Chinese economy's growth.

For years, the economic growth model was based on Chinese investments that were supported mainly by exports to the USA and Europe. With the central economies reaching a crisis point, in 2008, the purchases of Chinese products and services by other

countries dropped significantly. However, in order to try to maintain the growth rate, China kept its investment policies unchanged. This generated a dramatic unbalance. It created an economic retraction led by the decrease of Chinese exports, market performance downturns and currency depreciation.

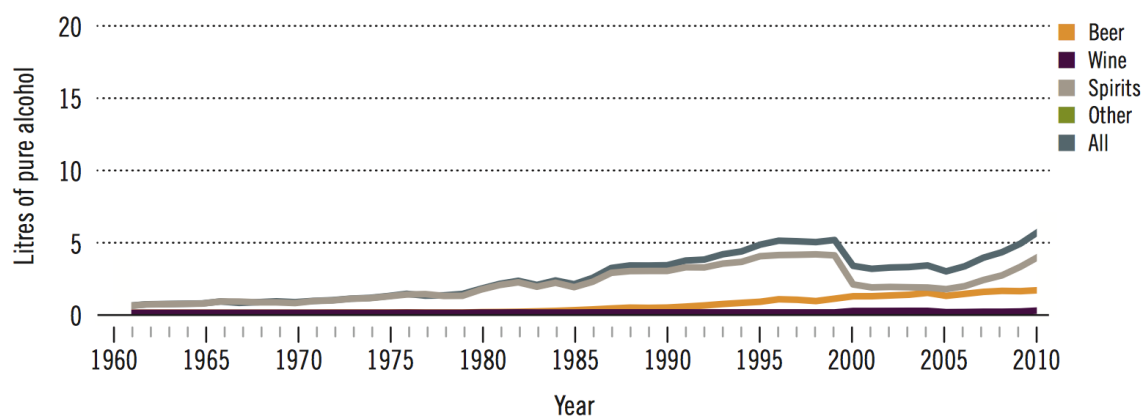
Even in the light of these recent events, the consumable products' demand should not suffer from a sharp decline; it is expected to grow continuously but more subtle (Serigati & Possamai, 2015).

The Chinese market is, even so, an especially promising one, since the wine consumption has been increasing over the last years (2010 alcohol per capita consumption = 5.0; 2020 projection = 7.9) and the wine industry still accounts for only 3 percent of Chinese alcohol consumption (Global alcohol report: China. 2014).

Graphic 6. Alcohol per capita consumption in China (Global alcohol report: China. 2014).

Recorded alcohol per capita (15+) consumption, 1961–2010

Data refer to litres of pure alcohol per capita (15+).



In order to keep up with a growing and fast changing market like China's it is necessary to conduct substantial market research (HBR, 2008 cit in. Camillo, 2012).

Consequently to this market's immaturity, the extrinsic cues dominate the trends amongst wine purchasing behavior. This fact, in conjunction with the particularity of the terroir being a defining characteristic for different types of wine, converts the Country of Origin in one of the main factors when it comes to choosing which wine to buy (Balestrini & Gamble, 2006).

A study conducted in 2010 by Accenture (Camillo, 2012) stated that most of the Chinese wine consumers have the desire to try different wine brands, especially ones

from other countries. Among the foreign wines, they prefer the European ones (with French wines on top of the list).

The Old World producers are leaders in the high-end wine market and hold the advantage of being first comers to China. France is the foreign wine's market leader, holding a considerable margin of advance over all other European countries (Thorpe, 2009).

This may be due to the perceived image of France by the Chinese wine consumers. It seems that considering the "western", "healthy" and "romantic" perception of the wine, Chinese customers are more susceptible to associate these characteristics with France, thus most of the purchases lean towards French wines. Especially when buying it to offer in a special occasion, in regard to the prioritization of the image (Yu et al., 2009). According to Beverland's (2005) study, France is more valued in result of a greater investment in the Chinese market when compared with that of other European producers.

Another relevant issue concerns health. As the economic power and education of middle and upper classes increases in China, a healthy life is becoming a trend (Liu & Murphy, 2007). This social development has brought a new perspective of wine - mainly red - that its contributing to the increase of its popularity. Being a country where the social factor is of utmost importance, drinking wine is increasingly viewed as an alternative to the less healthy and more alcoholic traditional popular Chinese spirits (Thorpe, 2009). The concept of medically beneficial foods is also common in Chinese traditional medicine. Accordingly, in Somogyi's et al. (2011) study many of the subjects believed that grape wine acts as a natural antioxidant and cholesterol reducing product that is good for the blood and improves circulation.

According to Tang Wenlong (2015), there are 5 main motivations for the Chinese consumer to buy wine: health-consciousness, fashion-consciousness (image/mianzi), professional purposes, gift buying, and occasional purchases. These must be taken into consideration if any strategy is to be successful in this sector.

The price range that customers are willing to pay is influenced by the Chinese culture's emphasis on the transmitted image (mianzi - 面子). Chinese believe that drinking red wine, especially the premium and super premium European wines, is a sign

of elegance and good social image. Usually, and concerning wine offerings, the higher the price, the higher the mianzi (Liu & Murphy, 2007).

Equally important is the prominence of semiology. For the distracted individual it may appear negligible but for a Chinese, red is China's color, it is associated with happiness and good fortune and is used in most celebrations (Jenster & Cheng, 2008). Perhaps this is a main reason for the greater red wine consumption when comparing to white or green wine. These are detrimental colors for the Chinese people. They regard green as the color of treason - it is said that if a wife is being unfaithful, the husband is regarded as "wearing a green hat" - 绿帽子 (lǜ màozi). While white is the color used in funerals.

As for the flavor, grape wine has a taste that may not be familiar for the majority of the oriental people. While some female consumers claim that even if the red wine has a greater availability in the Chinese market, they prefer the white wine's sweeter and lighter taste (Liu & Murphy, 2007). This is an important factor as people adapted to the wine's taste by mixing it with soft drinks. Also, the sparkling wines have experienced an increase in sales, notably during festive occasions (Jenster & Cheng, 2008).

Other cultural driven constrain that occurs frequently is the lack of foreign languages and wines knowledge. It is not uncommon for Chinese people to not be able to read the basic information on English (or other foreign alphabets) labels. Given the poor knowledge related to wine associated with the language barrier, many Chinese consumers end up buying Chinese wines. Hence, one way to educate the wine consumers, is to provide a translated label with the product characteristics - CoO, taste and food matchings for example (Yu et al., 2009).

Legal constraints are also present when talking about foreign wine consumption in China. Policies related to the Chinese corruption issues control have been present for many years. Although, only in 2013, the Chinese government started to apply these laws and take action against corruption. The Communist Party Secretary Xi Jinping introduced measurements that reinforced the investigation and punishment of acts such as bribe taking, lavish banqueting, waste and extravagance (Yang et al., 2014).

This resulted in the decline of conspicuous consumption of luxury goods such as imported alcohol. Either way, Tang Wenlong (2015: n.p. para.8) states that "despite slowdown since 2012, the Chinese wine industry remains solid and expects stronger consumer figures in the coming future, with higher share in total alcohol sales".

Chinese emerging wine market has unique characteristics and it is particularly difficult for western wineries to enter and navigate in such a culturally distinct industry.

Specialty wine stores, wine clubs and wine selling websites are now more common. The high-end market in China is still small but very profitable and is yet in the beginning of its growth process. However competition is already becoming intense (Jenster & Cheng, 2008).

Table 4. Wine exports to China in 2015 (adapted from distributor interview, 2016)

2015 China Wine Imports				
Top Ten Sources of Still Bottled Wine				
	2015		2015 vs 2014	
Country	Value (USD Million)	Market Share	Share Change	Value Change
France	868	46,2%	1%	42%
Australia	440	23,4%	5%	78%
Spain	112	6,0%	-1%	17%
Chile	170	9,1%	0%	37%
Italy	83	4,4%	-2%	2%
United States	52	2,7%	-2%	-21%
South Africa	39	2,1%	0%	79%
Portugal	16	0,8%	0%	13%
Argentina	20	1,1%	0%	13%
Germany	17	0,9%	-1%	-11%

Table 5. Wine exports to China in 2015 (adapted from Yang Fengyi, 2016)

2015 China Wine Imports		
Bottled Wine		
Country	Value (USD Million)	Volume (Million Litres)
France	863	166
Australia	439	56
Spain	112	54
Chile	170	48
Italy	82	22
United States	51	9
South Africa	38	9
Portugal	15	5
Argentina	19	4
Germany	17	3

As seen in the tables above, slightly inconsistent data was found regarding the wine export volume to China. Adding to these inconsistent findings, one of the interviewed regional regulating bodies (2016) presented the following values: 11th biggest wine supplier in China, with a market share of 1,4% in volume and 1,2% in value. Although the year of this data was not specified. Also, the only source in which the wine container type (bottled or bulk) is specified is the first one provided by a China-based distributor.

We will, nonetheless, assume that the real values do not differ too much from the presented ones. Even though the sources disagree on the values, both show France has a major advantage over the other exporting countries.

In what concerns European countries, France, Spain and Italy are well higher up in the biggest foreign wine suppliers' ranking in China, compared to Portugal and Germany.

Yang Fengyi (2016) reports that by April 2016, beer was the only alcoholic beverage category that experienced a decrease of import value. During the month of February (2016), China's wine, beer and spirits imports had an increase of 96,79% from last year with import value increasing by 40,37%.

During 2013, according to a Wines of Portugal's study, Portuguese wine was imported by 17 Chinese administrative regions. Even though, 3 of these regions - Shanghai (40,5%), Guangdong (28,0%) and Fujian (12,4%) - constitute about 80% of the wine export market in China.

Despite the fact that exports of wine to China have been taking place for a considerable amount of time, there is still a lack of academic research in this field. Wilkinson and Brouthers (2006 cit in Alonso et al., 2014) claim that the export theory is not guided by this export research and thus, has fallen behind methodological technique.

Old World wineries have been exporting internationally as a result of the necessity to broaden the market and in an attempt to diversify and escape national competitors.

Through the successful commercialization of wine outside national borders, Old World wineries grant themselves an increase in revenue and added valor to their products that will help sustain the traditional wine production culture. Creating a positive trend towards western product consumption may also lead to an increased

awareness towards the CoO and promote the tourism - particularly the wine tourism (Campbell & Guibert, 2006).

However, the export of wine has its challenges. The complexity of international brand promotion allied with the hardship of finding capable and trustworthy distributors is a common problem within the wine exporting producers. As for the companies that are not exporting their wines, the main challenge is the limited production volume. Nonetheless most wine producers recognize the potential in exporting to emerging markets (Alonso et al., 2014).

Obtaining an import license in Chinese territory is quite complex and the distribution channels for foreign wineries are limited. The most prevalent wine distribution channels are the China National Cereals, Oils and Foodstuffs Import and Export Corporation (COFCO) - which detains the state monopoly of alcohol beverages distribution - duty-free stores under China Travel Services, foreign-owned hotels and the Grey Channels of Guangzhou and Hong Kong - the Grey Channels are neither clearly legal nor clearly illegal and are used to avoid the regulatory hurdles (Gu, 2003 cit in Jenster & Cheng, 2008).

Owing to the lack of knowledge and underdevelopment of Chinese wine distributors, the whole process of distribution should be accompanied. Since there are few specialist infrastructures that guaranty the correct storage of wine this is a crucial step to assure that the product is delivered in perfect conditions to the clients (Beverland, 2005). In order to facilitating the transactions with China, trust based relationships must be established with the key stakeholders along the supply chain (Bretherton & Carswell, 2001).

Given the low volume of premium and super-premium wine's exports the perception of a greater value product and hence higher pricing is created. This would appear to be the best positioning for Old World high-end wines, especially considering the lack of competitiveness when it comes to price and quantity strategies.

As for the promotion of these wines, a pull strategy may be more efficient since it is a poorly acknowledged product - particularly regarding Portuguese wines. Furthermore a push strategy might be counter-productive when it comes to exclusive and sophisticated wines besides being more expensive (Bretherton & Carswell, 2001).

According to Spawton (2007), scarcity strategies - limited quantities availability; specialty pricing; availability limited to certain stores - also have the capability to empower high-end wine brands. As does the association of minor brands with

prestigious ones that share the same viticultural heritage, increasing the leverage that these brands offer.

2.2.2. Market Segmentation

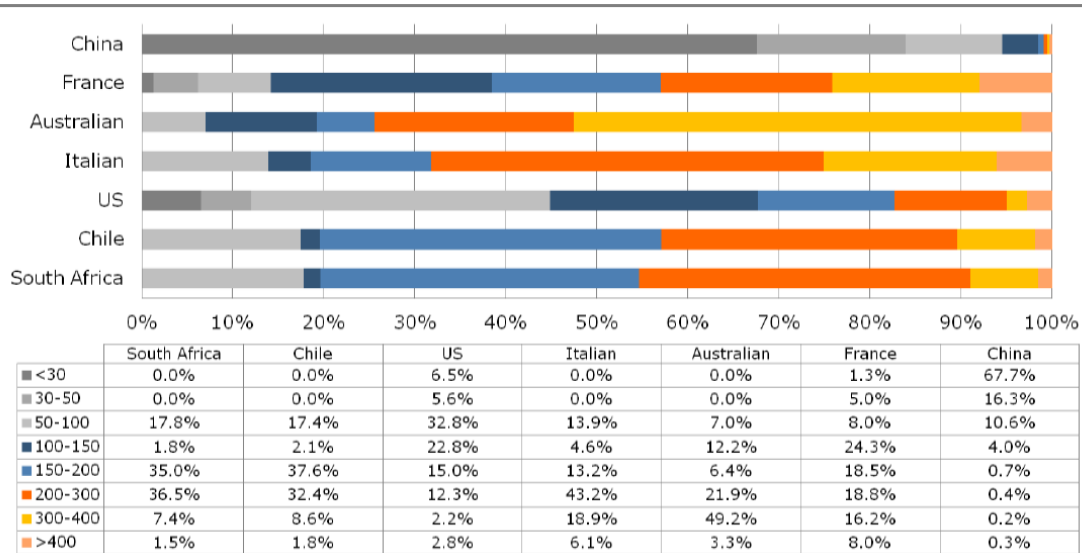
Price segmentation is possible if the strategy concerns a narrow product range. In this case, the aim would be to identify the group of customers with the capacity to pay a higher price in order to eliminate the difference between what consumers are actually paying and what they are willing to pay (Horne, 2014).

EU SME Centre (2011) broke down the wine market into 8 price range segments (<30 ¥; 30 ¥ -50 ¥; 50 ¥ -100 ¥; 100 ¥; 150 ¥; 150 ¥ -200 ¥; 200 ¥ -300 ¥; 300 ¥ -400 ¥; >400 ¥). The low end of the price range - less than 30 ¥ and up until 50 ¥ - is dominated by Chinese wines. Chilean and South African wines are present in the later segment (from 150 ¥ to 300 ¥). Most of US wines are in the middle-low segments, but they can be found across all segments. French wines have this same broad segmentation. And even though most of their products fall into the 100 ¥ to 300 ¥ categories, France is the country with most expensive wines, with 8% falling over the 400 ¥ price range. As for Australia and Italy, their products are in direct competition on the mid to high end price range (200 ¥ to 400 ¥), being that almost half of the Australian wines belong to the 300 ¥ to 400 ¥ segment and 43.2% of the Italian's cost 200 ¥ to 300 ¥.

Graphic 7. Wine sales volume of different countries by retail prices (EU SME Centre, 2011).

Breakdown of imported wine price segments in China

Combined on-trade & off-trade by volume



Along with the price segments of the market, one should analyze the preferred places of purchase. This can be defined either by personal consumer preference or by availability.

Off-trade alcohol sales in China are conducted in supermarkets, small grocery retailers, convenience stores, independent small grocers and food/drink/tobacco specialists.

In 2014, a research was made (Liu et al, 2014), in which was reached the conclusion that the majority of the Chinese consumers (79% of the sample) prefer to buy wine from supermarkets. Alcohol outlets are used by 17% of the subjects and 14% claimed to use online stores. Less than a tenth of the sample prefers the specialized wine stores.

As for purchasing frequency, 35% of the subjects stated to buy wine once a quarter. 25% does it once a year and 18% once a month.

On-trade sales of alcohol are made mostly on restaurants, fast food stores, cafes and bars, street stalls and take away/home-delivery services. According to EU SME Centre data (2011), high-end wine in China is mainly distributed by independently owned

specialty retailers. They offer a more personalized service and a wider range of the best wines.

Regarding what concerns the consumer segmentation, one can adopt several approaches: behavioral/consumer profiling; wine knowledge; extrinsic/intrinsic cues preferences; preferred sources of information; geographic; and demographic.

Tang Wenlong (2015) perceives the Chinese wine consumer has having one of seven different profiles:

1. Government and corporate customers;
2. Expatriates in China and well-paid white-collar workers;
3. Young trend followers;
4. Costumers buying wine for gifting purposes;
5. Regular wine drinkers;
6. Wine connoisseurs;
7. Other ocasional buyers.

All of these groups, with the exception of the first mentioned (due to the anti-corruption policies), are experiencing a constant growth. These profiles can also be linked with specific consumer behaviors. The first groups (the ones with a higher income) are usually formal social wine drinkers - they prefer red imported wine and 70% of their consumption is through the HORECA channel. The others tend to consume wine (with a preference for Chinese wine) in informal occasions and share it with close groups.

Being a large country, wine knowledge levels vary greatly in China. According to EU SME Centre (2011), it is possible to find three knowledge categories. At the top, there are the ones with extensive wine awareness gained through studies. These are usually people who have studied or worked overseas and are prone to choose high-end vintage wines either to offer to house guests or to display in their private wine collections. On the opposite end of the wine knowledge spectrum we have the consumers from mid-twenties to mid-thirties that choose to drink imported wine - usually popular French regions like Bordeaux or Burgundy - as a way to show their taste. The more savvy wine drinkers stand in the middle. Usually these people live in tier 1 cities and attend wine tasting events and wine promotions.

A research based on an online survey (Liu et al., 2014) observed a segmentation established on preferred sources of information - the traditional word-of-mouth sourcing

costumers; the traditional media information sourcing customers and the new media/social network information sourcing customers. This study also disclosed the consumers' attention to three preferential attribute seeking - extrinsic attributes (e.g. CoO, bottle design and brand name); intrinsic attributes (e.g. quality, taste or health benefits) and alcohol level attribute.

Geographically, Chinese territory is divided into "Tiers". They categorize the provinces in terms of different development levels. There is no official document stating which cities belong to each tier, although a considerable discrepancy is noticeable between first tier cities and the other ones.

1. First Tier Cities: Shanghai, Beijing, Guangzhou and Shenzhen. These are the most developed and economically powerful cities in mainland China. Their population has a superior life quality, higher income rates and easy access to a more westernized lifestyle. This is where the middle/upper and upper classes are found.

2. Second Tier Cities: Provincial capital cities. Although less developed and economically powerful than the first tier cities, these provincial capital cities are becoming increasingly modern - with western products gaining popularity. The middle class is growing in these regions and is expected to continue its growth.

3. Third Tier and below: The small and medium cities and villages. These have the lowest income rate population.

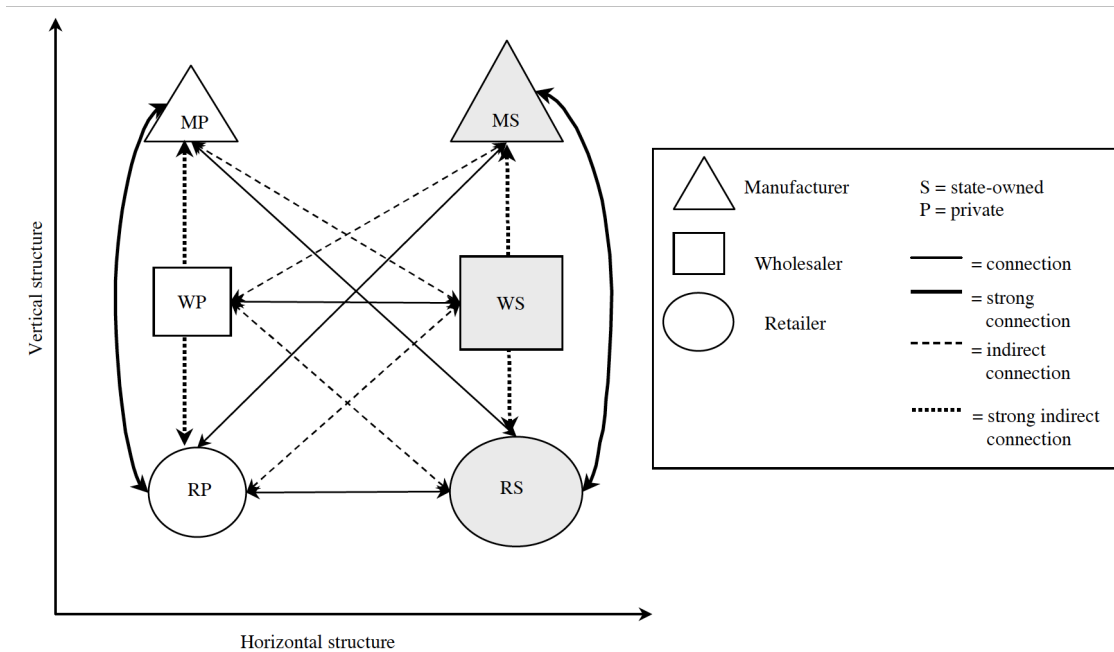
Almeida (2013) reported a demographic classification of the Chinese population as follows:

1. Males represent 63% of the wine consumer population.
2. Females compound 37% of the Chinese wine consumers.

2.2.3. Distribution System

Many producers that export to China feel the need to fall back upon external distributors due to the complexity of the food and beverage market. Besides the general division of producers, wholesalers and retailers, the Chinese distribution system is horizontally integrated into ownership categories: private, collective and state-owned. According to Polsa (2002) this may affect the players in the distribution system because there can be horizontal cooperation in order to strengthen the distributors' positions in the distribution network.

Figure 4. Chinese distribution network system (Polsa, 2002)



The image above shows the structure of the main actors in the distribution network and their connections. An important aspect of the wine distribution structure in China is that the product is usually managed by two levels of distribution after leaving the producer. Overseas producers usually resort to distributor/importer companies that deal with legal and management tasks such as customs clearance, taxes payment and document organization. These companies, in turn, deliver the wine to the final retail channel:

1. Supermarket Chains (Carrefour, Auchan, Walmart, Bailan, Tesco, Metro)
2. Convenience Stores (7Eleven, Kalike, Kadi, Haode, Liangyoujinban)
3. Specialty Stores
4. Duty Free
5. HORECA Channel

2.2.4. Portuguese wine reputation

Portuguese wine's reputation in China is fairly good although known only by the ones with significant wine knowledge. In 2015's China Wine & Spirit Awards, Portuguese wines were awarded with 6 CWSA Trophies, which is the highest award in the competition. The awarded wines were Valcatrina (2013) wine from Casa Santos Lima - CWSA Portuguese Wine of the Year - Heh Boal (15 years old) - CWSA Fortified Wine of the Year - and wines from Alentejo, Lisboa, Douro and Península de Setúbal.

Two CWSA Bio medals were also awarded to Portuguese organic wines, as well as 11 bronze medals, 22 silver, 53 gold and 19 double gold.

Lu Jiang (2014) recognizes Portuguese wine's quality. Although most Chinese wine consumers only know Porto wine, Lu acknowledges Portuguese wines as "high-qualified, elegant and cost-effective with considerable market potentials" and claims they "are gaining favour by wine importers". Nina Fang Feng (2015) commented that due to Portuguese influence, Macau people are accustomed to drink more Portuguese wines.

Empirical Study

3. Methodology

This study is mainly focused on depicting current practices in exporting, distributing and promoting wine to China as seen by direct players in order to devise the strategy that is being used. This is explored against a background of a competition analysis with international benchmarks.

The method was designed to guarantee the collection of meaningful data from critical stakeholders, that we shall treat as a sample of key informants. Instruments for data collection were built from established theory, namely interview scripts reflecting the seemingly most important issues at play. Data analysis techniques were chosen to systematically uncover patterns of data that add meaning to interpreting the phenomena. This section will thus cover all these elements.

3.1. Sample / Key informants

The main players in the wine exportation to China value chain are the producers, distributors and regulating bodies. In the interest of gathering complete and correct opinions from the key informants, the sample is composed of distributors that work directly in the Chinese territory, Portuguese wine producers that currently sell or have sold their products in China, and regulating bodies that have knowledge and influence on this market. The sample comprises 10 producers, 3 distributors, and 4 regulating bodies. For confidentiality sake, the producers will be referred to as P1 to P10; the distributors/importers as D1 to D3 and finally the regulator/facilitator entities will be mentioned as R1 to R4.

The reduced number of the sample is explained by several factors. In order to have the most reliable sources of information, the interviews were solely directed to people that have an immediate contact and work within the wine export industry. On the other side, across the process we learned that both the Portuguese wine producers (which are largely formed by family-owned enterprises) and the key players in the Chinese industry have a low degree of availability regarding the research of their business strategies which is understandably due to its business criticality.

In order to identify the main wine producers in Portugal with a vested interest in exporting to China we have conducted a desk research by targeting a specialized website on wine producers, Wines of Portugal. A total of 38 producers that cumulatively match criteria were identified and we have collected contact information to invite them to participate in the study.

Invitations were sent by email, after verifying its accuracy, with a statement of the purpose of the study, the identification of the researcher and the ISCTE-IUL institutional reference. The invitation was written so to fully inform on the nature and conditions of the study and how data would be treated and aiming to return the collaboration as a report of findings, whenever requested. Appendix 1a shows the invitation message.

From a total of 38 invitations sent, we have received 12 affirmative answers after a follow up by email. From these, only 10 actually answered.

Table 6. Interviewed Wine Producers

Producers	General Description	Source
P1	Interviewee: Marketing Director. Enterprise that unified some of the oldest and well-known Portuguese wine companies, which recognition in national and foreign markets. Has agritourism, production and distribution activities.	Interview; Desk research (Producer's official website)
P2	Interviewee: Export Manager. Family enterprise. Organizes wine tastings and guided tours to the winery and vineyards.	Interview; Desk research (Producer's information from various websites)
P3	Interviewee: Product Manager. Commercial wine company with over 40 years devoted to the production of high quality wines and olive oil. It is now pursuing the goal of becoming a key partner in the worldwide wine business.	Interview; Desk research (Producer's official website)
P4	Interviewee: Trade Manager. Family enterprise. Has Ecotourism and cork production activities, as well as cattle farming and commercialization, wine, honey and olive oil production.	Interview; Desk research (Producer's official website)
P5	Interviewee: Export Director. One of the biggest Portuguese wine producers with a capacity of 20 million liters and a 1.200ha of vineyard area.	Interview; Desk research (Producer's official website)
P6	Interviewee: Commercial Director. Started producing in 2006, has wine production and ecotourism activities.	Interview; Desk research (Producer's information from various websites)

Producers	General Description	Source
P7	Interviewee: Director General. Enterprise with wine production, event organization, catering activities, housing and wine related activities.	Interview; Desk research (Producer's official website)
P8	Interviewee: Asian Subsidiary Director. Biggest Portuguese wine producing company. Has received the most prestigious national and international awards.	Interview; Desk research (Producer's official website)
P9	Interviewee: Partner Manager. Family enterprise. Besides wine, this company produces canned goods, jams and vinegars.	Interview; Desk research (Producer's official website)
P10	Interviewee: Public Relations Professional. Family enterprise. Produces wine and olive oil. Offers wine tasting activities and guided tours.	Interview; Desk research (Producer's official website)

In order to identify the distributors working with Portuguese wines in China we have conducted an Internet search and questioned Portuguese individuals currently working in the Chinese territory in this sector. A total of 14 distributors were identified and we have collected contact information to invite them to participate in the study.

Invitations were sent by email, following a similar structure of the ones sent to Portuguese wine producers also fully informing on the nature and conditions of the study and how data would be treated and aiming to return the collaboration as a report of findings. Appendix 1b shows the invitation text.

From a total of 14 invitations sent, we have received 3 answers to the interview sent.

Table 7. Interviewed Wine Distributors

Distributors	General Description	Source
D1	Interviewee: President. China-based fine wine import and wholesale company. Has over 30 years of combined experience importing, distributing and marketing wine from the world's top estates and chateaux	Interview; Desk research (official website)
D2	Interviewee: Marketing and PR Manager. China-based company that distributes an exclusive selection of wines from family-owned wineries from around the World	Interview; Desk research (official website)
D3	Interviewee: CEO. Portuguese company with an exclusive selection of wines from family-owned wineries from around Portugal, each one chosen for being a top representative of its region.	Interview; Desk research (official website)

In order to identify the Portuguese wine industry regulator and facilitator entities we have conducted an Internet search both from official public and private sites (e.g. Ministry of Agriculture/IVV). A total of 15 organizations were identified and we have collected contact information to invite them to participate in the study.

Invitations were sent by email, following a similar structure of the ones sent both to Portuguese wine producers and distributors operations in China.

From a total of 14 invitations sent, we have received 7 answers. From these 7 responses, only 4 actually answered the interview sent. Appendix 1c shows all the contacted regulator/facilitator entities and the email sent.

Table 8. Interviewed Wine Industry Regulators/Facilitators

Industry Regulators/Facilitators	General Description	Source
R1	Interviewee: President. Inter-branch regional wine association which controls the certification of the region's wines.	
R2	Interviewee: Marketing Department Coordinator. Inter-branch regional wine association, which controls the certification of the region's wines.	Interview; Desk research (official website)
R3	Interviewee: Marketing Professional. Inter-branch regional wine association, which controls the certification of the region's wines.	
R4	Interviewee: Chinese Market Controller. Inter-branch national association.	

3.2. Interviews

According to Bogdan and Biklen (1994) the qualitative research is built on five main characteristics: the natural environment is the direct source of data and the key data collector is the researcher; most of the collected data is in the form of words and images, as opposed to numbers (it has a descriptive nature); investigators that use qualitative methodologies have a deep focus on the process, instead of targeting only the final results; data analysis is conducted in an inductive fashion; the interest lies in understanding the significance of the key players' experiences.

Both readings and exploratory interviews are important foundations of academic investigation. While the readings contribute to the basic knowledge of the research question, the interviews are the means to discover new aspects that should be held in account. The readings provide the frame for the exploratory interviews, which clarify the relevance of the framework (Quivy & Van Campenhoudt, 1995).

Interview scripts were built so to reflect Bogdan e Biklen (1994) recommendations namely by perceiving the interview as a part of the data collection process, used together with the analysis of documents and other techniques. What we pretend to achieve with the interviews is the collection of descriptive data in the subject's own words, allowing the development of an intuitive interpretation of the way the interviewees perceive the subject matter.

The use of structured interviews, with a predefined script, offers the interviewer a wide range of themes that allows the creation of a series of topics. It offers, to the interviewees, the opportunity to shape its content. They have the liberty to answer in personal terms, according to their point of view.

Foddy (1993) departs from the assumptions that: the researcher clearly defines the intended information; the respondent holds that same information; and the respondent can and is willing to provide the information for the research purposes. These assumptions are intended to guarantee that the questions are directed towards obtaining accessible and precise information.

The topics of the interviews were defined so to assure the consistency of the answers given by the different interviewees.

Foddy (1993) endorse Sudman e Bradburn's (1982: 13) following set of rules:

a) One should not write the interview script before carefully reflecting on the research question.

b) The research question must always be held in consideration when writing the interview script.

c) Always think about the aim and relevance of every question in an interview script.

The interview scripts were planned so to obtain written responses. The use of face-to-face interviews was not appropriate due to a series of factors, listed by Gillham (2000): whenever the subject's location is widely dispersed; the majority of the questions is factual; the material is not particularly sensitive; or the research aims are factual and summary in character.

The statistical significance does not apply to qualitative research, since the valorization of the sample is directly related to its suitability to the research objectives. (Albarelo et al., 1997).

We elaborated a previous script aiming towards the validity and adequacy of this data collection method. The interviews were designed according with the nature of the target, i.e. producer, distributor, or regulator. We also took into consideration within the producers, the distinction between producers that export to China and those that do not.

For interview development purposes, script structures were formulated as follows.

Interview to producers – The interview to producers consists of 18 open-ended questions. A set of 6 questions cover the internal determinants: decision makers' characteristics, export strategies and product adaptation. (e.g. "Do you have wines adapted for the Chinese market?"). Another set of 10 questions covered the external determinants: environment/industry characterization and entrance/promotion in the Chinese market. (e.g. "Do you promote your wine individually or together with other wine producers?"). Finally a single question covers the supply-demand ratio issue and another one intends to find out what are the threats and opportunities perceived by each producer. The script is available in Appendix 2a. Two of the producers' interviews were adapted to their current situation (not currently exporting to China). The script is available in Appendix 2a1.

Interview to distributors – The interview to distributors consists of 14 open-ended questions. A set of 7 questions cover the internal determinants: distributors' characteristics and producers' export strategies. (e.g. "In the event of incoming doubts

regarding the product, the direct contact from the retailers and final consumers with the producer is possible or are the issues/questions sent to the distributor?”). Another set of 6 questions covered the external determinants: environment/industry characterization. (e.g. “How would you describe the wine storage conditions in China?”). Finally one question covers the supply-demand ratio issue. The script is available in Appendix 2b.

Interview to regulators/facilitators – The interview to the regulator/facilitator organizations consists of 14 open-ended questions. The vast majority (9) of the questions intend to better grasp the environmental determinants of the wine industry. (e.g. “Which are the existing support programs for the wine exports to China?”). The remaining 5 questions approach the internal determinants concerning the producers’ strategies. (e.g. “Which are the biggest differences between the wine export promotion strategy used by Portugal and the other European producers?”). The script is available in Appendix 2c.

3.3. Data treatment and analysis

Data collected from documents (e.g. reports or websites) was registered in a table structuring the relevant information by categories of interest. Data collected from interviews, due to its written nature, were already recorded in that way as respondents wrote. Therefore, no transcription was necessary in order to have the data in written format.

The qualitative content analysis method analyses a small amount of complex and detailed information. It obliges researchers to refrain from their own spontaneous interpretations through the usage of predefined criteria (Quivy & Van Campenhoudt, 1995).

Data analysis followed the content analysis technique (Bardin, 2004). To this author data should be analyzed according to three chronological poles - pre-analysis, material study, and results treatment and interpretation.

In a first phase, the data collected was organized with the aim to make the initial ideas operational and systematic. This allows the construction of a precise scheme reflecting the continuous operations’ development through an analysis plan.

Then the material was studied: the previously analysis plan was implemented. The researched information was decomposed and enumerated according to information type and subject.

Raw data was then treated in order to be valid and significant. The findings and the systematic confrontation of gathered data constitute a possible base of analysis for further investigation and strategy construction.

The content analysis of the interviews was made by identifying the key, substantive points and then translating them into categories.

Each interview was treated separately. The reading and analysis was syntagmatic - follows the unique chain of thoughts used by each individual interviewee - and paradigmatic - it has in account all the possibilities, as what was not said but could have been or even the reasons behind different answers by different subjects to the same questions. Interpretation is thus the key element in this analysis.

4. Results

Interview analysis followed an *a priori* categorization based on Maurel's (2009) interview analysis model and Carvalho and Filipe's (2006) segmented analysis. The sample integrates 10 wine producers, 3 wine distributors/importers with activity in the Chinese territory and 4 regulator/facilitator entities. For confidentiality sake, the producers will be referred to as P1 to P10. This section presents relevant information focusing on internal determinants (decision maker's characteristics, export strategy – marketing / product adaptation, geographic diversification) and external determinants (institutional, legal, cultural and financial environments, industry concentration, and export barriers).

Decision-Maker's Characteristics: Years in the Chinese market; Wine regions

Table 9. Decision-Maker's Characteristics

Producers	Internal Determinants: Decision-Maker's Characteristics	
	Wine Regions	Years in the Chinese market
P1	Alentejo, Dão, Lisboa, Península de Setúbal, Porto e Douro, Tejo, Vinhos Verdes	Approx. 20 years
P2	Tejo	Approx. 5 years
P3	Alentejo, Douro, Vinhos Verdes	6 years
P4	Alentejo	8 years
P5	Alentejo, Lisboa, Península de Setúbal, Bairrada, Dão, Douro	5 years
P6	Alentejo	6 years
P7	Península de Setúbal	6 years
P8	Alentejo, Bairrada, Dão, Madeira, Porto e Douro, Vinhos Verdes	Approx. 40 years
P9	Lisboa	occasional
P10	Alentejo	occasional

Source: Interview and Desk Research

The 10 interviewed wine producers have a supply of wines from 9 different wine regions. Seven produce Alentejo wine, three Península de Setubal, Porto e Douro, Lisboa and Vinhos Verdes. Two of them also produce Tejo and Dão wines. As for Bairrada and Madeira, they are produced by only one of the interviewees.

One of the producers rejects the VPQRD (Quality Wine Produced in a Specified Region) qualification system, claiming that it is restrictive by linking their wines to lower quality ones that have this classification and giving them an unfavorable overseas image.

They have an average of 12 years of experience in the Chinese market. The producer with the longest experience has been selling in China for 40 years and the least experienced ones have only approximately 5 years of experience.

Two of these producers (P9 and P10) have had a single wine export experience to China, having discontinued the commercial trades although manifesting intention to resume them.

Internal Determinants: Export Strategy; Marketing Strategy

Table 10. Marketing Strategy

Internal Determinants: Marketing Strategy				
Producers	Product	Promotion	Place (distribution)	Source
P1	Red; White; Rosé; Sparkling; Moscatel; Port	Training Initiatives; Wine-tastings; Discounts; Participation in trade fairs and events.	Physical presence in the country; External distributors	Interview; Desk research (Producer's official website)
P2	Red; White; Rosé	Organization of events; Wine-tastings.	External distributors	Interview; Desk research (Producer's official website is unavailable)
P3	Red; White; Rosé; Sparkling; Port	N.A.	External distributors	Interview; Desk research (Producer's official website)

Internal Determinants: Marketing Strategy				
P4	Red; White; Rosé	Participation in trade fairs and events; Wine-tastings.	External distributors	Interview; Desk research (Producer's official website)
P5	Red; White; Rosé; Sparkling; Moscatel	Training Initiatives; Organization of events; Advertising; Organization of winery visits.	External distributors	Interview; Desk research (Producer's official website)
P6	N.A.	Training Initiatives; Organization of winery visits; Wine tastings.	External distributors	Interview; Desk research (Producer's official website is unavailable)
P7	Red; White; Rosé; Moscatel	N.A.	External distributors	Interview; Desk research (Producer's official website)
P8	Red; White; Rosé; Sparkling; Port	Participation in trade fairs and events; Discounts; Organization of events.	Physical presence in the country; External distributors	Interview; Desk research (Producer's official website)
P9	Biologic Wine: Red; White	N.A.	External distributors	Interview; Desk research (Producer's official website)
P10	Red; White	N.A.	External distributors	Interview; Desk research (Producer's official website)

N.A.: non applicable / Not available

Red and White wine are the more common wines produced by the interviewees. Followed by Rosé (7), Sparkling (4), Port (3) and Moscatel (3). One of the interviewees (P9) produces exclusively organic wine - red and white.

Except for four of the key informants, all the others report having a defined promotion strategy directed to the Chinese market. Only one producer uses advertising strategies. Most of them opt for wine tastings (4 of 6), organization or participation in

trade fairs and events (5 of 6) and training initiatives (3 of 6). Discount or promotion initiatives and winery visits are strategies used by two of the producers.

While exporting and selling their product in China, only two producers have physical presence in that country. Even so, all of the interviewed producers choose to work with external distributors.

Although one of the three distributors claimed that the producers deal with the wine transportation from the winery to the Chinese territory, the other distributors believe most of the distributing companies deal with the wine transport management. There are two options concerning this management process: Ex-cellar - represents the minimum obligation from the producer; the distributor/importer bears all costs and risks involved in transporting the wine from the winery - and FOB - free on board; the distributing company takes responsibility for risks and costs from the moment the wine is ready for shipment.

Table 11. Product Adaptation

Producers	Internal Determinants: Product Adaptation	
	Wine	Labels
P1	Yes	Yes
P2	Yes	Yes
P3	Yes	Yes
P4	Yes	No
P5	Yes	Yes
P6	No	No
P7	Yes	Yes
P8	No	No
P9	No	Yes
P10	No	No

Source: Interviews

More than half of the interviewees claimed to have wines specifically adapted to the Chinese market (6 of 10). According to research (Jenster & Cheng, 2008) Chinese wine consumers do have different tasting preferences from the European consumers. Taking

this into account, the flavor adaptation appears to be a good strategy by the Portuguese producers. However, one of the interviewed regional wine regulating entity (2016) believes that many of the Portuguese wines should keep the national image in order to have a differentiation advantage towards the competitors.

Six producers agree on the adaptation of the labels placed on bottled wine. However two of the distributors advise against customized labels to the Chinese market. They argued that the product loses its identity as a foreign wine. Both positions are understandable as literature shows that if the label design adaptation is made subsequently to market segmentation and consumer behavior studies, there should be no such problems. Park and Rabolt (2009: 731) found that the perceived values related to the “brand image strategies differ in different countries according to each country’s cultural and consumption values, which are learned behaviors”. A wine brand’s image as the Portuguese consumers perceive it will thus never transmit the same values to a Chinese consumer. Marketeers can incorporate consumer studies in their international brand image strategies without losing the Country of Origin’s identity.

Table 12. Geographic Diversification

Producers	Internal Determinants: Geographic diversification or concentration	Source
P1	Europe; America; Africa; Asia	Desk research (Producer’s official website)
P2	Europe, America, Asia	Desk research (Producer’s official website is unavailable)
P3	Europe, America, Africa, Asia	Desk research (Producer’s official website)
P4	Europe, America, Africa, Asia	Desk research (Producer’s official website)
P5	Europe, America, Africa, Asia	Desk research (Producer’s official website)
P6	Europe, America, Asia	Desk research (Producer’s official website is unavailable)
P7	Europe, Africa, Asia	Desk research (Producer’s official website)
P8	Europe, America, Africa, Asia, Oceania	Desk research (Producer’s official website)
P9	Europe; America, Asia	Desk research (Producer’s official website)

Producers	Internal Determinants: Geographic diversification or concentration	Source
P10	Europe; America; Africa; Asia; Oceania	Desk research (Producer's official website)

All of interviewed producers export to more than two continents, including Europe and Asia. The second top export receiving continent is America, to which all but one of the subjects export. Next comes Africa (7) and at the end of the list is Oceania (Australia) (2).

External Determinants: Environment

Institutional Environment

According to an interviewed distributor, the public promotion in the Chinese market by Portuguese institutions is rare. There are few events and tastings promoting Portuguese wines organized by national wine regulating entities. As for the marketing strategies, there is a clear distinction between Portugal and the other European producers. While Portuguese entities invest very little in promoting their wines in the Chinese market, the other countries show a strong investment in annual marketing strategies, conceived especially for the Chinese consumer that produces high return rates (Distributor interview, 2016).

Several of the interviewed producers have promotion activities organized together with their distributors.

Of all the 10 wine producers that currently export to the Chinese market, 6 have tried to participate in joint promotion events with other brands, three of which without successful results.

Due to the length and the fragmentation of the distribution system in China, some of the interviewed producers agreed that the following up of their sales is the most difficult issue to deal with in exporting to this Asian country. Although some producers claim to have knowledge about the sales through their distributor and regular visits to the country, three of the biggest and most worldwide renowned Portuguese wine producers claim that it is extremely difficult to know where, in China, the wine is being sold. This may be on account of most of the sales being B2B and the distributors being reluctant to

give direct access to the retailers in order to prevent bypasses from the distribution chain.

According to most of the reviews of the Portuguese producers and of the distributors, wine storage conditions are on average poor. Some of the producers do not even have access to this information and do not know the whereabouts of the product from the delivery to the distributor onwards. This is a factor of utmost importance, since the Chinese territory experiences temperatures of extreme heat and cold. Even so, the biggest importers are able to provide excellent storage conditions.

Legal Environment

The anti-corruption measures that are being approved in China result in possible constraints and modifying factors for the foreign wine sales. These laws are intended to decrease the offering (mostly as bribes) of luxury items. This is a practice well known in China as a way to obtain privileged personal ties that may grant special access to government services, improve contractual relationships, and reinforce loyalty (Heidenheimer and Johnston, 2011).

Qian and Wen (2015) suggest that there is a positive correlation between the reduction of corruption and the fall of the relative popularity of luxury European imports.

According to Wen (2013) the luxury drink's market will be greatly affected by these policies, since the gift offering represents more than 25% of luxury sales in China. Currently there is a short-term trend to buy more valued priced wines.

Five of the eight (currently exporting to China) interviewed producers claim to have been affected by this decrease of luxury goods' imports, that is reflected in the premium and super-premium wine sales' contraction. However, three of these eight producers experienced the opposite phenomena, premium and super-premium wine sales' increase.

Adding to these conflicting findings, one of the interviewed regulating bodies (2016) stated that the Chinese restrictive policies did not yet effected favorable practical results in what concerns high-end wine consumption.

Even having access to agreements with China Association for Importers and Exporters of Wines (Regulator/Facilitator interview, 2016) countries such as Australia

and Chile benefit from free trade agreements, turning them into stronger competitors in the Chinese wine market, hence, threatening the Portuguese wine sales.

Cultural Environment

The fact that wine consumption is increasing among the Chinese population, allowed the country to be the 14th major Portuguese wine export recipient. It was, in 2013, the 5th biggest world wine producer and occupied the 3rd position of worldwide wine consumption. This occurred even though the individual wine consumption is still low and has the opportunity to greatly increase (Wines of Portugal, 2013).

Since wine consumption is increasingly perceived as playing a big part of an European social lifestyle (Distributor interview, 2016), European products have seen an increase in sales, especially in the south of China and the provinces closer to Macao and Hong Kong, as they are more westernized (Distributor interview, 2016).

An expression of this heightened interest is evidenced by the now observable hundreds of companies offering wine training courses. In 2015, five hundred new Sommeliers were certified in China, showing an increase in the wine culture entrenchment (Distributor interview, 2016).

According to the President of one of the distributor companies interviewed, the recent tainted food scandals in China created a boost in the imports of food products: “Wines from Western Europe are seen to be healthy and safe whereas wines produced in China are suspect”.

Financial Environment

Between January 2014 and May 2015, the Shanghai stock market experienced a 126% appreciation. Due to the non-sustainability of this situation, from May 2015 to July of the same year a 20% decrease was registered in this index.

In order to maintain the previous economic growth rates and increase the purchasing power of the Chinese, the Government had associated the fluctuation of the Yuan to the American dollar (when one increased value, the other experienced the same trend). The downside of this policy was the loss of competitiveness of the Chinese exports.

Along with this, the probability of the fed funds rate's rise (North American interest rate) led to an outflow of capital from the Chinese to the North American markets. As a

consequence to this economic growth falloff, Chinese government limited the imported products purchases and depreciated currency.

These measures intend to recover the previous Chinese economic growth rates by increasing Chinese exports to compensate the low internal consumption rates (Serigati & Possamai, 2015).

Anne Stevenson-Yang and Kevin Dougherty, from The Wall Street Journal, reported that in the beginning of 2016, the Chinese economy has experienced the first signs of a possible rebound: the yuan gained back nearly half of the value lost against the dollar since November; lending rose by 67% in January and the housing sales increased. Even so, producer's prices decreased by 5,1% and the manufacturing sector lost economic health since January 2016 (PMI dropped 0.4% from January to February).

Even with this financial crisis risk factors arising in China, the government has moved swiftly to prevent the worsening of the situation. Authorities have the power to censor market rumors in order to avoid further lack of consumer confidence.

As stated by Balding (2016), the Chinese government can not afford to risk the communist regime's stability - which is based on the economic stability and power -, so they will do whatever it takes to prevent a crisis.

The slowing down of the GDP growth did not, however have negative effects on the Portuguese wine sales in China, which improved their performance in 2015 compared to the previous year (Regulator/Facilitator interview, 2016).

External Determinants: Industry

Industry Concentration

In consonance to the data reported previously, the Chinese market has already been introduced to several countries' wines. The top two wine exporters to China (France and Australia) alone hold 69.6% of the market share value. In line with the interviews to distributors in the Chinese territory, the considerable investment in marketing strategies and international business plans by these country's wine producers is incomparable to the one made by Portugal.

Most countries fall back upon region or country collective strategies. France, Italy, Spain, USA, Chile, Australia and New Zealand have collaborative brand building strategies.

Through the analysis of the interviews to the producers, one must conclude that Portugal lacks in this aspect: of all the key informants, only six have participated in collective promotion activities and of these, only half reported positive outcomes. It should be noted that only one of the three major Portuguese wine producers questioned opted for this type of promotion strategy.

In addition, regarding the legal and regulating wine environments, Portugal's system is highly fragmented and there are a considerable number of state entities dealing with the same issues. According with Rico (2012) this dispersion may be hazardous for the wine sector.

Export Barriers (Perceived competition; Others)

Following the above mentioned country of destination's barriers, the most pressing external barrier that hampers the success of Portuguese wines sales is the lack of a united strategy amongst producers. There is indication of a competitive mindset instead of a cooperative one amid national producers (Rico, 2012). This author points out to this rivalry between wineries as a plausible cause for the visibility of Portuguese wines in the international market.

The hurdles stated by the two interviewed producers that stopped exporting to China should also be kept in mind. Both feel that there is no sufficient effective public support programs to help the pursuing of export activities. Besides, small producers have often difficulties in financing market research and export strategy studies.

In 2014, the Portuguese gross domestic expenditure on research and development stood below the European average (EuroStat, 2016). We can assume that in the wine sector, in accordance to what happens in the country in general, there is yet a much needed grow in the investment to generate continuous innovation, thus boosting competitive leverage.

Nonetheless, Portugal may have a competitive advantage derived from the lavish spending suppression in China, since national producers have the capacity to offer better prices for high quality wines.

5. Discussion and Conclusion

This thesis focuses on the analysis of the Portuguese wine export strategy, since the success of this particular market, namely the exporting activities, have a major influence on Portugal's economic performance. The focus is directed to the Chinese wine market due to its promising nature and consumption growth potential.

In order to analyze the strategy being used by Portuguese wine producers towards this specific market and understand where are some opportunities, if any, to further enhance its effectiveness, we conducted brief market studies and state of the art characterizations for both countries. This analysis intends to figure the relevant positive and negative characteristics and internal or external influences.

The costs of starting export activities to China are high and there are several entry barriers to this process, especially for small producers. Both of the interviewed producers that do not currently export mentioned the lack and inefficiency of public supports. According to Alonso et al. (2014), the main barriers faced by producers are the hardship of finding a capable and trustworthy distributor as well as the limited production capacity. The interviewed producers mentioned both of these problems, even though they recognize the Chinese wine market's potential. However, strategic studies focusing the key success factors and characteristics of each market are often associated with financial costs that most of the wine producers cannot afford.

France is nowadays the top exporter of grape wine to China and the investment in marketing strategies played an important role in its success (Maurel, 2009). This is yet another field in which Portugal falls short. As a smaller and less economically capable country, there is the need to invest in alternative and less expensive promotion strategies.

Collective wine marketing strategies and cross-sector activities (namely with tourism and food sectors) represent an opportunity that is yet to reach its full potential.

The interviewed subjects reported that some efforts towards these joint activities have been made but mostly without positive practical results. According to Leitão (2008) the different size of wine companies and the existence of a high number of wine regions in Portugal might contribute to a rivalry amongst the producers that hampers these collaborative activities.

Portuguese wine producers have proven their quality and are able to offer unique wines with one of the best price-quality ratios on the market (Kramer, 2014). Policies like the European C.A.P. have made a big difference in the evolution of the wine production and exporting sectors. Also the promotion activities made by ViniPortugal through the Wines of Portugal image have helped raise the awareness of Portuguese wines overseas.

However, according to information provided by the key informants of this study, the most recent strategy studies have a general character and fail to present concrete guidelines for specific markets and consumers. They tend to focus on the bigger picture instead of starting the research based on the specificities of a determined market.

Findings show that interviewees acknowledged that the Chinese consumer has substantially different preferences and behaviors from the westernized wine consumers. One should not assume that a determined image, flavor or action will be interpreted by the same way by every customer and market. What functions well as a marketing strategy in Portugal has a probability of having the opposite effect in China (Park & Rabolt, 2009). The most recent export strategies lack of concrete measures that define specifically the alterations to be done regarding sales and promotion of Portuguese wine in order to succeed amongst Chinese consumers.

“These unique consumption behaviours must be acknowledged and utilised by wine producers, particularly when developing branding strategies for wine products in China” (Somogyi et al., 2011:481).

This becomes especially noticeable when one perceives the immaturity of the wine market in China. The majority of the Chinese population are not accustomed to the characteristic flavor of wine. Even having an ancient wine tradition and the advantage of biodiversity, there is the need to simplify the product. It is wise to start by introducing “softer” flavors aiming to educate the consumers and raising awareness of the Portuguese wines.

A practical example of this adaptation is the shift that the Spanish brand San Gines did targeting the Chinese market - the logo was changed and the name translated to mandarin to facilitate the pronunciation and to give the costumers the possibility of easily remembering the brand (EU SME Centre, 2015).

Although Portugal has differentiating factors due to the unique regions and grape types, innovation, creativity and detailed promotion strategies are in need to compete with foreign wines already established in China.

From the interviewed producers' answers we conclude that the biggest and more successful enterprises were the ones that showed the greater availability and openness to discuss current strategy plans and market statuses. This fact is also present regarding the distributors.

We may interpret this behavior as a concern for the uncertainty that comes with sharing information and strategic management processes, since it is impossible to predict if cooperation will bring more benefits than competition. This is directly linked to Hofstede's Uncertainty Avoidance dimension (which scored high in the Portuguese society) and leads to the perceiving of cooperation and knowledge exchange as weaknesses. Due to the small sample size we cannot, however, claim that this is an existing behavior pattern in the wine market.

To conclude, despite the efforts - namely from the regulating bodies - to promote the image of Portuguese wines in China, the consumer awareness is still low, mainly due to the poor financial capacity of the country and of great part of the wineries, which leads to a lack of Portuguese R&D studies applied to the Chinese wine market focusing the consumer preferences and behavior. This handicap, together with the disarticulation of research organisms and companies, and also, having in mind the rivalry between companies in the wine sector, creates a significant impairment that decreases the competitive advantage of many wine producing SMEs. In order to achieve the full potentiality of the Portuguese wine sales performance in China, it is advantageous that all the key players in this sector align strategies and collaborate in order to better grasp the distinct Chinese wine market characteristics and understand the critical success factors from the final consumer's perspective.

“In the past, the country [Portugal] was always a renovator in the wine industry. In the years ahead, it will bring about more distinctive wines for Chinese consumers” (Lu 2014: n.p. para.11).

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Annexes

Appendix 1a: Invitation sent to the Portuguese wine producers.

Boa tarde,

O meu nome é Carolina Mendes, sou estudante de mestrado no ISCTE e estou a fazer uma tese sobre estratégias de exportação de vinhos portugueses para a China.

O meu objectivo é perceber o que está a ser feito por parte dos produtores e organismos reguladores em Portugal e estabelecer a relação com os países produtores de vinho que têm actualmente mais sucesso no mercado chinês.

Espero deste modo conseguir analisar a estratégia de exportação ajudando tanto os produtores nacionais como as organizações reguladoras a otimizar a sua abordagem.

Estou de momento a recolher informação junto dos produtores nacionais que exportam para a China. Gostaria de saber se será possível enviar algumas questões por email.

Agradeço desde já a atenção que este assunto lhes possa merecer,

Com os melhores cumprimentos

Ana Carolina Mendes

Appendix 1b: Invitation sent to the wine distributors.

Dear Sir/Madam,

My name is Carolina Mendes, I am a master's student at ISCTE Business School. I am writing a master thesis about the Portuguese wine exports to China.

My goal is to understand the strategies being used by Portugal and establish a comparison with other wine producing countries that are more successful in the Chinese market.

I am currently gathering information about the companies working in this market. In my research I came across your company and I would like to know if it would be possible for me to send some questions by email.

Thank you in advance for your cooperation.

Sincerely,

Ana Carolina Mendes

Appendix 1c: List of the contacted wine regulators and facilitators; Invitation sent.

List of the contacted organizations:

Instituto dos Vinhos do Douro e Porto; CVR Vinho Verde; CVR Alentejo; CVR Beira Interior; CVR Península de Setúbal; CVR Dão; CVR Bairrada; CVR Lisboa; CVR Tejo; IVV; CNOIV; CCLC; AICEP; ViniPortugal.

Invitation text:

Boa tarde,

O meu nome é Carolina Mendes, sou estudante de mestrado no ISCTE e estou a escrever uma tese sobre estratégias de exportação de vinhos portugueses para a China.

O meu objectivo é perceber o que está a ser feito por parte de Portugal e estabelecer a relação com outros países produtores de vinho que têm actualmente mais sucesso no mercado chinês.

Estou de momento a recolher informação sobre as empresas que fazem actualmente parte deste sector de actividade. Gostaria de saber se será possível enviar algumas questões por email.

Agradeço desde já a atenção que este assunto lhes possa merecer.

Com os melhores cumprimentos,

Ana Carolina Mendes

Appendix 2a: Interview script (Producers)

- Que vinhos exporta?
- Tem vinhos adaptados especialmente para mercados internacionais?
- Há quanto tempo exporta para o mercado chinês?
- Tem presença física na China ou trabalha através de distribuidores externos?
- Cria rótulos específicos para o mercado chinês ou coloca um rótulo traduzido sobre o original?
- Quais os maiores desafios e as maiores oportunidades na exportação de vinho para a China?
- Qual a evolução do mercado de vinhos na China durante os últimos anos? O consumo de vinhos premium e super-premium aumentou?
- O volume de exportações de vinho Português diminuiu em 2014 mas foi compensado pelo aumento de preço do mesmo. Ainda assim, a nível nacional tivemos um crescimento de apenas 0,4% face aos 2,4% do ano anterior. A que atribui este decréscimo?
- O transporte é organizado por quem? (próprio produtor, distribuidor ou por uma terceira empresa?)
- Quais as condições de armazenamento do vinho na China? Existem infraestruturas que tenham em conta o local, a posição e a temperatura em que o vinho é armazenado antes da sua distribuição?
- Como é feito o acompanhamento do produto depois de chegar aos locais de venda?
- Procura ter feedback direto dos consumidores finais chineses?
- Fez algum tipo de estudo de mercado antes de decidir exportar para a China?
- O que faz para promover o seu produto no mercado chinês?
- Faz a promoção do seu vinho juntamente com outros produtos portugueses ou individualmente como marca?
- Em caso de dúvidas em relação ao produto, é possível o contacto direto do consumidor final e *retailer* com o produtor ou as questões são feitas ao distribuidor?
- É frequente o uso de estratégias de marketing dentro das lojas (por exemplo a oferta de amostras para provas ou o posicionamento do produto nas prateleiras)? E nos canais HORECA (cartas de vinho ou páginas personalizadas nos menus)?
- A produção cobre a procura?

Appendix 2a1: Interview script (Producers - adapted)

- Faz exportação de vinho? Para que países?
- Tem ou põe a hipótese de vir a ter vinhos adaptados especialmente para mercados internacionais?
- Enquanto produtor sente que existem apoios suficientes à exportação do vinho por parte das instituições públicas? (Caso existam, por parte de que instituições?)
- Os produtores estão organizados coletivamente para a promoção internacional do seu vinho?
- Reconhece oportunidades e benefícios na exportação de vinho para a China?
- Como surgiu a oportunidade de venda para o mercado chinês?
- A venda foi feita através de um distribuidor externo? Qual?
- Fez algum tipo de estudo de mercado quando exportou para a China?
- A entrada do seu vinho no mercado chinês foi feita juntamente com outros produtos e produtores portugueses ou individualmente como marca?
- Esta venda no mercado chinês não teve desenvolvimento, isso deveu-se a opção própria?
- Considera voltar a exportar para a China?

Appendix 2b: Interview script (Distributors)

- Trabalha com marcas de vinho portuguesas? Quais?
- A produção de vinho português cobre a sua procura?
- Quais as condições de armazenamento do vinho na China? Existem infraestruturas que tenham em conta o local, a posição e a temperatura em que o vinho é armazenado antes da sua distribuição?
- O transporte do vinho de Portugal para a China fica ao cargo dos produtores ou é comum as distribuidoras tratarem também desse serviço? Acontece o mesmo com o vinho proveniente de outros produtores europeus?
- A promoção dos vinhos portugueses no mercado chinês tem por base a segmentação por regiões e castas ou é feita por cada marca individualmente? Acontece o mesmo com os vinhos de outros países?
- Como é feito o acompanhamento do produto depois de chegar aos locais de venda?
- É frequente o uso de estratégias de marketing dentro das lojas (por exemplo a oferta de amostras para prova ou o posicionamento do produto nas prateleiras)? E nos canais HORECA (cartas de vinho ou páginas personalizadas nos menus)?
- Em caso de dúvidas em relação ao produto, é possível o contacto directo do consumidor final e *retailer* com o produtor ou as questões são colocadas à empresa distribuidora?
- Que percepção tem o consumidor chinês em relação aos produtos europeus? E portugueses?
- Qual a evolução do mercado de vinhos na China durante os últimos anos? O consumo de vinhos premium e super-premium aumentou?
- Qual o nível de conhecimento vinícola na classe média-alta chinesa? O consumidor está receptivo a iniciativas educativas nesta área?
- Quais as maiores diferenças entre a estratégia de promoção adoptada pelos produtores portugueses e os restantes produtores europeus?
- A estratégia de escassez funciona com o consumidor chinês? Está a ser utilizada?
- As marcas de vinho portuguesas criam rótulos específicos para o mercado chinês ou colocam um rótulo traduzido sobre o original? E as outras marcas europeias?

Appendix 2c: Interview script (Regulator and facilitator bodies)

- De que forma participam na promoção do vinho nacional no estrangeiro?
- É comum receberem pedidos de informação por parte dos produtores de vinho nacionais acerca do mercado chinês?
- Quais os apoios existentes para a exportação de vinho para a China?
- Disponibilizam estudos de mercado – nomeadamente do mercado chinês – aos produtores que têm atividades de exportação?
- Existem acordos com entidades chinesas que facilitem a entrada dos vinhos portugueses no mercado chinês?
- Como classifica a existência de vinhos portugueses adaptados especialmente para mercados internacionais?
- Os produtores portugueses têm por hábito a criação de rótulos específicos para mercados estrangeiros?
- Quais as maiores diferenças entre a estratégia de promoção adoptada pelos produtores portugueses e os restantes produtores europeus?
- O transporte do vinho português para a China é organizado por quem? (próprio produtor, distribuidor ou por uma terceira empresa?) Acontece o mesmo com o vinho proveniente de outros produtores europeus?
- Quais as condições de armazenamento do vinho na China? Existem infraestruturas que tenham em conta o local, a posição e a temperatura em que o vinho é armazenado antes da sua distribuição?
- Qual a evolução do mercado de vinhos na China durante os últimos anos? O consumo de vinhos premium e super-premium aumentou?
- Como relaciona a tendência de crescimento do mercado de vinhos estrangeiros na China com os índices de venda de vinho português nesse mesmo mercado?
- Em 2015, Portugal constituía 0.8% do mercado de vinhos importados pela China. França (46.2%), Espanha (6.0%) e Itália (4.4%) conseguiram uma maior percentagem do mercado. Que razões sugere para este desfasamento?
- Quais os maiores desafios e as maiores oportunidades na exportação de vinho para a China?