



Business School

“Internationalization of Vivafit”

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Abstract

The thesis analysed the internationalization of Vivafit, a franchise chain of gyms only for women. To obtain the data, the interviewees were interviewed from Portugal, Taiwan, Abu Dhabi and Uruguay, complemented with literature and information on the company's website.

The internationalization of Vivafit has been successful, as a result of the following strategies: (i) marketing strategy, aimed at women who care about their body; (ii) differentiation strategy, with the creation of a familiar environment; (iii) offensive strategy, with an environment that leads to creativity and innovation; and (iv) horizontal diversification strategy, with multiple combinations of products and markets.

Vivafit's main strengths are specializing in gyms for women only and constant innovation, while weaknesses are the prices practiced and the difficulty to enter in developed countries. Opportunities are in emerging and Muslim countries and the threats in other gyms and in the situation of each country.

Through BCG Matrix, in Uruguay Vivafit is Star, in Taiwan and Abu Dhabi is Interrogation and in Portugal is Cash Cow. The ADL Matrix suggests to Uruguay cost reduction, differentiation and attack on small competitors, Taiwan and Abu Dhabi maintain their position, identify a niche and aim for growth and Portugal focus on their position, reduce costs and continue differentiation. In turn, the GE McKinsey Matrix advises Uruguay and Portugal to continue investing in growth, while Abu Dhabi and Taiwan should maintain their position and be selective.

Keywords: Internationalization, Franchising, Gyms, Women's Health

Resumo

A tese analisou a internacionalização da Vivafit, uma cadeia de franchising de ginásios só para mulheres. Para obtenção dos dados, fizeram-se entrevistas aos responsáveis de Portugal, Taiwan, Abu Dhabi e Uruguai, complementadas com literatura e informações do website da empresa.

A internacionalização da Vivafit tem tido êxito, resultado das estratégias seguidas: (i) estratégia de marketing, dirigida a mulheres que se preocupam com o corpo; (ii) estratégia de diferenciação, com a criação de um ambiente familiar; (iii) estratégia ofensiva, com um ambiente que conduz à criatividade e inovação; e (iv) estratégia de diversificação horizontal, com múltiplas combinações de produtos e mercados.

As principais forças da Vivafit são a especialização em ginásios só para mulheres e a constante inovação, enquanto que as fraquezas são os preços praticados e a dificuldade em entrar em países desenvolvidos. As oportunidades estão nos países emergentes e muçulmanos e as ameaças nos outros ginásios e na situação de cada país.

Pela Matriz BCG, no Uruguai a Vivafit é Estrela, em Taiwan e Abu Dhabi é Interrogação e em Portugal é Vaca Leiteira. A Matriz ADL sugere ao Uruguai redução de custos, diferenciação e ataque aos pequenos competidores, a Taiwan e Abu Dhabi manter a posição, identificar um nicho e visar o crescimento e a Portugal focar na sua posição, redução de custos e continuar a diferenciação. Por sua vez, a Matriz GE McKinsey aconselha o Uruguai e Portugal a continuar a investir no crescimento, enquanto que Abu Dhabi e Taiwan devem manter a posição e ser seletivos.

Palavras-Chave: Internacionalização, Franchising, Ginásios, Saúde das Mulheres

Index

| | |
|--------------------------------------------------------------------------|----|
| 1. Introduction..... | 1 |
| 2. Literature Review | 4 |
| 3. Internationalization | 13 |
| 3.1. Theories of internationalization | 14 |
| 3.1.1. Theory of absolute advantage..... | 14 |
| 3.1.2. Theory of comparative advantage | 14 |
| 3.2. Foreign direct investment (FDI) | 15 |
| 3.3. Product Life Cycle Theory..... | 16 |
| 3.4. Uppsala Model..... | 17 |
| 3.5. Eclectic Model | 22 |
| 3.6. Porter Diamond Model | 24 |
| 3.7. PEST Analysis | 25 |
| 3.8. Franchising..... | 27 |
| 3.8.1. Resource Scarcity theory | 28 |
| 3.8.2. Agency Theory | 28 |
| 3.8.3. Resource-Based View..... | 29 |
| 3.8.4. Screening Theory..... | 30 |
| 4. Research Methodology | 31 |
| 4.1. Case Study | 31 |
| 4.2. Research design and Preparation | 31 |
| 4.3. Data Collection | 32 |
| 4.4. Data Analysis | 33 |
| 4.5. Results..... | 34 |
| 5. Internationalization of Vivafit | 35 |
| 5.1. History of Vivafit..... | 35 |
| 5.2. International Market | 36 |
| 5.3. National Market | 39 |
| 5.4. Classes | 41 |
| 5.5. Nutrition..... | 43 |
| 5.6. App..... | 44 |
| 5.7. Strategies..... | 46 |
| 5.7.1. Marketing Strategy (Segmentation, Targeting and Positioning)..... | 47 |

| | | |
|--------|---------------------------------------------|----|
| 5.7.2. | Differentiation Strategy | 48 |
| 5.7.3. | Offensive Strategy | 49 |
| 5.7.4. | Horizontal Diversification Strategy..... | 50 |
| 5.8. | SWOT Analysis | 51 |
| 5.8.1. | Strengths | 51 |
| 5.8.2. | Weaknesses..... | 52 |
| 5.8.3. | Opportunities | 53 |
| 5.8.4. | Threats | 53 |
| 5.9. | BCG Matrix | 54 |
| 5.10. | ADL (Arthur Dehon Little) Matrix | 56 |
| 5.11. | GE (General Electric) McKinsey Matrix | 59 |
| 6. | Conclusions..... | 62 |
| 7. | Bibliography | 67 |
| 8. | Attachments | 73 |

Figure Index

| | |
|------------------------------------------------------------------------------------|--------|
| Figure nº 1: The basic mechanism of internationalization: state aspects and change |21 |
| Figure nº 2: Porter Diamond..... | 24 |
| Figure nº 3: Vivafit in Uruguay, Montevideo..... | 38 |
| Figure nº 4: Vivafit in Kuwait and UAE | 38 |
| Figure nº 5: Vivafit in Pakistan and India | 39 |
| Figure nº 6: Vivafit in Taiwan, Taipei..... | 39 |
| Figure nº 7: Vivafit in Continental Portugal..... | 40 |
| Figure nº 8: Vivafit in Portuguese islands (Madeira) | 40 |
| Figure nº 9: First page of the App | 45 |
| Figure nº 10: Book Class or Messages | 45 |
| Figure nº 11: Center Contacts..... | 46 |
| Figure nº 12: Class Map | 46 |

Table Index

| | |
|-----------------------------------------------------------------------------------------------|----|
| Table n° 1: Company's Internationalization | 18 |
| Table n° 2: Comparison with the OLI's advantages with the main ways in external markets | 23 |
| Table n° 3: BCG Matrix..... | 55 |
| Table n° 4: ADL Matrix | 58 |
| Table n° 5: GE McKinsey Matrix..... | 60 |

Glossary

| | |
|----------|------------------------------------------------------------|
| ADL: | Arthur Dehon Little |
| AICEP: | Agência para o Investimento e Comércio Externo de Portugal |
| BCG: | Boston Consulting Group |
| BRIC: | Brazil, Russia, India and China |
| CEO: | Chief Executive Officer |
| FDI: | Foreign Direct Investment |
| GE: | General Electric |
| HIIT: | High Intensity Interval Training |
| HKF: | Hymer, Kindleberger and Caves |
| I&D: | Investigation and Development |
| INDITEX: | Industria de Diseño Textil |
| ISCTE: | Instituto Superior de Ciências do Trabalho e da Empresa |
| ISEG: | Instituto Superior de Economia e Gestão |
| NPS: | Net Promoter Score |
| NTD: | New Taiwan Dollar |
| OLI: | Ownership, Localization and Internationalization |
| PT: | Personal Training |
| SEO: | Search Engine Optimization |
| SMEs: | Small and Medium-sized Enterprises |
| STP: | Segmentation, Targeting and Positioning |
| SWOT: | Strengths, Weaknesses, Opportunities and Threats |
| UAE: | United Arab Emirates |
| UK: | United Kingdom |
| USA: | United States of America |
| UYU: | Uruguayan Peso |
| VAT: | Value-added tax |

1. Introduction

With the increasing globalization of the last decades, new threats and opportunities have arisen for companies that need to operate in a global market. Internationalization for other countries has been the response of some Portuguese companies, such as Vivafit.

Vivafit is an international Portuguese gym chain. This gym is exclusive for women. It's designed for women's workout and wealth. Man and woman have different necessities, bodies, metabolism, etc. And this gym is the leader in Portugal in terms of only-women gym.

Vivafit has started its activity in 2002 and its internationalization process has begun in 2008 in Spain. Currently, Vivafit has 24 gyms around the world and is in 7 countries and is in 3 continents (Europe, Asia and America). Vivafit has 13 gyms in Portugal, 3 gyms in Uruguay and 8 gyms in Asia, spread over 5 countries (Taiwan, UAE, Pakistan, Kuwait and India).

In this context, the research question is what is the internationalization process of Vivafit? Related to this generic question, two sub-questions arise: (i) what has been Vivafit's strategy since the beginning of its internationalization? (ii) and what kind of performance has the company in each country analysed? The method used to answer the research questions was the case study, with 5 main phases: (i) research design, (ii) preparation, (iii) data collection, (iv) data analysis and (v) results. For data collection, previous questionnaires were prepared (attached) and face-to-face interviews were conducted with the company's managers, first and foremost to CEO Pedro Ruiz, but also to Marketing, Operations and Expansion managers; and telephone interviews, as happened with those responsible for IT and Vivafit Carregado. Some interviews were made by mail, after presentation of the study proposal by phone, as were the cases of those responsible for franchising abroad: Vivafit Taiwan, Vivafit Abu Dhabi and Vivafit Uruguay. For secondary data was obtained by some documents and literature review of the company, as well some information obtained through the website. After obtaining the answers and documents, a qualitative analysis of the same and results were obtained.

The distinctive element of Vivafit's internationalization and expansion is franchising. All gyms that Vivafit has been opening are franchisees. The main means of attracting international investors is the company's presence at international trade fairs, advertises, specialty magazines, social networks and through commercial missions.

In this thesis were described 4 strategies used by Vivafit: marketing strategy (segmentation, targeting and positioning), differentiation strategy, offensive strategy and horizontal diversification strategy.

The segmentation of Vivafit is the women's fitness and health. There exists more than one target group, the principal target is for fitter ladies between 45 and 55 years old, but there exists a target for age and for fat mass/muscle mass. In positioning, Vivafit is an only-women gym.

In differentiation, Vivafit (i) is an only-women gym, (ii) is a very familiar gym, where everyone is important and the staff cares about every client, (iii) has been innovative during its existence, Vivafit had the first movement advantage in many occasions.

Vivafit has been an offensive strategy, a dynamic work environment permits the company to be creative and innovative.

Vivafit has been using a horizontal diversification strategy, because the company has multiple combinations of products/services and markets. It is in 7 countries and it has more than one product/service, like the Personal 20 programme, nutrition consultations and the classes.

It was made a SWOT analysis to identify the internal (strengths and weaknesses) and external (threats and opportunities) factors of Vivafit. (i) Its strengths are namely being a gym for women only and constantly innovating; (ii) its weaknesses, which highlight the higher prices of low-cost gyms and its difficulty in implementing in Europe and other developed countries; (iii) its opportunities are in emerging countries and Muslim countries; (iv) and finally the threats are its direct and indirect competitors and the social, political and economic situation of the countries where it is installed.

It was used three instrumental methods, with two variables, and all of them have the same variable "X" (market share). The three models are: BCG, ADL and GE McKinsey matrix. The variable "Y" is: for BCG matrix, the market grow rate; for ADL matrix, the product/service life cycle; and for GE McKinsey matrix, the attractiveness of the market. With the BCG matrix, this thesis concluded that (i) Vivafit Taiwan and Abu Dhabi fit in the question mark's quadrant, they don't have a strong market share but they have potential to grow more; (ii) Vivafit Uruguay fit in the starts' quadrant, it is leader in the only-women gyms in Uruguay and it has a huge margin to grow more; and (iii) Vivafit Portugal is in the cash cows' quadrant, the market share is high but the market grow is low.

In ADL Matrix, (i) Vivafit Taiwan and Vivafit Abu Dhabi in the same quadrant, they have both tenable competitive market share and they are growing, they have potential, so they should maintain the business, or find a niche, or aim to grow; (ii) Vivafit Uruguay is in the growth life cycle stage and it has a strong position, because it is leader in the segment but, so it should cut costs, or being different from the competitors or attack small competitors; (iii) in Portugal, Vivafit has also a strong position but it is in the maturity life cycle stage, they have been having the same number of gyms in Portugal, so it should focus on reducing costs or in differentiation.

In GE McKinsey, (i) Vivafit has a strong position in Portugal but a medium market attractiveness; (ii) Vivafit Uruguay it has also a strong position but the market is very attractive, so in Uruguay there is everything to be very successful; (iii) Vivafit Abu Dhabi has got a weak market share but the market is very attractive, Vivafit should continue to invest in Abu Dhabi; (iv) in Taiwan, it is planning to open more gyms and to grow even more, it is in the quadrant of medium market share a market attractiveness.

From this work some suggestions can be made to improve the internationalization of Vivafit, such as (i) the inclusion of market studies to analyse the expansion to other countries, namely the PEST analysis, (ii) the use of theoretical models (e.g. BCG, ADL and GE McKinsey matrices) that can assist in selecting the most appropriate investments and avoiding unnecessary lapses, (iii) a stronger bet on international missions, so that they may have more influence on the choice of target markets and (iv) reduce staff turnover and train local staff in all countries where the company operates, to have a closer relationship with customers, increase its satisfaction and enable the adhesion of new clients.

In Chapter 2, a literature review will be done on case studies companies' internationalization, to understand the methodology used, the conclusions and their limitations. In Chapter 3, will be presented theories and models related to internationalization, to frame the theme analysed. In Chapter 4, we will present how the data and the methodology of analysis were obtained. In Chapter 5, the internationalization of Vivafit will be discussed and the results of the analysis will be presented. Finally, Chapter 6, we will present the conclusions and suggestions.

2. Literature Review

In the last decades, the international economy has been characterized by a big increase in international trade. In an increasing way, the global market has more priority than the national markets, new spaces of formal integration are created to facilitate de exchanges, new actors and new models emerge. This new framework, although it's a threat to the business survival, it also closes a lot of opportunities. With globalization and the increasing of international competition, nothing is as before, and the companies are looking for new ways of being in the global market. In this way, internationalization has been the word for corporate strategies, not only for the big companies but also for SMEs (small and medium-sized enterprises), (Dias, 2007).

The literature review encompassed articles on internationalization in general, all of them case studies, with the main objective of absorbing the methods used and their limitations. Soares (2014), presented a master's thesis in ISCTE, about the theme "Internationalization of Group Cofina Media – Case Destak/Brazil". The author made a case study and the objectives of the work were: measure the development verified since the launch of Destak/Brazil until the Present; analyse and understand the strategy which the origin of internationalization process was through free newspaper Destak; create relevant information which supports the internationalization strategy of the organization in Brazil or in other markets. For its concretization was reviewed the literature corresponding to the internationalization theories, as well as one evolutive approach and historic of the group Cofina, in the way to make a theoretical and practical framework of the theme. The resolution of the initial questions was solved through the picking and the information analyse available by the organization, revision of the process and elaboration of the interview/questionnaire to senior managers and to the team directly involved on group internationalization. The author concluded that the newspaper Destak had since 2006 a permanent growth in Brazil; the perspectives point to the continuity growth in the following years; the product and business presented very attractive margins for the shareholder; the timing of entry in Brazil was perfect to start the business abroad; the greatest obstacles were economic protection, excessive bureaucracy in a complex political and judicial system; the most important investment decision factors were the cultural and historical affinities that united the two countries, Brazil being an emerging economy with great development potential along with Russia, India and China (BRIC); to counterbalance the conflicts Cofina established a partnership with the Portuguese-Brazilian businessman André Jordan, a knowledgeable of the market and the business;

the success of Destak/Brazil was largely due to the team responsible for implementing the project; the internationalization process of Cofina through Destak/Brazil added value to the group; the positive performance of Destak/Brazil was due to the practice of a balanced management of an innovative commercial policy adapted to the country's reality and a well-established distribution strategy. The author identified five limitations in this work regarding with the methodological instrument (case study), the constraints of the available information, the realization of the work through the origin country (Portugal), the lack of specific literature related with the media's internationalization and the available time for the elaboration of the thesis. The author launched some clues about future investigations, namely quantitative studies of internationalization process of the media involving Portuguese enterprises where it can find in the internationalization process and to evaluate a pattern in the process of internationalization Portuguese enterprises of the media.

Campos (2014), disclosed a master's thesis in ISCTE, entitled "The Internationalization of the Automobile Industry in Europe: The Case of Volkswagen Group, Toyota Motor Corporation and Ford Motor Company". The author used a multiple case study methodology that analysed the differences in internationalization processes followed by the three companies. The answer to the main question was obtained from some sub questions: internationalization strategies used three companies to enter the European market and why; obstacles to internationalization and how they have been overcome; how the internationalization processes used currently influence the decisions of the companies. To achieve this, the literature corresponding to the internationalization theories, mainly the Uppsala model, was revised, as well as an analysis of the global and European Automobile sector to make a better framework. A qualitative research method was used, with interviews to representatives of companies in Portugal and obtaining documentation about companies (Report & Accounts, etc.). He did analytical data analysis based on theoretical propositions, where he related the data obtained with the revised theory, to draw conclusions and answer the research questions. The study concluded that the car's manufacturers internationalized and enter the European market with the aim of expanding their areas of business, increasing their turnover, achieving economies of scale, diluting global costs and absorbing knowledge to expand more efficiently in the future. The automobile manufacturers choose direct export as a method of entry into the European market because the automobile industry has high installation costs. After setting up, it is possible to create a network of knowledge with local distributors and to commercialize

their vehicles through local representatives. For a better control of the activities, manufacturers must open subsidiaries and places of production in several European countries. Companies can also channel internationalization funds for the acquisition of other manufacturers. The last step in the manufacturers' internationalization process involves the development of activities in each market, increasing affinity with local consumers and adopting their strategy in each market. The main obstacles to internationalization are import barriers, laws, technical restrictions and regulations, national competition, physical and culture distance. The main limitation pointed out in the paper was the absence of literature and the interviews were not enlightening to answer why the manufacturers chose to open factories instead of acquiring other smaller brands and this was also the point that the author pointed out for future research.

Christopherson (2007), submitted an article published in *Journal of Economic Geographic*, about the theme: "Barriers to 'US style' lean retailing: the case of Wal-Mart's failure in Germany". The author referred that Wal-Mart had difficulties to focus on the characteristics of the host market (old-fashioned shopping habits). The author reviewed the company strategies' literature as they arose out of company resources, namely emphasizing the importance of looking at trade-offs. This review supported the basis for a deeper look at the case of Wal-Mart's failure in Germany, in terms of German culture and the issues of institutional mismatch and different approaches to retail competition. Lastly, the author proposed that the different conception of company strategies and capacities may involve for their interpretation of the internationalization project. The author took a broader look at the development of a lean retailing model in the USA and after she looked at the Wal-Mart's difficulties faced in entering the market of Germany from a resource angle. The author focused in two resources – the international strategies that rose from those resources and network dominance and autonomy of action. How did she interpret Wal-Mart's failure in Germany principally considering its success in UK, Mexico and Canada? The best practice literature wasn't very useful in clarifying the Wal-Mart's difficulties confronted in Germany. This literature fundamentally considered that Wal-Mart is a very successful firm that is intended to succeed because of its strong market share. When Wal-Mart failed on entering in Indonesia, Korea and Germany, the explanations were basically in the market's characteristics and not the context in which the firm developed its strategies. The questions that emerged in the case of Wal-Mart in Germany were about the internationalization concept itself and the possible limits to the implementation and development of national methods of business

practice in an international context. The case had two questions in particular: 1) whether adaptation problems were lessons learned or whether they were the consequence of political decisions about societal governance, namely about how to spread risks and 2) whether lean retailing and lean production models could be abstracted as best practices from the regulatory regimes in which they arose and with which they spontaneously interact. In this paper, a political-economic analysis is also central to that project and the suggestion is to understand the politics matter of foreign investment return processes, particularly in retail firms.

Patterson (2010), published an article in *Australian Marketing Journal*, entitled “How the local competition defeated a global brand: The case of Starbucks”. The author made a literature review of papers that approached the Starbucks’ growth in the USA and the brand internationalization in other countries. Then, from public data, they analysed the Australian retail coffee industry to understand the existing coffee culture and they made some questions: How well did Starbucks understand the existing coffee culture? Did they under-estimate the related aspect of coffee purchasing in Australia, as well as the quality’s importance of ingredients and the person’s skills making each cup? Did they overrated the value consumers attach to the in-store experience and the “third place” concept? Or did they just look at the statistics according with coffee consumption and think that functioning in Australia was a license to print money? Did they basically see Australia as the following step to international domination? Again, from the literature review, they examined the growth of standards in Australian and then the shopping closure. To conclude, again from the literature review, the author pointed for seven problems of Starbucks trying to penetrate in Australia: 1) Starbucks overrated their differentiation points and clients perceived value of their supplementary services; 2) Declining service quality; 3) Starbucks ignored some main rules of international marketing; 4) Expanding too quickly and obliging themselves upon an unwilling customers; 5) Entering late in a very competitive market; 6) Poor brand promotion; 7) Unsustainable business model. The main lessons learned of this case were: 1) Doing internationalization is risky and Starbucks didn’t do their homework; 2) Think international but act local; 3) Establish a differentiation strategy and the strive to sustain it; 4) Don’t lose sight of what made you successful in the first place; 5) Consider the feasibility of the business model. In summary, the author concluded that it appeared on all the evidence that Starbucks not only miscalculated the Australian coffee culture but also miscalculated the competition level, and they didn’t have success to adapt its offering to the local market.

Cao (2018), introduced an article published in *International Business Review*, named “Business model innovation: How the international retailers rebuild their core business logic in a new host country”. This article enunciated that business model literature has paid less attention to the specific details of processes whereat new business models are “discovered, fine-tuned and adjusted” in one given host country. This study adopted the concept of business model innovation which aims at consciously renewing a company’s core business logic than limiting its scope of innovation on single retail concepts or formats. To evaluate the research questions, they used a multi-case approach, based on comparative analysis of 15 firms. For each firm, they saved the data through semi-structured interviews and documentation. They had 5 steps for this data analysis: they collected the data from the multiple sources in chronological order for each study unit; they undertook the coding process using Nvivo9; they compared the business model of an international retailer between home and host country and wrote the summary for all 15 firms; they were able to identify the key strategic choices and consequences for each unit of analysis; and they based on the results, they classified the routes of business model innovation. Their findings reported six possible ways of retail business model innovations: legitimatizing brand image for the local market; spread the resources within the group, bring knowledge from headquarters; alliance with the local stakeholders; copying the local competitors; innovation for the local market. Besides the innovation for the local market, five of six ways are exploitative business model innovations. From the organizational learning perspective, these six ways can be segmented into three patterns of resource deployment: extension of current knowledge base, embedment with the local environment, and automatic exploration of subsidiaries. The first two patterns (extension and embedment) are exploitative learning in nature, whereas the third patter (autonomy) is explorative. This study had been focused on only in one market (country), namely China. Indisputably the most prominent limitation of only one country study analysis is the issue of external validity or generalizability. This study suggests that the international companies might simultaneously explore and exploit the resources both from the home base of the parent company and the host country environment to rebuild the core logic of their business model in the host market. The author concluded that it’s interesting to study better how to deal with the tensions whilst maintaining this balance and to consider which contextual factors determine the choice and degree of exploration and exploitation of firms.

Hardaker (2018), submitted an article published in *Moravian Geographical Reports*, about the theme “Retail format competition: The case of grocery discount stores and why they haven’t conquered the Chinese market (yet)”. The author used 12 qualitative interviews that analysed eight grocery retailers listed in the top 20 grocery chains in China. The interviews were with high-ranking senior executives of international retailers, but also with retail specialists and consultants, as well as teachers, to receive a more balanced observation of the industry. To do this methodology they obtained 3 questions: why do discount stores, as occurring in Europe, do not exist in China to date; does the grocery discount format have a future in China; what are the main characteristics and challenges of China’s market for the discount format. There are three major reasons as to why the discount format has not gained a foothold in the Chinese market: fierce competition, high fragmentation, the need for strong localisation, as well as infrastructural issues, a high standardisation of the format, as existent in Europe, is not possible for now; the discounter presents an extremely low-margin operation and ambitions for price leadership; the discount format is facing a shortage of consumer acceptance. For future investigation: they suggest continuing to explore the Chinese customer’s perceptions of private brands, as well as their possibly modifying consciousness of retailers such as Lidl and Aldi. It might involve the evaluation of the discount online shops with respect to preparing the ground for a physical discount presence in China’s cities.

Lopes (2014), presented a thesis of Master in ISEG, entitled “Growth and Internationalisation Strategy – Franchising of the Inditex Group”. The main dissertation’s objective was to evaluate the way of how the franchising has been contributing for the growth and the Internationalization of Inditex Group, in what way the enterprise chooses the methods and how they enter these markets. For presentation of Inditex, the author resorted to information that consists in its website, annual reports, and the literature review about the company. They collected observation of Inditex Group from 2002 to 2013 and collected information concerning political, economic, demographic and legal factors in international data bases, like World Bank. In this thesis they had three conclusions: there is a certain correlation between the type of brand and its location; there is no relationship between the type of exploration and the type of brand, but the same is false when considering the location and the type of exploration; location is the most important factor when deciding to expand through franchising or company-owned units. There are two limitations: they only had access to data since 2002 and Zara was launched in 1975, which was the first Inditex brand; regarding the financial analysis of the group,

they couldn't have access to the income statement divided by type of exploration, they had to develop an assumption that might not be accurate. For future investigation, it would be interesting to consider the analysis of the market value of each Inditex brand for costumers. Also, it would be interesting to develop clusters by country and age and try to find out if there is a relationship with the type of exploration chosen. Another suggestion is to ask to Inditex to provide financial data by country, type of exploration and brand.

Burt (2018), disclosed an article published in *International Business Review*, named "A tactical retreat? Conceptualising the dynamics of European grocery retail divestment from East Asia". The internationalization of the organization was a highly dynamic process, in which periods of investment and expansion interweaved with periods of divestment and retrenchment. Empirical studies either evidence generic pressures or provide case studies of specific circumstances. There were few lengthwise studies of international divestment, hence the dynamic interactions between the home market, host market and the company level factors, and how the organizational context changes over time is underestimated. They analysed the reasoning and evolving dynamics of European grocery retail divestment in East Asia over a thirty-year period. They took an inductive access and they draw on analysis of present-day narratives drawn from enterprise documentation, trade journals, newsfeeds and market reports. Three phases could be recognized, characterized by specific indicators which intersected to provide the key pressures and stimuli for divestment. The pioneer adjustment was between 1998 and 2001 and Auchan in Thailand was the last company to exit in East Asia, having a value of sale of €7.3 million. The second phase was between 2003 and 2008 called "resistance and market consolidation" and the company that had more sales in market was Ahold in Thailand, and it exited in 2004. The last phase called "reconfiguring the global firm", was between 2012 and 2016 and Tesco and Carrefour were the most successful companies but they both exited. They concluded that at distinct periods of time, distinct external and internal contextual influences manifested themselves through different priorities within the company's strategy – marked by a switch from host market, to regional, to global organization-centric considerations. Longitudinal analyses allowed a better recognition of this dynamic interplay of indicators, and the changes in these relationships, and provided a more nuanced understanding of the international divestment process. For future investigations, they suggested that variety, variation and the necessary dynamism of being incorporated in future studies about international investments and divestments.

To conclude, I conducted a literature review based on eight articles, three of them were Portuguese authors and the remaining were foreign authors, which their articles were published in scientific journals. The Portuguese articles were master's theses, two of them from ISCTE and the other one from ISEG.

All the articles were case studies about internationalization. Of eight articles, five of them referred to case studies about companies or a group of companies (Cofina; Volkswagen, Toyota and Ford; Walmart; Starbucks; Inditex), whilst the other three were about global analysis of a sector, in this case the retail sector, the one that more case studies were identified. One of the articles analysed the internationalization of a business group through franchising. Five of them reflected their analyse in successful internationalization cases of a company or sector, while the remaining were about failure or divestment in internationalization process.

The literature review's goals were numerous, but it can be divided in the following steps: analyse the evolution of the internationalization process of a company, from the beginning until the present; analyse and understand the internationalization strategy of a enterprise; create relevant information that helps the internationalization of other organizations for the same geographical market; create relevant information that helps the firms' internationalization for other markets; analyse and compare the internationalization process of a enterprise group for the same sector; identify how the internationalization process influences the company's decisions; understand how the companies adapted to the country's specificities; understand how the franchising has contributed for the internationalization growth of a business group.

All the authors utilized a qualitative analyse to obtain data with a view to this analyse and conclusions. They did: literature review about the companies and their internationalization; company's historic review, group or sector; obtaining other information about the enterprise, group or sector (for example, Report & Accounts, enterprise's website, business journals, market reports) and analyse of the same; obtaining information about the business sector through the international reports (for example, in terms of policies, economy, social-cultural, technology, environment and legal); obtaining information about the business sector in its host country; comparative analyse between the corporate strategy in its country and host country; comparative analyse between the internationalization strategies of various enterprises for the same market; elaboration of a quiz to be answered by the directors and responsables for internationalization, as well as by consultants, teachers and other specialists in

internationalization, generally semi-structured interviews, a method that consists in developing a interview through a guide with well organized topics, leaving the interviewee the freedom to use the time and words as he wishes.

The conclusions differ from case to case, right on time we had internationalization processes that were well succeed and others that had failures or the companies needed to disinvest. Some articles concluded that the internationalization had in mind to expand the activity, increase the results, obtaining economies of scale, dilute overall costs and to enjoy the existing knowledge in a company. Some studies referred difficulties on entering or to adapt in a country, as economic protection, the competition among companies had already been installed, the cultural and physic distance and the complexity of the legal and regulatory system.

Some limitations were felt by the authors of the literature review, and the limitations were: lack of literature about internationalization of business sector; difficulty of getting some necessary information for the study; the analyse was made from the country of origin, without moving to the host country.

3. Internationalization

The Internationalization can be defined as an increasing process of the operations' involvement that surpass borders between different countries (Welch and Luostarinen, 1988), or as the development of business relations' network in other countries through expansion, penetration and integration (Johanson and Vahlne, 1990).

Internationalization has several advantages and the most important ones are:

- To gain more international experience and to learn more (Kobrin, 1991);
- To have access to cheaper resources in external markets, like labor, technology or specific competences of a country (Doz et al., 2001; Porter, 1990);
- The economies of scale resulting of a larger and more varied geographical presence, that origin of a costs' dilution, namely administrative, search and development costs (Contractor et al., 2003);
- To have a better capacity to control the competitors, markets and profit opportunities in a world level (Contractor et al., 2003);
- To have better capacity to reply to international customers derived by a closer physical proximity, which favours the logistics efficiency and it provides a better knowledge in terms of external markets or of their local cultures (Cyrino and Barcellos, 2006).

It is an advantage to internationalize the competitive advantages of a company and, with this, to expand its activities for one or more external markets (Buckley and Casson, 1976 and 1988).

The companies should conduct a marginal analysis of each market, to reflect the benefits and the costs that they will internationalize markets until the costs of a new internationalization exceed the benefits (Buckley, 1986).

For Buckley and Casson (1976), the market must be chosen based on these four factors:

- Specific factor for each industry;
- Specific factor for each region (production's cost, geographical distance, etc);
- Country's specific factors;
- Company's specific factors.

Regarding the risks and the disadvantages of internationalization, it has been identified by the specialized literature the following expenses:

- The cost of being a foreign company, which there are lack of knowledge and difficulties in terms of culture of each country (Zaheer, 1995). According to Ghemawat (2003), one of the biggest problems is the distance between countries, not only in terms

of geographical distance, but also in terms of culture, management and economic differences;

- The increasing of overall costs of management and coordination, as a result of the increasing complication and variety of international operations, enhancing the use of existing resources and demanding new specialized resources (Cyrino and Barcellos, 2006);
- Liability of newness, which includes the acquisition costs and equipment installation, as well as the costs of establishing systems internal management and external business networks (Lu and Beamish, 2004).

For Shaw and Darroch (2004), the biggest problems when an enterprise wants to internationalize are the financial barriers, management barriers, market barriers, specific barriers of the sector and barriers of each company.

3.1. Theories of internationalization

3.1.1. Theory of absolute advantage

The first theory that explained internationalization was the absolute advantage theory, which was developed by Adam Smith in 1776.

This concept was based in the trade between countries and it defended which country should focus its production strength in the production of goods which it would result in an absolute advantage comparing with the other countries (Smith, 1776, edited by Soares, 2007). Adam Smith defended that which country should specialized in the production of goods that required less costs of production. In the other hand, the goods that they hadn't this advantage, which means an absolute disadvantage, they should be imported to countries where it would be possible to have an absolute advantage.

In this way, with the specialization of goods it would be possible to have an absolute advantage, with an increasing of countries' wealth (Smith, 1776, edited by Soares, 2007).

3.1.2. Theory of comparative advantage

The first person to question the theory of Adam Smith was David Ricardo in 1817. This author said that a country doesn't need to have absolute advantages in terms of goods' production comparing to other countries to obtain benefits and advantages in the international exchanges.

The comparative advantage theory fixes a production pattern, which makes that trade between various countries will make the difference in the labor production, maximize the production and increasing the efficiency of goods transacted, which makes the countries more competitive. In this way, the countries will export produced goods efficiently and importing produced goods inefficiently.

3.2. Foreign direct investment (FDI)

From the late 1960s, the main theories about FDI has gained importance with methodical studies by Kindleberger (1969). The author pointed out that the existence of FDI in goods and services was tested namely due to the imperfection of the markets and their structure.

Caves (1971) argued that FDI was essentially connected with production differentiation, the market knowledge and the barriers to entry of new companies.

Hymer (1976) contended that the enterprises to compete in the local level they should have a type of competitive advantage. These studies developed by Hymer, Kindleberger and Caves, they passed to be named HKF. For these authors, the multinational company needed some specific assets to be able to compete with local enterprises and the investment in external markets was due to two factors:

1st – The **markets' imperfection** and the enterprises' homogeneity:

- Economies of scale which are characteristics of oligopoly markets, where are the multinational companies;
- Differentiation between production processes, products and marketing policies;
- Governmental policies: taxation level, unique factors such as registration of patents.

2nd – **Companies' competitive advantages**: in terms of financial, technological, management, marketing or production level, resulting mainly from market failures. These advantages allow to the companies in the local markets.

There are other factors that are important for when a company is deciding to invest in an external market. The distance advantages must be determined: the distance, the transportation cost, the inputs, the barriers to importation and an adequate infrastructures network. One of the best theories to explain the localization advantages is the Product Life Cycle Theory.

3.3. Product Life Cycle Theory

It was developed by Vernon (1966), this theory helped to explain the investments that were made by United States in Europe and in the countries where the labor presented lower values than the original ones (Buckley, 1976 and Ghauri, 1992). The Product Life Cycle Theory is an important theory when it is referred to the localization's advantages of a company in the external market.

Vernon defended "... the companies are stimulated by their environment and they are more open to innovate when this is more appropriate to create new techniques or products."

The Product Life Cycle Theory has three important steps when it's going to create a new product: introduction, grow and maturity. In total there are five stages: introduction, growth, maturity, saturation and decline.

The initial ideas are:

- Circulation of limited information in several countries;
- Production process based in economies of scale;
- Commercialization of the products in time and space;
- Existence of a temporary technological monopoly in the external market;
- Changing perceptions versus an increasing income;
- Changing the production factors.

This theory has 3 distinctive phases:

- 1st Phase: Production in a developed country and exportation for developed countries;
- 2nd Phase: Investment in external market;
- 3rd Phase: Investment in less developed countries.

From 1977, the Product Life Cycle Theory is changed. Vernon (1979) presented a new version for this model, where it starts to classify the multinational enterprises according to their stage of development:

- Innovation-based oligopolies

In these organizations, the level of Investigation and Development (I&D) is huge, the level of unqualified workers is low. There is a permanent concern about launching new products and improve the existing ones. These are one of the solutions to create barriers to the entry of new competitors.

- Mature oligopolies

These companies create alliances which they will have more stability. They try to ensure the market through the introduction of barriers to entry, exploring economies of scale and to guarantee its position through the experience of curve effect.

- Senescent oligopolies

In this stage of development there is a tendency to relieve the barriers to entry. The enterprises tend to enter in new areas of businesses or to transfer the production to geographical areas where the production costs are reduced.

3.4. Uppsala Model

The “Uppsala Model” was a method that innovated the internationalization process of companies and it was developed by Swedish researchers called Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), and the name of the article is “Uppsala” because it was created in this University.

The model was also influenced by the work of Swedish manufactures named Penrose (1959), Cyert and March (1963), Aharoni (1966), Vernon (1966), and Zohari (2008). The study was reasoned in internationalization process of numerous Swedish companies, where the study registered and studied the method of how companies established the markets and entry strategies of internationalization (Chiavegatti and Turolla, 2011). These two authors gave more importance to internationalization process than their respective forces that operate during the referred process, which motivates the firms to internationalize (Weisfelder, 2001).

The Uppsala Model indicates that an enterprise’s internationalization as a learning process in which the referred enterprise invests the resources in a permanent and progressive way to achieve knowledge about a certain international market in an incremental way. With this definition is possible to conclude that an organization develops in a certain market in a gradual way, bases in knowledge of business and target market, and once they exercise this method, in theory the risks and uncertainties decrease (Johanson and Vahlne, 1977).

This model can also be an internationalization process model, having the same reason when an enterprise perceives that its possibilities to develop and expand in internal market are limited (Campos, 2014).

Another characteristic that a company needs to have when it decides to internationalize is the psychic distance. This distance is more than a mere physical distance between two countries, it also cares about the differences between values, strategies and cultures between the company’s country and the target country to internationalize. In this study, it was ascertained that companies tend to expand their business and to create relationships to countries that are geographical and cultural closer to their country (Johanson and Vahlne, 1977).

According to the case of internationalization, the concept of physic distance can be useful if the same has a more holistic approach, which analyses the industry, the firm in individual levels, whereby if the concept will be used in a uncritical way, forgetting this type of approach, the results of the firm will be achieved (Andersson, 2004). To conclude this reasoning, the more a firm knows the culture, the values and the management techniques of the other country, the more will be its market knowledge and it will have capacities to have a successful internationalization (Forsgren, 2002). There exist four steps to enter in an international market and for Hollensen (2007), these four steps are represented in the Table n° 1:

Table n° 1 – Company’s Internationalization

| Market (country) | Mode of operation | FDI (foreign direct investment) | | |
|------------------|-------------------|-------------------------------------|--------------------------------------------|---------------------------------------------------------------------|
| | | No regular export (sporadic export) | Independent representatives (export modes) | Foreign sales subsidiary Foreign production and sales subsidiary |
| Market A | | | Increasing market commitment → | |
| Market B | | | | |
| Market C | | | | |
| Market D | | | | |
| ⋮ | | | | |
| Market N | | | | |

Source: Hollensen, 2007, adapted from Forsgren and Johanson, 1975

Step 1: Irregular export activities;

Step 2: Export via independent representative;

Step 3: Sales subsidiary such as licensing or franchising;

Step 4: Foreign production/manufacturing.

The first step is the irregular export activities. This is the first step when a company wants to start its internationalization process. For Malhotra et al. (2003), this step happens when the organization is already in the maturity phase. After, they start to export via independent representatives in the external market in a phase of greater standardization of their products, however, there isn't a huge concentration in foreign market, whereas the change between the first and second step occurs in a short time. For Kahiya (2003), the exportation is a method that requires a smaller and more appropriate investment to the beginning of company's internationalization. Nevertheless, this method has some obstacles, such as: huge transportation costs; international competition; price and promotion of products; among others less important. These obstacles lead the firm to increase its internationalization, being the foreign direct investment (FDI) a solution.

For Malhotra et al. (2003), with internationalization method through representatives of the external market, it's possible to produce their products in the external market, but only in the introduction stage of the product life cycle. With this market knowledge that firm has been acquiring, the firm can also understand the growth margin. In positive examples, normally the companies advance for FDI (Conconi et al., 2014), creating sales subsidiaries to foreign market, to produce directly in the target internationalization market, without resorting to joint ventures or contracts with local enterprises (Chang et al., 2013). This FDI's phase happens in a phase of advanced product standardization and when company has the global strategy more concentrated, deleting the localization or demand risks. To move to FDI, it requires a better control capacity of their activities, whereby the capacity is vital for the timing of export through representatives' change to FDI (Malhotra et al., 2003).

For Hollensen (2007), as these sequential steps are taken into account and to be followed, the commitment with the external market will increase, rooting the enterprise in this market. For Forsgren and Johanson (1975), if the same enterprise develops the same steps in distinct markets, it will increase its international presence and, therefore, its geographical diversification.

Johanson and Vahlne (1977) had a conclusion: with an increasing of the market commitment and, simultaneously, with an increasing of geographical diversification, it will be verified an increasing in the level of enterprise's internationalization.

This trend was verified by other studies, namely Larimo (2003), who studied the internationalization process of two Finnish companies, where the companies begin their internationalization to closer countries in terms of geographical and cultural point of view. In a near future, these companies could realize their external operations in more distance countries in terms of cultural and geographical point of view. In second place, these enterprises begin their activities in external markets through exportations of models which, consequently, they will develop progressively for other more demanding operations models, as a creation of sales subsidiaries (Larimo, 2003).

For Hansson et al. (2004), the internationalization process will always follow the steps referred in Table nº 1, except the three specific cases:

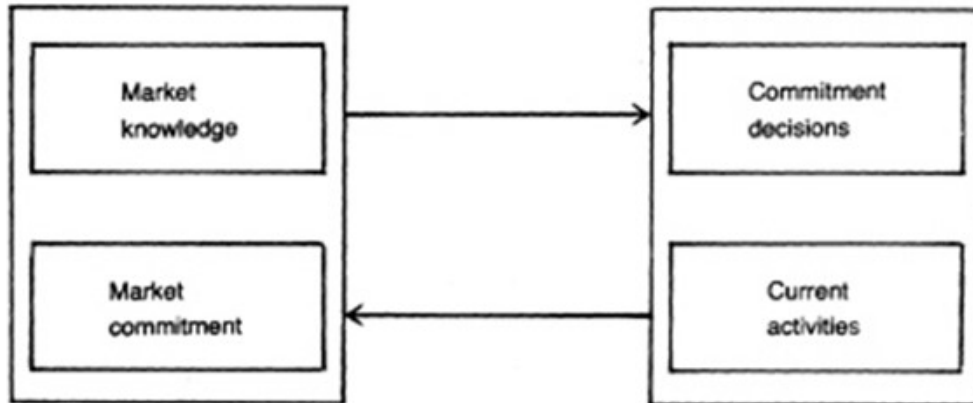
- In every time that a company has substantial resources and the consequences of the market are lower, the company can start the process of internationalization in a faster way;
- When the market has stable and homogeneous conditions, the knowledge of the market can be obtained in other ways instead of acquiring only by experience;
- Or if the enterprise has a huge experience in markets in similar conditions and it can be generalized this experience and it could be applied in a target market.

However, as well as the authors of Uppsala as Larimo (2003) assert that, executing these three presented cases, not all companies follow the four steps of internationalization. However, the companies that develop these four steps and do for an increasing number of international markets, they will obtain a more complete internationalization. This model was developed in 1977, and it was basically based in the limited rationality and uncertainty and, it had only mechanisms of change. The first point is that the company develops through learning of its own operation experiences, of current activities, in the external market. The second one is that change is only verified through commitment decisions that fortify company's position in external market (Figueira-de-Lemos, Johanson and Vahlne, 2011).

The enterprise's experience in internationalization will develop its knowledge in this same market and this knowledge will influence the decisions about company's commitment for this market, as well as the consecutive growth of the same. With this

results a bigger commitment, which in turn will lead to a bigger knowledge. As we can see in Figure n° 1, the model is dynamic.

Figure n° 1 - The basic mechanism of internationalization: state aspects and change



Source: Johanson and Vahlne, 1977

However, in 2009, the same authors from the original Uppsala model, Johanson and Vahlne, published a model revision where they ratified some failures and add new points according to the society and the companies nowadays.

The new proposal considers the networks as a relevant dimension and it has a big influence on the selection of external market, as well as about the way of entering in referred market. The original market, the networks have already influenced the internationalization, but it wasn't deepened the way as these networks were created, not even if it was considered the structure of the same country, or in another countries, where the enterprise intended to enter (Johanson and Vahlne, 2009).

The reviewed version affirms that the relations development is a bilateral process – or even multilateral. In other words, this involves two or more parties that learn the interactive way and that assume a mutual commitment for the relationship, to internationalize and for their success (Johanson and Vahlne, 2011 and 2013).

It is given an important attention to the relationship development work, since the result is a significant investment and it is an important resource for the organization. Developing relationships is basically an informal process. As the relationships are built in an essentially social way, it's possible to certificate that the bigger the psychic distance, the more difficult is the creation of new relationships – called the liability of foreignness effect.

The main conclusion is to extract the importance of networks business relations and their simultaneously creation and development of both learning and commitment and confidence, which are crucial elements of internationalization process to Uppsala Model (Chiavegatti and Turolla, 2011). Having this information or the internal knowledge (insidership), it's a necessary condition but not enough to the successful business development. On the other hand, the lack of external business knowledge (outsidership), makes it impossible the good business development, hence the networks of relationships that an enterprise establishes with others based in external markets are so important for internationalization process (Johanson and Vahlne, 2009).

3.5. Eclectic Model

Another theory to explain the process of internationalization of a company is the Eclectic Model, presented by John Dunning in 1977, but it was developed before in the decade of 50 (Dunning, 1988 and 2001).

It can also be named OLI Model, being this an acronym of *Ownership*, *Localization* and *Internationalization*. This model focus in these three factors.

The main prerequisite is that the enterprise should have competitive advantages on its region. With this can compensate the disadvantages (Grubel, 1977).

The advantages of ownership (O) and localization (L) are a necessary condition but not enough to explain the FDI. These advantages should be complemented with the internationalization (I).

As we can see in Table n° 2 on page 21, the advantages of this model are:

- Ownership's advantages: For Twomey (2000), the advantages are the management skills, production's techniques and economies of scale. For Gulamhussen (2009), the advantages are the ones that are possible for the company competes in the target market of its investment. This author also refers the currency of the countries. A strong currency allows to have an advantage to other countries that don't have the same coin or a strong coin, which reduces the transaction's costs.
- Localization's advantages: Twomey (2000) says that the advantages of this factor are the raw material, low salaries and special taxes or rates. For Gulamhussen (2009), the localization has influence in the external markets' level, in transportation's costs, in barriers and commercial practices.

- Internationalization's advantages: Twomey (2000) says the advantages focus in the company's production abroad and not to make partnerships, like the licensing or joint ventures - it's an agreement between two independent companies that they decide to make a new enterprise: a legal entity with its own social capital. For the company are allocated the necessary resources, with the goal of operating in an effective way, and to receive in return results for this activity, being subject to the strategies of the parent enterprise (Benavides-Espinosa and Ribeiro-Soriano, 2014). In the other hand, Gulamhussen (2009) articulates that the internationalization's capacity with the connected benefits with the property and to avoid the risks and the transportation's costs in the exportation are factors that promote the multinationalization. The company will have more advantages for the internationalization process, due the market imperfections, if it explores the specific advantages instead of trying to transact them (Buckley and Casson, 1976 and 1988).

Table N° 2 – Comparison with the OLI's advantages with the main ways in external market

| Source: <i>Dunning (1981)</i> | | Categories of advantages | | |
|----------------------------------|-----------|--------------------------|----------------------------|-----------------------|
| | | Ownership advantages | Internalization advantages | Locational advantages |
| Form of market entry | Licensing | Yes | No | No |
| | Export | Yes | Yes | No |
| | FDI | Yes | Yes | Yes |

Source: Dunning, 1981

The table n° 2 compares the three main ways to enter in external markets – licensing, export and FDI – crossing them with three advantages: ownership, internationalization and localization (Dunning, 1981).

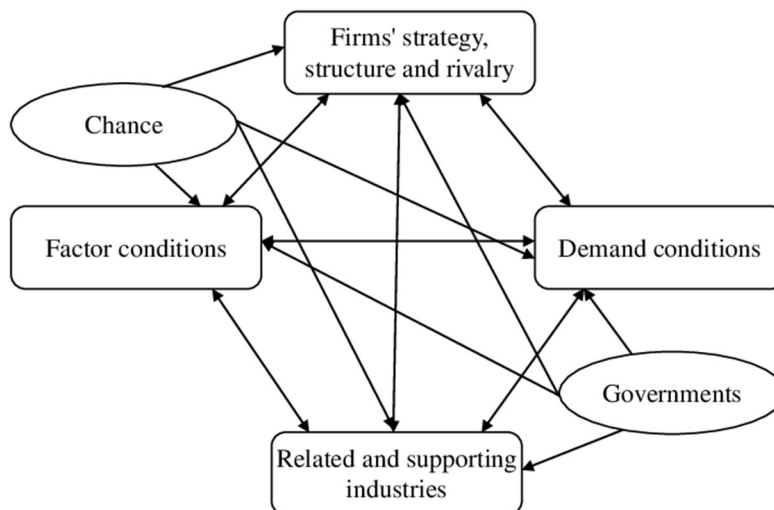
The author says that the most advantageous way for internationalization is the FDI because it's the only one that has the three advantages OLI. Looking for the licensing, it only has ownership advantages, but at the same time it needs a lower investment than FDI, because it is an agreement that the licensing company only concedes the rights of the intangible property to another entity for an established period of time, receiving in return licensing royalties (Hollensen, 2007).

In terms of exportation, it has internationalization and licensing advantages but, as the licensing, it cannot benefit the localization advantages because the company would export its products and it wouldn't take advantages of the raw material, special interest rates, which is an option that has a lower investment than FDI.

3.6. Porter Diamond Model

Michael Porter (1990) developed a model that is known by the Porter Diamond Model (as it's shown in Figure n. ° 2), which it explains the main factors for a company success, how they can compete against other companies. This can be resumed in four distinct categories that are correlated to each other, aligned with four categories of support that are related with the four main categories, but not with each other. The four categories are:

Figure n° 2 – Porter Diamond



Source: Porter, 1990

- Firm strategy, Structure and Rivalry: In the situation that the enterprise is formed, managed and organized, as well as the internal rivalry has a huge impact in the internationalization process of the same;

- Demand conditions: This category has three important attributes. As Porter said, the composition of the buyer's necessities, the size and growth pattern and the mechanisms by which the internal preference is communicated to foreign markets;
- Related and Supporting Industries: The demand finds in the country of internationalization, competitive industries and which can act as direct or indirect support of the company that it's internationalizing;
- Factor conditions: In here it's included the natural resources, the labor, the capital and the infrastructures of the region or country.

The two support categories that influenced of the remaining four are the "chance" and the "government". Acts of invention, wars, significant modifications in the financial markets, important technological discontinuities and many others can be "chance" category and they continue to have influence in the national and international competitive advantages. Regarding to the "government" category, the protectionists laws, policies of external relations and the fiscal policies can have a decisive advantage in the same categories, and they cannot be controlled by the companies.

3.7. PEST Analysis

The general environment can be defined as the set of structural aspects capable of influencing the different industries that operate in a certain country, therefore, is constituted by those forces or environment's variables that exercise their mastery over the strategy to be followed by the companies, but in a generalized way for all enterprises (Andion and Fava, 2002).

According to Teixeira (2011), the conjunct of variables that integrate the macro business environment is normally grouped for analysis in various segments. The analysis of the general business environment's variables is assigned the name PEST analysis.

This is a method of analysis that allows to detect which are the external influences exerted about the organization, both in the past and future terms. In the future, the study of factors might become essential for the continuity of organizations, possess attributes to deal with adversities that would, on the other hand, not have been detected (Trends, 2005; Abhishek, 2013).

The PEST acronym refers to the four set of variables to be analysed: political-legal (P), economic (E), sociocultural (S) and technological (T) variables.

The analysis of the environment's political-legal variables has the obligation to make known the type of governance, stability, government attitudes as well as political industry, especially regarding the degree of intervention / regulation, the proposals and positions of various political parties, the balance of power between them. With regard to the legal aspects, it is fundamental to dominate the commercial, fiscal and labor legislation and the way it influences the activity particular in the industry in which we stand or we admit to situate (Abhishek, 2013).

The analysis of economic variables in the macro environment gives information about the distribution and use of resources from a region or country. The relevance of this variable stems mainly from the fact that the consumption patterns of a country or region are largely influenced by the trends - balance of payments, employment, exchange rates, interest rates and inflation, possibility of credit, fiscal and monetary policies, consumption patterns, income levels available, among others (Teixeira, 2011).

The sociocultural factors of the general environment comprise the characteristics of the society in which the company develops its activity, mainly in terms of values and lifestyles of the its members. This variable should highlight the aspects related to the age and sex, or in terms of geographical distribution, mobility and levels of education. Other aspects that cannot be overlooked are for example the percentage's growth of women in the labor force and also in places of changes in birth rates, increased longevity of lifestyle related to growing concern about health, well-being and appearance of people, among others (Koumparoulis, 2013).

The technological components of the environment are intended to technologies and their effects on the most diverse companies, consumers and producers in the most diverse business areas and society in general, and its implications for the strategic choices have to do. It should be noted that all changes in technology affect the products available to consumers and their functionality. The analyst throughout his or her task should identify and monitor the effects of technological development and its influence on the competitive strategy (Teixeira, 2011).

3.8. Franchising

Franchising is a contract that requires the existence of a business format, which is granted by franchisor to franchisee, for this explore under rules previously defined and these rules are the same for every franchisee (Young et al., 1989).

Foster (1995) affirms that franchising is the way of buying or selling a franchise. When a company buys a franchise, a continuous relationship emerges between franchisor and franchisee. The franchisor's knowledge, franchisor's image, franchisor's success, franchisor's production techniques and franchisor's marketing, all together, it's provided to the franchisee, through a remuneration.

Franchising is used when a firm intends to enter in a fast mode, with a business model already experienced, with examples of visible success (AICEP, 2013).

According to Teege (2000), the franchise has most of its business at the service sector. The presence in this sector can be associated in two fundamental factors: on the one hand the economic globalization, on the other hand the idiosyncratic characteristics. According to the first one (globalization), this approached the tastes and living standards, developing true global segments which facilitates the internationalization expansion of certain activities. The second factor is that access to services is almost always associated with its provision, which requires a physical presence in the market per part of the same service provider.

There are four theories related to franchising prospectively, specifically resource scarcity theory, agency theory, resource base view theory and screening theory. These theories have been used by various researches to help clarify the requirement for the progress of sustainability management (Saharum, 2017).

Resource scarcity theory suggests that franchising is utilized as a method for conquering asset requirements, namely human capital and budgetary (Norton, 1988). Agency theory focuses on issues relating to advantage and control within the principal agent (Brickley and Dark, 1987). The resource base view theory emphasizes on issues, identify opportunities for better use in terms of resource and capabilities and screening theory concentrates on issues explanation of royalties, fees and specific investment attracting competent towards the franchising system. (Kirby and Watson ,1999; Combs, Michael, and Castrogiovanni, 2004).

3.8.1. Resource Scarcity theory

According to Oxenfeld and Kelly (1969), when a franchisor needs to gain access to financial, the best solution is the Franchising, with the cheapest source and resources at low cost. This theory describes that some new ventures choose franchising rather than chaining as a means of growth.

This theory suggests that franchising is utilized as a method for conquering asset requirements, namely human capital and budgetary (Norton, 1988).

Franchising is a quick way to expand a new venture with little upfront capital inasmuch as franchisees offer their own capital for the franchises. Generally new ventures don't have the access to ultimatum financial markets (equity, loans and bonds for example), so franchising is a good and an important solution. Startups are not able to obtain earnings to expand, given their commitments to initial investors who maybe want a quick return of the investment (Combs and Ketchen, 1999).

Shane (1996) claims that the shortage of the local knowledge needed for expansion it is provided maybe by the new ventures, or it might be difficult to attain the human resources needed for chaining. With franchising, the part that takes more risk of expansion is the franchisees.

Stanworth and Curran (1999) argues that a problem with early franchising is that franchising entrepreneurs might not be able to give adequate lessons (training) to franchisees and maybe they are not able to control them effectively, generating the potential for lower quality growth.

3.8.2. Agency Theory

The empirical point of view in this theory is that even when a company has lots of resources, they use franchising. Franchising gives additional advantages to the franchisor, which are not explained in the Resource Scarcity Theory (Diaz-Bernardo, 2012).

Brickley et. al. (1991) claims the Agency Theory explains that when there is a partition between the manager (the agent) and the property (the principal), there exists an agency problem, it means that the property is always uncertain about the behaviour of the manager.

An indisputable question given by franchising is that the franchisee is the proprietor of their unit (Hunt, 1977). "Franchisees operate efficiently because they have a piece of pie" (Bradach and Eccles, 1989; 114). Franchising business format

is in the interest of both franchisee and franchisor so, once franchisee has their personal interests, franchisor won't have monitoring costs checking franchisee's effort and behaviour. It's facultative to reduce monitoring costs that would occur to avoid dodging and exaggerated consumption of leisure in enterprise ownership – agency costs (Diaz-Bernardo, 2012; Ehrmann and Spranger, 2005; Rubin, 1978; Shane, 1996).

Agency Theory advocates that franchised chains collect a mix of company-owned and franchised structures will expand to be fully franchised companies (Martin, 1988).

This theory advises that older and larger franchising networks will use more and more franchised units in order to guarantee their sustainable growth (Alon et al., 2008).

3.8.3. Resource-Based View

Resources should be understood “as tangible and intangible assets that a company use to generate and implement its strategies”, and capabilities as “a resources subdivision that allow a company to have advantage of its resources” (Barney and Hesterly, 2007).

To Barney and Hesterly (2007) explain how two enterprises work at the same area and they have different results, there are two basic suppositions about the resources and capabilities of companies' control:

- 1st case: Resource heterogeneity and resource immobility. In this case, some authors claim different companies can have different groups of resources and capabilities, even they are competing in the same area. The heterogeneity of resources means that, for a specific activity, there are some companies could be more competitive in doing certain activities than others.
- 2nd case: The main question is regarding with time, the differences between capabilities and resources can be sustained by the companies. It can occur and it could be very expensive for the enterprises, without resources or capabilities, to develop or acquire them.

By this way, on considering these two suppositions, it can be possible to explain because some companies can be better than others, even they are all competing in the same sector.

For these authors, resources and capabilities can be in terms of finance, physical, human and organizational.

3.8.4. Screening Theory

A better explanation of the franchising fee is the Screening Theory (Dnes, 1992a, b). This theory fixed fees and investments have a screening duty by attracting competent franchisees. The greater the initial fees and specific investments, the more likely franchisees with high business competences are chosen. In addition, there is another explanation of the initial fees are given by transaction cost model of Klein (1980) and Williamson (1985). They show that the initial fee serves as a prisoner in the franchising relationship. The payment of the initial fee precludes the franchisee from ex post opportunistic behaviour, namely, from expropriating almost all value produced by the franchisor's system-specific assets (brand name capital). Experimental results sustain the positive approaches. Galini and Lutz (1992) developed a signalling theory of franchising. This model aims to promote to possible franchisees. High (low) variable fees and/or high (low) number of franchisor-owned outlets serve as a device to signal high (low) quality investments of the franchisor in his brand name. Experimental results don't sustain this theory (Lafontaine, 1993).

4. Research Methodology

Bello (2004) defines methodology as a thorough, detailed, rigorous and accurate explanation of every action involved during the research work. It is the explanation of research type, of used instrument (quiz, interview, etc.), of estimated time and of everything that was used during the research work. The scientific work methodology, according to Freitas and Prodanov (2009), should be defined as a facilitator element of production and knowledge, a tool capable of understanding the research process of answers and the own process of positioning, properly, with pertinent questions.

4.1. Case Study

Rocha et al. (1998) and Mattar (1996) advocate that the studies related with internationalization process of enterprises should be approached through the Case Study since this methodology can offer significant insights to address the lack of specific literature about the theme. For Runeson and Höst (2008) this methodology has as structural basis the field work, this is the best way to investigator understands how the phenomenon relates and interacts with the reality where it inserts. For Yin (1994), Case Study is an empiric method which objective is based the investigation of a contemporary phenomenon in its natural context, where the investigator doesn't establish any influence on it not being able to control the events.

Soares (2014) said the case study has a method to be followed, which is characterized by flexibility. The investigation work is composed by five independent phases. The conjunction of these phases are:

- Research design;
- Preparation;
- Data collection;
- Data analysis;
- Results.

4.2. Research design and Preparation

At the beginning of the investigation, together with the Supervisor of my thesis, I designed and I prepared the investigation. It all started with the theme's choice, the internationalization of a Portuguese company, moving on to the company's choice, a choice that came to Vivafit, and finally to the research questions. After we chose the

methodology that we understand to be able to give a better answer to the research questions, the case study, and we reviewed the literature of other case studies and internationalization theories. Finally, I made a schedule of all the research and I presented all these steps with the delivery of the “Project of Pedagogical Case Study”.

4.3. Data Collection

The difference between documental and bibliography research is that the first one has documented sources that haven't yet received an analytical treatment, and the second one is used to substantiate the contribution of various authors (Freitas and Prodanov, 2009).

According to Quivy and Campenhoudt (2008), they defend that this type of methodology is especially adequate in analysis situations of macro-social issues, the organization changing or the case study of ideologies, of value systems and the culture. Quivy and Campenhoudt. (2008) argue that is during the observation phase that it is building instruments that can produce or collect prescribed information by the indicators. This observation can be direct or indirect. The direct observation is the one that the researcher himself proceeds directly to the information collection, without being address the interested parties. The indirect observation the investigator addresses the same parties to obtain the information. To answers to the questions, the person intervenes in the information production, whereby it will make it less objective.

At the same time, there exits two types of available data to collect: primary data, which means that document doesn't exist anywhere, it was extracted by the researcher, for instance by interviews; and the secondary data, that are obtained through documents or bibliographies already published (Freitas & Prodanov, 2009).

To do this research I needed the help of some Vivafit's key people. I used as primary data face-to-face interviews (all of them were made in Vivafit's office, in Amadora), conferences calls and emails.

Face-to-face interviews:

- CEO: Pedro Ruiz;
- Marketing Director: Débora Muro;
- Operation Director: Alexandra Nédio;
- Expansion Director: Filipe Jorge.

Conferences calls:

- IT Director: Pedro Rodrigues;
- Vivafit Carregado: Vanda Lopes.

Emails:

- Vivafit Taiwan: Andrew Tratz;
- Vivafit Abu Dhabi: Otima Bhanot;
- Vivafit Uruguay: Ulises Fontanini.

The secondary data was obtained by:

- Documents and literature review of the company, as well as information acquired through the website (<http://www.vivafit.pt/>);
- Franchisees surveys done by Vivafit: Vivafit Odivelas Colinas do Cruzeiro and Vivafit Damião de Góis (Porto).

A semi - structured interview with a pre - defined script was given to each one of the persons indicated, as shown in the annex, which gave each interviewee the possibility of responding with complete freedom

4.4. Data Analysis

The Data Analysis will be carried out with emphasis on a thematic analysis, more precisely, of evaluation, focusing on the judgment formulated by the speaker, being calculated the frequency of judgments (or evaluations), as well its direction (positive or negative value judgment); and in a categorial analysis, where it is calculated and it compares the frequency of certain features previously grouped in significant categories (Quivy and Campenhoudt, 2008). In this context, Freitas and Prodanov (2009) sustain that researches tend to analyse their data inductively. The process and its meaning are the main focuses of approach.

After the first selection, with the necessary data and information for this work, we have the data analysis for the case study of Vivafit. It is a qualitative approach, since the search is realized directly in the environment where it occurred the problem and it is the direct source of the data analysis, but as well as through the documentation evaluation belonging to Vivafit.

4.5. Results

To obtain the results and conclusions, I made qualitative analyse of literature review, interviews and enterprise documentation based on internationalization theories.

5. Internationalization of Vivafit

5.1. History of Vivafit

Vivafit has begun its activity in 2002 and its first gym was implemented on January 6th, 2003, in Oeiras. Vivafit is the only chain of only-women gym in Portugal, so they don't have competitors in Portugal which make Vivafit having a dominant market share in Portugal in terms of only-women gym market. In 2004 Vivafit has opened the first franchisings in Massamá, Almada and Porto. It has started its internationalization strategy in 2008 in Spain. Nowadays Vivafit is in 7 countries and they have 24 gyms around the world. Vivafit has gyms in Portugal, United Arab Emirates (Abu Dhabi), Taiwan, Uruguay, Kuwait, Pakistan and India. Vivafit has been successful in muslims countries because it's a gym for women only and the muslims countries' culture is adequate for this kind of business. Despite the financial crises in 2008 and the increasing of VAT (value-added tax) in 2011, which resulted in a decreasing of Vivafit Gyms (115 on March/2011 to 25 in 2016), Vivafit has been increasing in terms of brand and internationalization. Also, Vivafit has an associated brand called "Personal 20" which is an electronic muscle stimulation. Vivafit promotes the "Corrida Sempre Mulher", and the main responsible for this event is Vivafit Carregado. This event is organized by the Portuguese Association of Women's Support with Breast Cancer, the Lisbon Municipal Assembly (City Council) and it has the support of Sports High Performance. Vivafit received a prize for "Leaders in Europe" years ago. Also, Vivafit delivers every year a prize for the best Vivafit of the year. Vivafit makes its business in some market fairs. Vivafit goes every year to 10/12 market fairs. In these market fairs appear some investors that are interested on Vivafit. Sometimes Vivafit does some commercial mission. Also, Vivafit makes some advertising abroad (usually by Google, Google AdWords), they also do the SEO (search engine optimization), Vivafit advertises in some professional magazines. Everything in Vivafit is franchising when they internationalize. The type of contracts are master franchising and franchising. Vivafit has a team specialized in women's fitness and body, and it is very innovative at the same time. According to CEO, Pedro Ruiz, it was the first gym in Portugal to add the nutrition system to gyms; it was the first gym to have an app in Portugal to reserve classes; it was the first gym in the world to have "Pilates" in a female gym.

5.2. International Market

Vivafit has begun its internationalization process in 2008 in Madrid, Spain. They weren't successful in Spain because of the international financial crisis and the Spanish real estate bubble. Two big problems in the same country. Vivafit didn't study properly the Spanish market (economy, policies, etc). Vivafit is not anymore in Spain but they are planning to internationalize again in there.

It was a bad experience but Vivafit didn't give up. Started from 2010, Vivafit has started over its internationalization process in India, Singapore, Uruguay, Taiwan and UAE (United Arab Emirates). Saudi Arabia and Oman were the next countries. Vivafit has been having success in muslims countries.

With the financial crisis and some management problems of the franchisees, Vivafit lost some gyms outside Portugal. They are not anymore in Singapore. There were 9 gyms in India in 2014. Nowadays Vivafit has 4 gyms in India. In India is very difficult to negotiate with them, they don't follow the systems designed by Vivafit, the labor is very poor and the salaries are low. If there isn't a woman from Portugal in a Vivafit in India, this gym will be a failure and it will end with the business. Also, Vivafit has already been in Kazakhstan and it's not anymore. Vivafit had some problems with the landlord from Kazakhstan.

Vivafit can have all these contacts through some advertisements like Google, Google AdWords, in some professional magazines and market fairs. Vivafit goes every year to 10/12 market fairs where appear investors that show interest to make a deal with Vivafit. Vivafit has already had some problems with Iran. The Vivafit's CEO went in a mission to Iran, but it didn't work as planned. Now he's been negotiating with another partner in Iran.

Vivafit has been doing some advertising in the north of Africa, which are muslims countries and Vivafit hasn't got any franchised gym in there. Vivafit has never been in Algeria. They have been doing some advertising in Morocco and Tunisia. In Morocco for instance, it's not easy to negotiate with them because they are a poor country, the real estate is a little bit expensive and, it is a country that its official language is French, there exists a lot of competition from France. Even with these problems, Vivafit didn't stop to try a partner in this country.

According to Vivafit, nowadays it isn't a good idea to invest in Brazil or in African countries which their official language is Portuguese because they are so poor.

To analyse better the internationalization, I had the help of the director from Vivafit Abu Dhabi (Otima Bhanot), the director from Taiwan (Andrew Tratz) and the director from Uruguay (Ulises Fontanini).

In Abu Dhabi the main competitors are Fitness First, Gold's Gym which have 2/3 branches in Abu Dhabi, some health clubs in the hotels which offer family packages, The Room and Body Tree. It is a good market for Vivafit because of the Muslim culture, the local ladies (Emiratis) prefer only-women gym with women only trainers. Vivafit is popular in Abu Dhabi and it's a space of 350 square meters. They have been using Facebook since the first day and nowadays they are also using Instagram. The customer satisfaction is quite well. At the gym everyone is woman and they are about 7/8 staff, 5 are certificated trainers and the others are administrators and sales. For the future, they are not planning to make a huge investment because of the introduction of VAT.

The nutrition works differently in Taiwan. They have a full-time team of nutritionists on staff that they do intensive consultation work and they have a lot of meetings in a week with the clients. They don't use the Vivafit nutrition software. The competitors in Taiwan are Fitness/Yoga, Curves, World Gym and Space Cycle. Curves is the largest gym for women only around the world and it has a very strong market share, which they have about 100 locations around Taiwan. The other chains only have 1-4 gyms each. They use Facebook and Instagram, but they don't use any Chinese social media. The customer satisfaction is very good. They charge a flat monthly fee of 1880 NTD (New Taiwan Dollar) with a one-year minimum commitment for the gym. The personal trainers' prices are between 1600-2000 NTD per session (45 minutes) and the nutrition prices is high on a monthly basis. They don't have any discounts. Vivafit in Taiwan has 1 manager, 3 full-time fitness trainers, 3 part-time trainers and 5 nutritionists. All the staff are women. They used to have some part-time male instructors but not now. They are planning to expand to more locations in the future. They have been growing in the nutrition business, which is more profitable than their gym business, according to Andrew Tratz.

According to Ulises Fontanini, in Uruguay they have 3 gyms, all of them in Montevideo. The gyms are: Unit Centro (320 m²), Unit Pocitos (250 m²) and Unit Centenario (440 m²). They have a dominant market share comparing to the segment. Their competitors are: Aerobic, Personal Gym, Perfil Gym, other small venues and other major sport clubs. Analysing the gym's market in Montevideo, Vivafit has a

strong position because they offer something unique that the other gyms don't have, an establishment dedicated for women's fitness and health. In Uruguay, Vivafit uses Facebook, Instagram and Twitter. Instagram is becoming the most used social media. Vivafit has a strong position for being the brand for women, it has been recognising in Uruguay and people can search on the Internet easily. It has a high level of satisfaction, between 85 and 95%. The NPS (Net Promoter Score), which measure the enterprise's customer relationships (https://en.wikipedia.org/wiki/Net_Promoter), is 77% in 2018, the highest level in Vivafit. In Uruguay they have the Plan Vivafit and the Plan Gold, which is 1790 and 2060 Uruguayan Peso respectively. They also have some discounts for long-term plans and every month they promote additional benefits. All the equipment is provided by Vivafit Portugal. The staff are all women and there are 5/6 trainers in each gym, only one under request male trainer for Zumba only. Nowadays, Vivafit is in 6 countries outside Portugal. The 6 countries are Uruguay, Kuwait, UAE, Pakistan, India and Taiwan. Vivafit has 3 gyms in Uruguay (all of them in Montevideo, Figure n° 3), 1 in Kuwait (Kuwait City, Figure n° 4), 1 in UAE (Abu Dhabi, Figure n° 4), 1 in Pakistan (Islamabad, Figure n° 5), 4 in India (3 in New Delhi and 1 in Pune, Figure n° 5) and 1 in Taiwan (Taipei, Figure n° 6).

Figure n° 3 – Vivafit in Uruguay, Montevideo



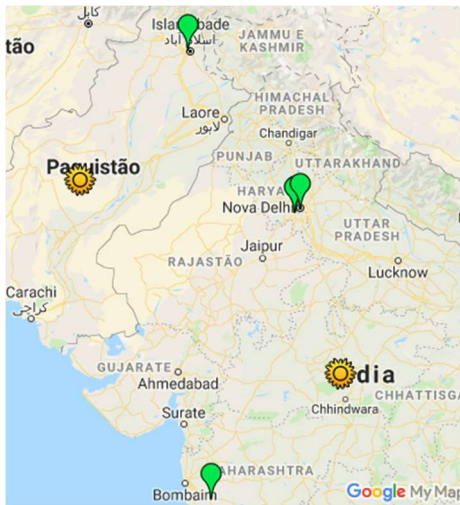
Source: Vivafit's website, Google Maps

Figure n° 4 – Vivafit in Kuwait and UAE



Source: Vivafit's website, Google Maps

Figure nº 5 – Vivafit in Pakistan and India



Source: Vivafit’s website, Google Maps

Figure nº 6 – Vivafit in Taiwan, Taipei



Source: Vivafit’s website, Google Maps

Vivafit, despite all the problems that had with the crisis, has been increasing and the future will be passed in franchising, to open more gyms and to internationalize in new countries.

5.3. National Market

Vivafit has 13 gyms in Portugal: 1 in Funchal, 9 in the region of Lisbon and 3 in the North of Portugal (Porto, Felgueiras and Guimarães).

Figure nº 7 – Vivafits in Continental Portugal



Source: Vivafit’s website, Google Maps

Figure nº 8 – Vivafits in Portuguese islands (Madeira)



Source: Vivafit’s website, Google Maps

As we can see in Figure nº 7 and 8, there isn’t any Vivafit gym in the south or interior of Portugal, because the most of Portuguese population lives in the region of Lisbon or in the North of Portugal. There is a Vivafit gym in Funchal. But they are planning to invest in the south or interior of Portugal, regions like Algarve (Albufeira, Faro, Lagos or Portimão), Alentejo (Beja, Évora or Portalegre) and more cities in the Center of Portugal (more than 10 cities).

In Portugal, Vivafit doesn’t have any direct competitor, a competitor with similar characteristics with Vivafit, like Curves for example. So, in Portugal they have a dominant market share in the market of only-women gym.

Vivafit is much more than a gym. It cares about the women’s health, the emotional side of the client, the personal life, etc. Vivafit is a family, everyone knows everyone. A good example of Vivafit is the Vivafit in Carregado. According to Vanda Lopes, the director of Vivafit in Carregado, they are more than a normal gym. They organize diverse activities. They are included in the local commerce. They have been organizing some events. At the Christmas time, they organized a theatre. Vivafit has been the main responsible Vivafit for the event “Corrida Sempre Mulher” for 6 years. It is the one that gives the warm up before the run. The objectives of Vivafit Carregado are

create visibility and for the members to feel at home, in a cosy environment. Vivafit doesn't only organize sports activities, they also organize other events.

But the difficulty is the price, it's higher than a low-cost gym. Low-cost gyms like Pump and Fitness Hut are gaining market share and some Vivafits are closing. The philosophy of these gyms is much different from Vivafit. The price of Vivafit is higher than the price of low-cost gyms, such as Pump and Fitness Hut, which is an added hardship, and it might have contributed to the closure of some Vivafit gyms in Portugal. It's important to emphasize that Vivafit's philosophy is different from the low-cost gyms. Vivafit does not only care about the physical form, it takes a special care with many factors, such as nutrition, for instance, and consultations and nutrition advice are included in the final price. But many women don't consider it necessary to pay more to have nutrition consultations, they think that knowing the basics of nutrition is enough to have a healthy lifestyle and they opt for a low-cost gym.

5.4. Classes

Vivafit is a very international gym chain and a unique only-women franchising gym in Portugal, and which is dominant factor is the differentiation. Beyond its specialization in women's fitness and health, its differentiation is the personalized training program for each client, and the training programs are:

- **Burn It Women:** It is a 30-min workout with breaks designed for women. This training is influenced by HIIT (High Intensity Interval Training). In these classes are used dumbbells, elastics, kettlebells, and shin guards. There exist 2 segments of Burn It: Burn it Cardio and Burn It Strength. Burn It Cardio can burn until 420 calories and Burn It Strength can burn until 350 calories. Burn It Cardio is inspired in HIIT and calisthenics training (it's only used the body's weight) and it strengthens the torso, lower back, abs and arms. Burn it Strength is a high intensity training to tone the gluteus, abs and legs. To conclude, Burn It Women helps to lose weight, to increase the cardiovascular endurance and energy, and it helps in bone density too;
- **SBarre:** This type of training is between 30 to 45 minutes. This training is inspired in sports like Pilates, Yoga and Ballet, where the participants use a ballet bar as a support. It's a strength training, essentially isometric, with a lot of repetitions using the body's weight or adding little external load. Small instruments like balls, elastics and dumbbells. It burns on average 240 calories. The objective is to have a ballet dancer body, toned, stretched and a fit body mainly in gluteus, abs and legs;

- **Pilates:** This training has 45 minutes of duration and the intensity is low/medium; it has stretching, and it helps in abdominal and back strength. This program helps toning and strengthen the abdominal and back muscles; lengthens and improves posture; it focuses the mind and it increases the level of consciousness. Pilates is a method of exercise designed for women to have a stronger and more efficient body and it helps to have a smoother tummy and stronger backs. Pilates is not only a program of exercises, it's also a lifestyle. It has much more benefits that only to improve the strength and the welfare. It can be done almost everywhere, and everyone can do it. There are 8 principles of the Pilates method: Concentration, Breathing, Centralization, Control, Precision, Movement, Isolation and Routine. Concentration: Pilates is a Mind and Body technique, which requires the focus of the body; the exercises make the customer disconnect from external problems and to focus only on the movements of her body. Breathing: the breathing is very important and maybe is the most difficult task to do in Pilates; the better the breathing, the more effects Pilates will have. Control: the key of Pilates is to have controlled, fluid and slow movements; it helps to develop the physical and mental control. Precision: In Pilates they teach how to do every movement; each movement has a sequence that must be perfectly coordinated, because in case of failure, the member can have an injury; Pilates also teaches the movements in a way to avoid fatigue or pain. Movement: Pilates is a continuous circle of movements related among themselves. Isolation: Pilates is a mental exercise to identify the sensation of each muscular group. Routine: It's important to do Pilates every day, it's like to have shower or to brush the teeth every day; the customer should give the same importance to her muscles as she gives to her hair; doing Pilates will improve in terms of mental and physical terms;
- **Tone:** It's a 30-min class that consists in core, strength and cardio training. On average burns 350 calories. The results are: the weight loss, a better muscle definition, the increasing of cardiovascular health and it reduces stress. The benefits are: increase the balance, better agility, increasing the flexibility, a better toning and muscle strength;
- **Sh'Bam:** Normally this class has 30 minutes and it's a funny dancing class with a medium intensity. Usually it burns 350 calories. The goals of this training are: burn calories; shapes and tones the body; improves the coordination; it also improves the self-confidence and the sensuality of the members of this class. The benefits are:

increase strength and endurance with a cardiovascular training; the flexibility and the balance will be improved with a feeling of well-being;

- **Zumba:** Usually this kind of training has 30 minutes of duration. It consists of dancing classes with simple exercises and easy to learn, with a medium intensity. It combines a lot of different rhythms like salsa, samba, reggaeton, meringue, calypso, hip hop, rumba, flamenco and among others. It burns between 300 to 500 calories. The results are: burn calories, increases the cardiovascular endurance, increases the motor coordination and confidence. The main benefits are general muscle toning, strengthen the core, a smoother and stretched tummy, improving the posture, increasing the flexibility, increasing the relationship between mind and body and improving the management of stress;
- **Flex it:** The duration of this class is between 30 to 45 minutes. It is inspired in training methods of Yoga and Pilates, which will be possible to work the women body allowing to have a toned body with the right posture in harmony with the mind. It burns on average 200 calories. It tones the whole body, with a big focus in back, low back, core (abdominal area) strengthen, and it works stretching and meditation;
- **Personal Training:** It is a class with 45 minutes, and it is a personalized training for a specific client. The personal trainer gives the training to a client considering her characteristics. The personal trainer has different programs for each client, each client is different. It depends on body types, age, phases of life, etc. The personal training is recommended for everyone, including healthy people, athletes, etc. Personal training sessions are very good for: people who want to leave sedentary and they want to start to do physical exercise, but they don't know how to start it; the person has already done everything to lose weight but without success; the person has a clinical pathology; she pretends to obtain the best performance in training; she doesn't have motivation to train alone. The benefits are: a custom workout and fast results; it allows to correct some mistakes; it's safer; it's easier to quantify; it's more motivating; it's more adjustable to the available time.

5.5. Nutrition

According to the Vivafit's website, 70% of the fitness results come from the nutrition. To lose weight it's necessary to have a nutrition plan. Without a good diet, the client cannot achieve her goals.

According to CEO, Vivafit was the first gym in Portugal to have the nutrition system. Each member has a personalized diet plan, nutrition consultations and access to the online platform (which I will explain better in the point 5.6.). One of the topics that is included in Vivafit app is the nutrition consultations. The nutrition plan is developed in a Mediterranean diet.

To book a consultation, the client does it in the app. Before going to the consultation, the member needs to answer some questions in the Vivafit platform, questions like “how is your weight?”. This information is important to have before a consultation because, with this information, the nutritionist can study the client’s characteristics previously and everything will be easier, it will be more efficient. Also, in this quiz, the nutritionist tries to evaluate the “12 behaviour deviations” of each client. They believe that every person has at least one of these twelve problems and maybe, the problem of being with overweight is derived from these behaviour deviations. This software will give a diagnostic, but the nutritionist can correct it. The software makes a plan every week to the client without the input of the nutritionist. It’s not necessary to have a physical contact with the nutritionist. In every 2 weeks, the client receives an email and she needs to answer again to the quiz and after, she enters in contact with the nutritionist by email or phone.

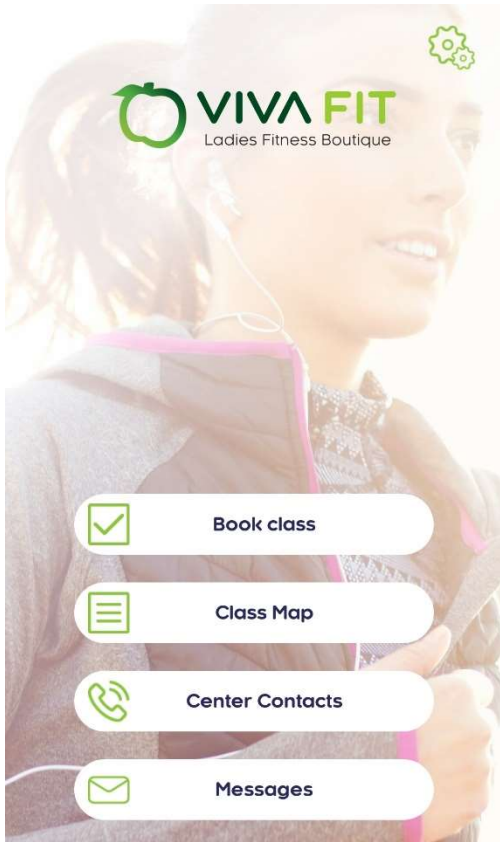
Vivafit advises the client to go to the consultation every month, but the obligation is to go in every 6 months with continuity by app, feedback and the correction of the nutritionist. Vivafit optimizes the nutritionist’s work with the platform, it is an interactive plan.

5.6. App

When she enters in the app the first page is the Figure nº 9, and when she clicks “Book Class” or “Messages” (Figure nº 10) she can choose her country, her country’s center, and the language (English, Spanish, Portuguese, Mandarin, Russian, Arabic and Indonesian). When she enters on the topic “Class Map”, it will appear a thing like in the picture in the Figure nº 12. She selects her country and she sees which classes she has on that day. In this case is in Abu Dhabi – Shining Tower (Premium) on a Saturday, the client has these 3 classes. It also indicates the schedule and the studio.

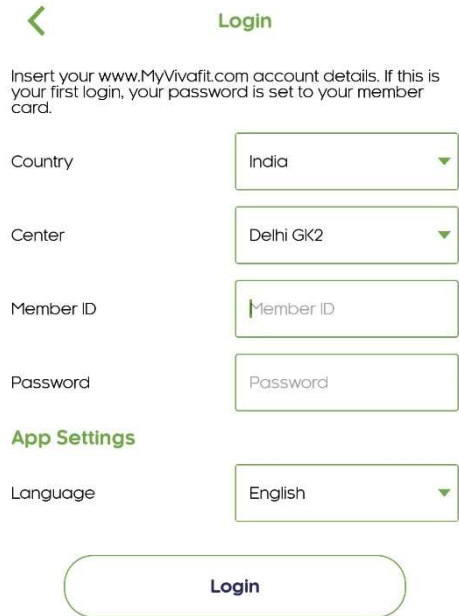
And the last topic, “Center Contacts”, as it’s shown in the Figure nº 11, she has all the information about Abu Dhabi – Shining Tower (Premium). In UAE, they usually work from Sunday to Thursday instead of Monday to Friday.

Figure n° 9 – First page of the App



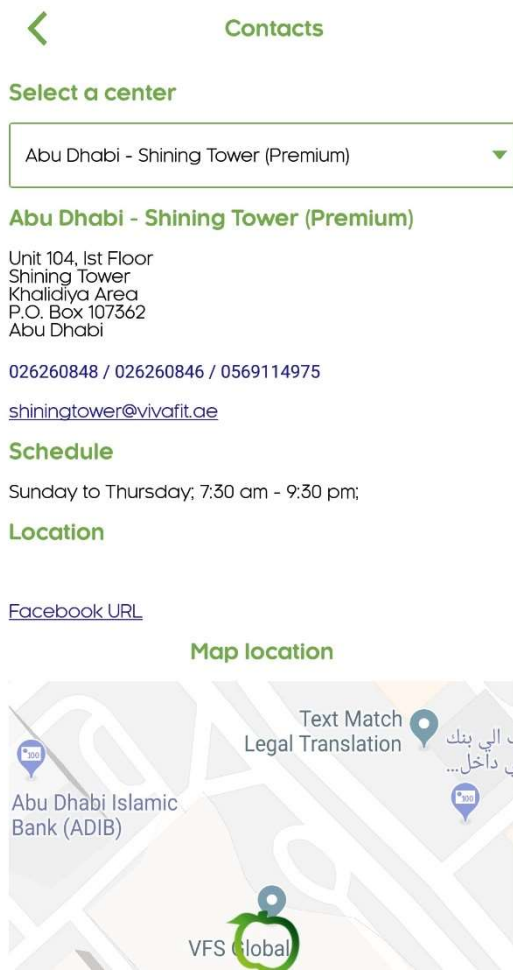
Source: Vivafit's App

Figure n° 10 – Book Class or Messages



Source: Vivafit's App

Figure n° 11 – Center Contacts



Source: Vivafit’s App

Figure n° 12 – Class Map



Source: Vivafit’s App

Once the client is registered in the app, she can book the nutrition consultations, answer to the health questionnaire and food plan, calorie calculator, the food diary, client’s performance, messages, change in food and lifestyle, and videos of support.

5.7. Strategies

The word Strategy is derived from Greece vocabulary *strategos*, which combines *stratos* (army) with *-ag* (leadership) means the army general’s function (Tavares, 2006).

In the 60’s, it emerges the strategy concept associated with the business environment (Azeitão and Roberto, 2010). The main responsables for the beginning of Strategy were Chandler, Ansoff and Kenneth Andrews (Tavares, 2006).

For Chandler (1962), in the publication of *Strategy and Structure*, considers that Strategy is the determination of basic goals and objectives in the long-term of a

company, adoption of action resources and allocation of necessary resources to obtain those objectives.

For Ansoff (1965), in *Corporate Strategy*, the Strategy provides an orientation for the range of product-market, growth vector, (direction in which the range changes), competitive advantage, internally generated synergy by a combination of capacities and competences and the decision to make or buy.

For Andrews (1971), in *The Concept of Corporate Strategy*, Strategy is the standard of decision-making for a company that determines and discloses its objectives, purposes or goals, produces key policies and plans for achieving those goals, and defines the scope of business to follow, the type of economic and human organization that it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities.

5.7.1. Marketing Strategy (Segmentation, Targeting and Positioning)

According to Porter (1990), all buyers and varieties of products should be grouped in different categories that express their differences. Therefore, all the analysis elaborated in strategic marketing results of content that allows us to reach the central marketing strategy, which is characterized by STP (Segmentation, Targeting and Positioning) model.

A market segmentation is a huge group that is identified from their preferences, purchasing power, geography, localization, buyers' behaviour and habits of buy similar. Market segmentation is an effort to increase the accuracy of company marketing (Kotler, 2000).

The segmentation of Vivafit is the women's fitness and health, according to Débora Muro (Marketing Director).

According to Kotler (2000), he claims that with the segmentation process, a company will obtain naturally a certain group for the company in question, depending on their objectives and features, it will orientate all their strategic efforts based on a product or service. With this process we have reached the intended targeting, in other words, their target audience. In this phase, a lot of companies understand that should adjust or not their target audience and they should target new audiences.

According to Marketing Director, she affirms the target is divided in two types: communication and usage.

In communication there exists a new concept called ideal client, which is the target where Vivafit managed the communication, and it's a target that needs to be defined. The Vivafit's target is a woman between 45 and 55 years old. With this target, probably their children have already left home, they can be married or not, and they care about their health.

The target has been changing over the years. At the beginning the target was more for the laziest ladies, the fat ones, the housewives. Nowadays is for fitter ladies. It doesn't mean that Vivafit doesn't have skinny or fat people, but the target is not only for young girls. The communication target is a real woman, which is a woman that isn't excessively muscular or excessively skinny, but at the same time is an aspirational target.

Clients with more than 55 years old represent almost 20% of Vivafit's members. The difference of ages is between 15/16 to a 60-year old woman. With this difference of ages, it's obviously that there exists more than one target group. Vivafit is specialized in feminine body, and it depends for each lady. There is a target for age. Young girls only want to train glutes, abdominals, legs. There exists a target for fat mass/muscle mass. Vivafit has professionals for every target and every problem regarding to women's health. Every woman can do any class.

With the segmentation process already done and the targeting already chosen, it will be obtained the company's positioning. Kotler (2000) says that market positioning is the action of designing the product and image of the company, in order to occupy a differentiated position in the choice of its target audience, that is, the positioning is the image that the customers have in their mind about a certain company.

In positioning, of course Vivafit is a brand with a big name in the only-women gym in Portugal and outside of Portugal it's been growing year after year.

5.7.2. Differentiation Strategy

The differentiation strategy presupposes that a firm reach a competitive advantage by offering to customers products and services that are unique, that is, products and services that contain desired qualities for the customers and, at the same time, features that distinguish from the competitors (Carneiro et al., 1997).

The first differentiation is that Vivafit is an only-women gym.

Vivafit doesn't use the cost leadership strategy, because the prices are slightly higher than the average. But they use the differentiation strategy. Vivafit is a very familiar gym. But how is this different from the others? Vivafit realizes a convention every year and they invite some clients to tell their experiences on Vivafit. Their push phrase is: "Vivafit is important for us women". This push phrase could serve for a lot of things: being fit is important, being health is important, being good on taking care of children is important. In Vivafit everyone is important, it's not just another client, it's not another one to make number. Everyone knows everyone, the staff cares about every client and they know every member's name, they give a personalized goal for each client. This is a big differentiation from a traditional gym, where it's crowded, and the clients don't have personal contact with the staff. In Vivafit the staff is always worried with client fitness, health, emotions and welfare. Vivafit uses the Fish Philosophy of servicing their customers: Play, Make their Day, Be There and Choose your Attitude. It's congruent that with these conditions that Vivafit offers to the members that customer satisfaction is very high. A high percentage of members that have already left the Vivafit, they end up returning.

Another differentiation is that Vivafit has been innovative during its existence. According to CEO, Vivafit was the first gym to have the "systematized custom training", the first gym to have an app to reserve classes in Portugal; the first gym to put "Pilates" in a female gym; and the first gym in Portugal to have nutrition system.

The "systematized custom training" is a method developed by Luís Cerca, which he makes a training plan every month. It's a systematized custom training, it's like a memory aid for the personal trainer. The objective is for personal trainer having a bigger quality, for the training be systematized and when the personal trainer is occupied doing another class, the member will know how to do the workout because of this program.

One of the reasons to Vivafit being so successful is having so many differentiations from the competition. That's why they are dominant in Portugal and they still are making contacts with foreign partners to internationalize.

5.7.3. Offensive Strategy

According to Baptista (1999), a company that has an offensive strategy knows that innovation is the key to conquer a leadership position in the market. Firms that

have this strategy tend to launch systematically new products on the market that have competitive advantage, that have a different product from the competitors. The risk in this strategy is considerable because, even with doing the innovation process well, there exists the possibility of the strategy does not live up to expectations and, consequently, of not recovering the investment made. For this reason, enterprises with this strategy have a lot of resources. Knowing that copying is inevitable, the way these companies stay at the top is to be a step ahead from the competitors, innovating at a higher speed and seeking to find the answers to changes in the need of their customers in advance (Baptista, 1999).

Vivafit uses an Offensive Strategy. In its office in Amadora, they work the CEO, the Marketing Director, the Operation Director, the Expansion Director, the IT Director. Vivafit doesn't have a Financial Director, they have an outsourcing team that analysis the financial part of Vivafit. There are few workers in the office, it's not like in a normal bank. That's why they use an offensive strategy, few workers, everyone knows everyone, the workers have informal relationships between them, the environment is very dynamic, and Vivafit has been growing. In Vivafit the workers are creatives. An example of this is that Vivafit is pioneer in some cases (the first gym to put Pilates in a female gym). To be the first ones to do something, Vivafit needs to be dynamic and creative. As there exists few workers, the difference between the CEO and the other directors is very small, everyone has the same importance for the company, there is a small difference in terms of hierarchical levels. Vivafit is very flexible and the CEO and staff are oriented for the changing. Vivafit has been always innovating, they always need to be innovative and not to be stuck in the same methods. These are all the characteristics of an offensive strategy and Vivafit has all of them.

5.7.4. Horizontal Diversification Strategy

The Horizontal Diversification Strategy is the introduction of products related to the original product regarding to its market. It can be sold through distribution channels already established. The expansion to new segments is associated for a new extension of the company's specialization. This process aims to explore economies of scope and available marketing channels. The horizontal diversification extends the possibility of realizing the company's accumulation potential, increases its operational flexibility and reduces vulnerability against cyclical variations in demanding in its original market. It can also raise the

financial capacity of various activities through cross subsidies between them (Britto, 2002).

Vivafit uses a horizontal diversification strategy. Instead of using one product and one market (specialization strategy), they use more than one market and more than one product/service. Vivafit is in 7 countries, so they have multiple markets, and Vivafit has multiple products/services, like the electro fitness equipment called Personal 20, nutrition consultations and the classes. So Vivafit has multiple combinations of products/services and markets. If there is a problem with a country, the other one can succeed. When the VAT increased in Portugal, it closed a lot of gyms in Portugal but there were countries that Vivafit were making success. It's always good for a company to avoid the specialization strategy.

5.8. SWOT Analysis

The SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is an important tool for decision-making and it is usually used as a related and systematized analysis for the opportunities and threats (external environment), and for the strengths and weaknesses (internal environment), (Kotler, 1988). For Teixeira (2011), knowing the opportunities and the threats, the company will evaluate and it will select the best strategy according to the strengths and, at the same time, avoiding the weaknesses.

5.8.1. Strengths

For Trends (2005), the strengths are the positive tools that a company has, what are the points that the company is better from competitors, the resources or capabilities that a company can use in an efficient way, which can put it in an advantageous situation in the market.

The strengths of Vivafit are:

- A gym for only women;
- High quality professionals;
- Friendly environment;
- Good number of classes;
- Nutrition classes;
- A nutritional and a fitness plan for each client;

- The personal trainers are really worry about the clients, and everyone knows each other;
- Listening news ideas from the clients;
- Innovative: the first gym in the world to have a “systematized custom training”; the first gym to put “Pilates” in a female gym; the first gym to have an app to reserve classes in Portugal; the first gym in Portugal to have nutrition system;
- Vivafit uses the Fish Philosophy of servicing their clients and members: Play, Make their Day, Be There and Choose your Attitude;
- In International market the strengths are: quality of staff; experienced management, business oriented; international brand, business intelligence; unique value proposition.

5.8.2. Weaknesses

The weaknesses are exactly the opposite of strengths. The tools that are missing in the organization, the limitations that attain the resources and capabilities of the organization, or that can compromise the activity performance, which is a disadvantageous situation comparing with the competitors (Trends, 2005).

The weaknesses of Vivafit are:

- To have a high price. The clients will prefer a cheaper gym even the quality is worse than Vivafit, but it will compensate in terms of quality/price. The low-cost gyms also have group classes and for a cheaper price and for the women, even without nutrition and other treatments, they will prefer and think it is the best option in terms of quality/price;
- To have failed in the Spanish market, which has a lot of similarities with the Portuguese one (language, culture, etc);
- Apart from Portugal, Vivafit is not in any European country (it will be again in Spain);
- Vivafit having a small area of training sometimes is a problem for the number of members that are practicing at the same time;
- Vivafit doesn't have a Chinese social media. To have the app Sina Weibo (the Chinese Twitter), the Youku/Tudou (the Chinese YouTube), etc. Vivafit has a gym in Taiwan, which there are people they talk Mandarin in Taiwan. In Taiwan they don't use so often these apps, but it could be an opportunity to

Vivafit having these kinds of social media, to have more visibility and maybe one day to enter in China;

- In international market the weaknesses are: staff rotation, migration; operational cost high.

5.8.3. Opportunities

The opportunities are variables from the external market which the evolution and situation of the enterprise consider as positives for the development of a strategy.

In this way, an opportunity exists when an enterprise can be benefited in corresponding to the customers necessities of a certain segment (Trends, 2005).

The opportunities of Vivafit are:

- To invest again in Spain and gain one more international market (Vivafit will enter again this year);
- To enter in Iran. Vivafit had already tried to invest in Iran before, but it failed. Nowadays Vivafit has been negotiating with another partner in Iran, another contract;
- Try to invest in the North of Africa (Morocco, Algeria and Tunisia). Vivafit has been doing some advertising in Morocco and Tunisia. Vivafit had already tried something in Morocco before, but it is difficult to deal with Morocco. It is a poor country, the real estate is a little bit expensive, and in Morocco there exists a lot of competition from France, but Vivafit didn't give up the idea to have a gym in this country;
- To have a Chinese social media, to gain more visibility in China and maybe one day enter in China;
- To open a gym in Center of Portugal (Cartaxo, Coimbra, Castelo Branco, etc);
- To open a gym in Alentejo (Beja, Évora or Portalegre);
- To open a gym in the south of Portugal (Albufeira, Faro, Lagos or Portimão);
- The opportunities in the international market are: sell licenses to small existing gyms (in house product); to position Vivafit as the only female oriented brand; and to position in the knowledge Transfer Field.

5.8.4. Threats

On the other hand, the threats are negative aspects of the external market. It represents a unfavorable situation of the firm in its market and, sometimes, it can cause irreversible damage (Trends, 2005).

The Threats of Vivafit are:

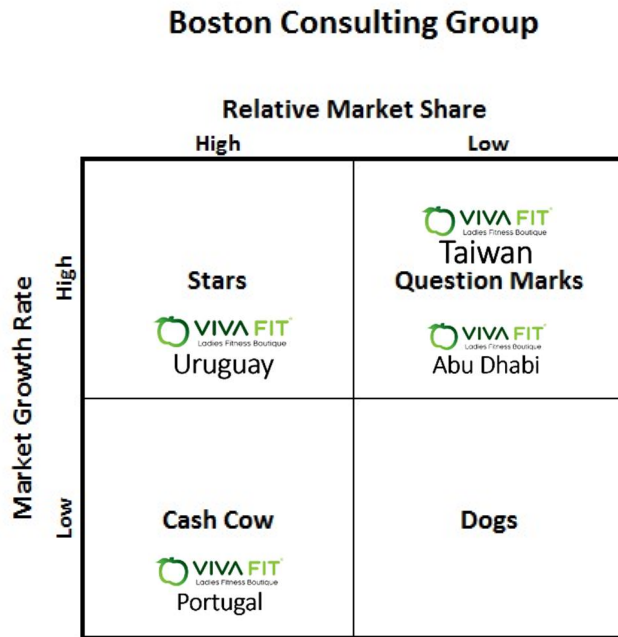
- The low-cost gyms like Pump and Fitness Hut are gaining market share. These gyms are not specialized in women's fitness and health, they have a very different concept, but they are indirect competitors;
- It's always a threat to have a financial crisis, the increasing of VAT, the entry of a new direct competitor with more reasonable prices, etc. All the external problems that Vivafit cannot control;
- In international market, the threats are: not expanding quicker; weaker corporate focus and support; to lose qualified personal due to cannibalization of the market.

5.9. BCG Matrix

The BCG Matrix is a growth/market share and it was invented in the middle of 60's by the company Boston Consulting Group (BCG). It's a management tool so used in strategic analysis of a diversified company's business, where it has advantage in the simplicity of graphic building (Teixeira, 2011).

It is a bidimensional matrix where is presented in a system of cartesian axes, based on two variables in the business analysis: market grow rate and company's market share. The company's market share (variable X) is an internal variable about of each business unit, which is calculated by the relation between the business sales and the nearest competitors' sales, that is, the biggest competitor. The variable Y (market grow rate) is an external variable, which is calculated based on data of two or three years in a row regarding the market growth rate of the respective business (Freire, 1997). According to Kotler (1988), the business is developed by four different groups (question marks, stars, cash cows and dogs), having for each type generic recommendations about the strategies to adopt.

Table n° 3 – BCG Matrix



Source: Henderson, B. (1970). The Product Portfolio.

The dogs are businesses that generate few profits or that have injury. The cash-flow is reduced or, oftentimes, negative. These businesses demand a better attention on the part of the managers, being this endeavour in most cases non-compensatory. The dogs are composed by unnecessary products, resulting on a failure to have had a leadership strategy when the products were only an opportunity (Kotler, 1996; Henderson, 1970). The question marks are characterized by business competing in a growing market, and low relative market shares. A business is located in this quadrant requires a large investment by the company, to be able to keep the fast growth of the market. The future of the companies is associated with a certain degree of uncertainty; it can become stars (desirable evolution) if they are well managed, essentially if they are achieved the necessary financial means, if there is no investment, the product is left behind and ends up to vanish. If the product stagnates, even if it is made an investment, it will pass to the dogs' quadrant (Kotler, 1996; Henderson, 1970).

Either Taiwan or Abu Dhabi, they don't have a strong market share but they are on an question mark. In Abu Dhabi the market is very attractive because of the religion (Muslim) and they value the only-women gyms. And in Taiwan, according to Andrew Tratz, they are planning to open more Vivafits in Taiwan, which it can be a success and it can be transformed into a star, or it can be a failure and it can be turned into a

dog. The same as to Abu Dhabi, they can open more gyms because they are a lot of demand in terms of only-women business, but at the same time, as there are a lot of this kind of businesses in UAE, it can be a failure and Abu Dhabi could be a dog (undesirable situation).

Stars are the most interesting deals in a business portfolio: have a high relative market share, and a business located in “Stars” means leadership in a market of big growth. Usually, stars generate high sales revenues, but they are financial imbalance since they require large investments in fixed and current capital to ensure high rates of growth in high growth markets. The leadership in this quadrant, according to the application of the BCG matrix, for investing in these businesses by at least maintaining market share (Kotler, 1996; Henderson, 1970).

In Uruguay they are leaders but they don't have enough cash flow, they only have three gyms. They have huge results but they need to grow more to generate more cash flows. As they are leaders and the market in Uruguay is very attractive, they should continue to grow to, in the near future, turned into cash cows.

Cash cows generate considerable yields to support their own growth, pay the dividends, spending on research and development, among others. In these businesses, the company is a leader but in a slow or even stagnant growth market. The strategic recommendation recommended by the matrix, is to maintain these businesses for as long as possible using excess liquidity, high sales revenue which provide high profits and cash flow to channel the stars and / or questions marks and probably distribute in the form of dividends to shareholders (Henderson, 1976).

Portugal is an excellent example of cash cow. There are 13 gyms in Portugal, which is a good number, in addition to not having any only-women gym chain in Portugal apart from Vivafit. They are continuing to grow, but not so fast. They have a lot of cash flow and the objective is to maintain the business.

5.10. ADL (Arthur Dehon Little) Matrix

The ADL Matrix, can also be designed as lifecycle matrix or market growth matrix, was developed by ADL consultant in the 70's of last century and its analysis the competitive position of each economic unit (strengths and weaknesses) and its market features (opportunities and threats) (Teixeira, 2011).

According to Teixeira (2011), the market situation (in terms of growth) for each economic growth in this matrix is represented by “X”, which in this situation reflects

the four product lifecycle phases: Introduction, Growth, Maturity and Declining. The “Y” represents the competitive market share of each economic unit, which are considered five different situations: Dominant, Strong, Favorable, Tenable and Weak. Teixeira also explained each competitive market share:

- **Dominant:** it's possible to control the competitors' behaviour (with regard to achievements or strategies and has the widest choice of strategic options, regardless of its competitors);
- **Strong:** it's able to lead the strategy that it chose without putting in dangerous its position in a long-term;
- **Favorable:** it has trumps to explore for conducting some strategies. It has very good probabilities in maintaining its position in a long-term;
- **Tenable:** it has satisfactory performance to justify the continuity of its activities: remains, usually due the tolerance, voluntary or not, of the most important competitors; it has medium possibilities (or below average) of maintain its position in a long-term;
- **Weak:** it has unsatisfactory performances, however it has possibilities for improving its position, it can have the features of a better position, but it has a big weakness; it can survive in a short-term, but it has to improve its position in order to have a chance to survive in the long-term.

In this way, the business strategies will depend in product lifecycle (X) and in their competitive market share (Y), (Teixeira, 2011):

Table n° 4 – ADL Matrix

| | | INDUSTRY LIFE CYCLE STAGE | | | |
|----------------------|-----------|------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------|
| | | INTRODUCTION | GROWTH | MATURITY | DECLINE |
| COMPETITIVE POSITION | DOMINANT | - Rapid development - Act offensive | - Rapid development - Defend position - Act offensive - Cost leadership | - Defend position - Act offensive | - Defend position - Focus - Consider retreat |
| | STRONG | - Rapid development - Differentiation | - Cut costs - Differentiation - Attack competitors | - Cut costs - Differentiation - Focus | - Harvest |
| | FAVORABLE | - Rapid development - Differentiation | - Cut costs - Differentiation - Attack small competitors | - Focus - Differentiation - Attack small competitors | - Harvest |
| | TENABLE | - Market development - Focus | - Maintain a niche - Aim growth | - Maintain or retreat - Identify a niche | - Retreat |
| | WEAK | - Identify a niche - Follow the competitors | - Identify a niche - Retreat | - Retreat | - Retreat |

Source: Wilson, Richard M.S and Gilligan, Colin. *“Strategic Marketing Management – Planning, Implementation and Control”*, 3rd Edition, Elsevier Butterworth-Heinemann, 2005, p. 378

As we can see in Table n° 4, in Taiwan and Abu Dhabi, they have a convincing/tenable competitive position and they have been growing, so Vivafit in Taiwan and Abu Dhabi should find a niche and protect it. They should continue to invest to not have a weak position.

Vivafit is leader in only-women gym in Uruguay. In Uruguay there are 3 gyms, and all of them are in Montevideo. In the segment of only-women gym, Vivafit is dominant in Uruguay but, comparing with local small brands, they have a strong position. So, Vivafit in Uruguay has a strong position and it has been growing in gym market. The conclusion is that Vivafit should attempt to improve position and push for share in Uruguay. Other solutions could be: differentiation, cut costs or attack small competitors.

In Portugal, they also have a dominant position in the segment of only-women gym but a strong position comparing to the gym market. But the difference between

Portugal and Uruguay is in the life cycle. Uruguay has more potential to grow than Portugal because it has less gyms. In Portugal, the market is not growing that fast, we are not a culture of only-women business, and in Portugal, Vivafit has been maintaining the business. So, in this case, Vivafit in Portugal should focus on cut costs and differentiation.

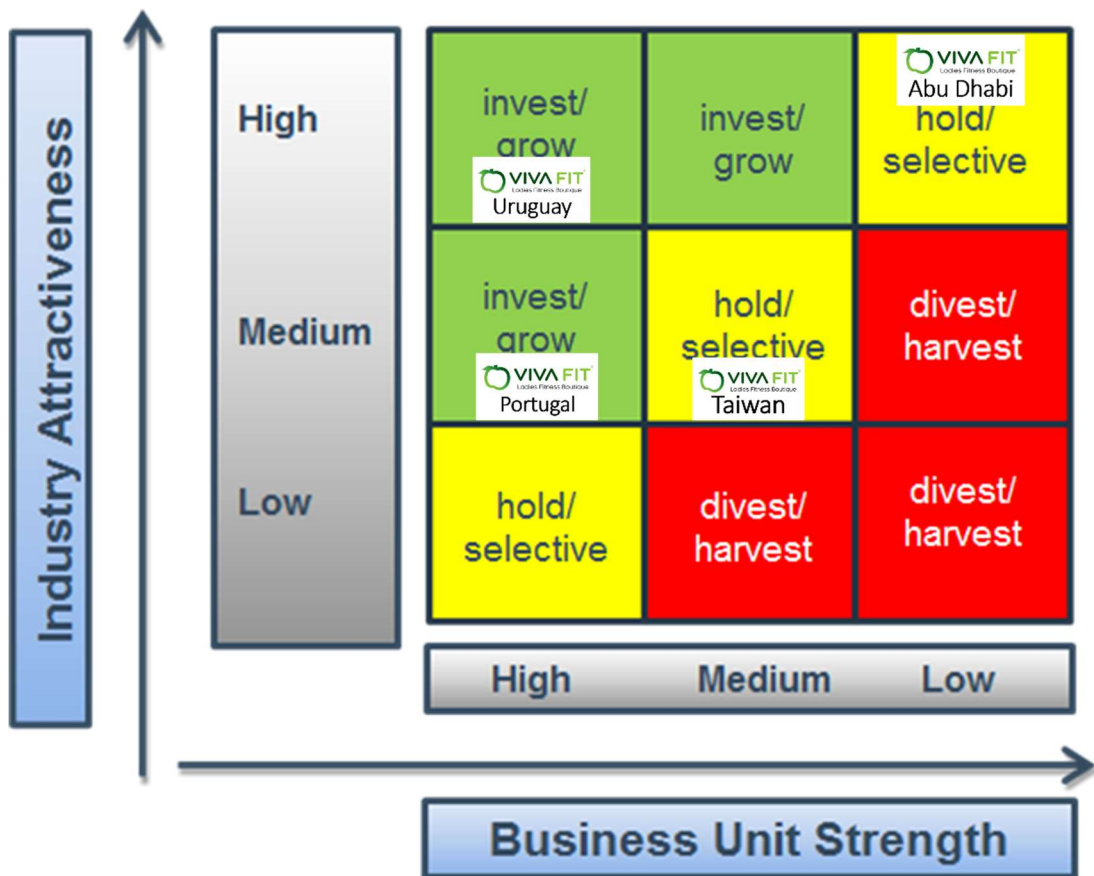
5.11. GE (General Electric) McKinsey Matrix

The GE McKinsey Matrix was developed in the 70's of the last century by General Electric and McKinsey and, like ADL Matrix is a bidimensional matrix. It's composed by nine cells. The variable "X" is the Competitive Position (it's the same as ADL Matrix) and the variable "Y" is the Attractiveness of Industry, which one of them has three positions (High, Medium and Low), (Teixeira, 2011; Zoom, 2014).

The Competitive Position is related with the internal analysis (strengths and weaknesses), in which it is sought to measure, mainly, the company's capacity to achieve and sustain lasting competitive advantages, capable of ensuring higher yield rates than the industry average, in a medium and long-term. The Attractiveness of Industry is related with the external environment (Opportunities and Threats), (Zoom, 2014).

The strategies for each cell in the matrix, it's represented in Table nº 5. In a general way, if a company wants to grow, it tends to invest in businesses above the diagonal (green square). If a firm wants selective, it tends to invest in the diagonal (yellow square). And, if an enterprise invests in the red square, the best solution is to disinvest (Teixeira, 2011).

Table n° 5 – GE McKinsey Matrix



Source: <https://www.professionalacademy.com/blogs-and-advice/marketing-theories---ge-matrix>

In Portugal, Vivafit has a dominant market share position, there isn't any direct competitor. But, at the same time, there isn't so many people that know Vivafit, or they are not informed enough about the concept. Also, the Portuguese culture is not like the muslim culture, where the women prefer establishments with only women. For these reasons, the business attractiveness is medium. Looking for the Table n° 4, Vivafit should continue to invest in Portugal and it will continue to grow.

In Abu Dhabi the scenario is different. The business competitive advantage is not strong, but the market is very attractiveness because of the Muslim culture. The market is not that strong, because it is a small market, but local ladies (Emiratis) prefer women's only gym with women only trainers. Vivafit has been having success in Muslim countries because of this industry attractiveness. The conclusion is that Vivafit should hold the business and be selective.

In Taiwan, the Director of Vivafit from this country, Andrew Tratz, said that the only-women gym industry is not attractive in Taiwan and Vivafit has a tenable market share there. But, at the same time, they are planning to open more gyms, so the market share and the market attractiveness will be stronger. I conclude that, Vivafit in Taiwan has a medium business strength and a medium business attractiveness, so Vivafit should be selective when they invest in Taiwan.

In Uruguay they are the only international brand for the segment of only-women gym, so they have a strong competitive market share. According to the Master Franchise and Owner of Vivafit Uruguay, Ulises Fontanini, this segment is very attractive and is being known as “the brand” for women. Nowadays the brand Vivafit in Uruguay is being recognised and not only known. People look easily for Vivafit on the Internet. So, Vivafit should continue to invest in Uruguay to continue to grow.

6. Conclusions

The global market has increased in the last decades and it has led to a bigger competition in businesses. This new structure creates strong threats to business survival, but it is also a source of opportunities and compels companies to seek new ways of operating in the global market. Internationalization has been the answer of some Portuguese companies and has played a key role in its strategy.

This case study analysed the internationalization of a Portuguese SME, called Vivafit, which has a gym chain for women only. This research aimed, therefore, to answer to how Vivafit's internationalization process has been like.

The conclusions of previous case studies about internationalization, included literature review, differ from case to case, right on time we had internationalization processes that were well succeed and others that had failures or the companies needed to disinvest. Some articles concluded that the internationalization had in mind to expand the activity, increase the results, obtaining economies of scale, dilute overall costs and to enjoy the existing knowledge in a company. Some studies referred difficulties on entering or to adapt in a country, as economic protection, the competition among companies had already been installed, the cultural and physic distance and the complexity of the legal and regulatory system.

As primary data in this case study, face-to-face interviews, emails and conference calls were used with Vivafit's main directors in Portugal and abroad. For secondary data was obtained by some documents and literature review of the company, as well some information obtained through the website.

Vivafit has been successful in its internationalization process, and proof of this is that the brand is based in more than one Continent, specifically in Europe, America and Asia, and has the prospects of opening gyms in Africa too.

Notwithstanding the firm has succeeded, its internationalization process has had advances and retreats and some changes of direction, with the closure of operations in some countries and opening new gyms in others. Vivafit has started its activity in 2002 and its internationalization process has begun in 2008 in Spain. Currently, Vivafit has 24 gyms around the world and is in 7 countries. Vivafit has 13 gyms in Portugal, more than 50% of all gyms with its brand, 3 gyms in Uruguay and 8 gyms in Asia, spread over 5 countries (1 in Taiwan, 1 in UAE, 1 in Pakistan, 1 in Kuwait and 4 gyms in India).

Vivafit has been more successful in emerging countries and Muslim countries (Islamic culture adds value to the concept of gyms for women only), than in European countries

(the company awaits the opening of a new gym in Spain later this year), where experiences have not been successful and where currently, besides Portugal, do not have any gym. Despite the potential for growth in these countries, there have been some initial failures or difficulties in penetration related fundamentally to cultural and physical distances and to the complexity of the legal and regulatory system, such as Singapore, Iran, India and North Africa. Difficulties of this nature had already been identified by authors of the revised literature on cascading studies of internationalization.

The main reasons for the internationalization of Vivafit, based on the review of theoretical literature on internationalization, are (i) to have economies of scale resulting of a larger and more varied geographical presence, that origin of a costs' dilution, namely administrative, search and development costs, and (ii) to have a better capacity to control the competitors, markets and profit opportunities in a world level.

The distinctive element of Vivafit's expansion and also of its internationalization is Franchising, all gyms open abroad are franchisees. The main means of attracting international investors is the company's presence at international trade fairs for brand promotion. In order to attract investors, the company also advertises in specialty magazines, on social networks and through commercial missions, successfully in Muslim countries, which are also expected to be successful in North Africa.

In this thesis were described 4 strategies used by Vivafit: marketing strategy, differentiation strategy, offensive strategy and horizontal diversification strategy.

Vivafit's marketing strategy is divided 3 steps: segmentation (how to divide the Vivafit market in homogeneous groups), targeting (in which markets Vivafit wants to focus) and positioning (how Vivafit wants to positioning in the market). The segmentation of Vivafit is the women's fitness and health. The Vivafit's target has been changing over the years. Nowadays is for fitter ladies between 45 and 55 years old, but there exists more than one target group, for example there is a target for age (young girls prefer to train glutes, abdominals, legs) and there exists a target for fat mass/muscle mass. In positioning, Vivafit is a brand with a big name in the only-women gym in Portugal and outside of Portugal it's been growing year after year.

Differentiation strategy is, as the name suggests, in which a company is different from the competitors. The first differentiation is that Vivafit is an only-women gym. Other differentiation is that Vivafit is a very familiar gym, everyone is important, everyone knows everyone, the staff cares about every client, the staff is always worried with client fitness, health, emotions and welfare. Another differentiation is that Vivafit

has been innovative during its existence, according to CEO, Vivafit was the first gym to have the “systematized custom training”, the first gym to have an app to reserve classes in Portugal; the first gym to put “Pilates” in a female gym; and the first gym in Portugal to have nutrition system. The “systematized custom training” is a method developed by Luís Cerca, which he makes a training plan every month. And last, Vivafit has been different from the competitors because it has been innovating. Vivafit had the first movement advantage in many occasions.

An offensive strategy is a strategy where a company needs to be innovative; small groups of work where everyone knows everyone; informal relationships; the environment is very dynamic, and, of course, to be innovative, the directors in Vivafit need to be creative.

Vivafit has been using a horizontal diversification strategy, because it has more than one combination of product/service-market. Vivafit is in 7 countries (more than one market) and it has more than one product/service, like the Personal 20 programme, nutrition consultations and the classes. So Vivafit has multiple combinations of products/services and markets.

The SWOT analysis of Vivafit was made, (i) its strengths, what Vivafit is different or better than its competitors, namely being a gym for women only and constantly innovating; (ii) its weaknesses, which highlight the higher prices of low-cost gyms and its difficulty in implementing in Europe and other developed countries; (iii) its opportunities, which projects, investments or strategies Vivafit may adopt in the future, with emerging countries and Muslim countries having become markets of big opportunities; (iv) and finally the threats, what factors must Vivafit caution, such as its indirect competitors, low-cost gyms, and the social, political and economic situation of the countries where it is installed.

It was used 3 instrumental models, of the market share type, named BCG, ADL and GE McKinsey matrix. All of them have two variables.

The BCG matrix evaluates the market share (X) and the market grow rate (Y) and it is a bidimensional matrix, it means that has 4 quadrants. The worst hypothesis is where the market share and the market grow rate are both low. This quadrant is named dogs. When a company has a low market share but it has a huge potential of growth, it is in the question mark’s quadrant. The quiz that I made to Vivafit Portugal, Uruguay, Taiwan and Abu Dhabi, I concluded that Vivafit Taiwan and Abu Dhabi fit in this quadrant. They don’t have a strong market share but, at the same time, they have potential to grow more, to be in the next quadrant, the starts’ quadrant. The quadrant of stars is the best one because is

where you have both high market share and high market grow. I fit Uruguay in this quadrant. They only have 3 gyms and they are already leaders in the only-women gyms chain. If they are already leaders, they have high market share, and with only three gyms, they have a huge margin to grow more. And, the last one, I put Vivafit Portugal in the cash cows' quadrant. It's where the market share is high but the market grow is low. In Portugal there are 13 gyms, there isn't a huge margin of grow, but as they are leaders, they have a big market share.

In ADL Matrix, it is evaluated the market share (X) and the product/service life cycle (Y). Like in BCG matrix, I put Vivafit Taiwan and Vivafit Abu Dhabi in the same quadrant. They have both tenable competitive market share and they are growing, they have potential. So, they should maintain the business, or find a niche, or aim to grow. In Uruguay, Vivafit also has potential to grow, it is in the growth life cycle stage and a strong position, because it is leader in the segment but they have some indirect competitors, in which has a strong position. So, in Uruguay, they should cut costs, or being different from the competitors or attack small competitors. In Portugal, Vivafit has also a strong position but it is in the maturity life cycle stage, they have been having the same number of gyms in Portugal. It doesn't mean that, in the future, could have in the growth life cycle stage. But nowadays, in Portugal, Vivafit should focus on reducing costs or in differentiation. The GE McKinsey is, like the others instrumental models, the variable "X" is the market share but, in this case, the Variable "Y" is the attractiveness of the market. In Portugal, we already know that Vivafit has a strong position, but the market is not that attractive, there are a lot of people in Portugal that don't know this concept. So, they have a strong position but a medium market attractiveness. In Uruguay is different. It has also a strong position but the market is very attractive. In Uruguay the people have been noticing this kind of business, so in Uruguay there is everything to be very successful. In Abu Dhabi, Vivafit has got a weak market share because the market is very competitive but, for this reason, the market is very attractive. Because of this reason, Vivafit should continue to invest in Abu Dhabi. In Taiwan, they are planning to open more gyms and to grow even more, that's why I put Vivafit Taiwan in the quadrant of medium market share a market attractiveness.

From this work some suggestions can be made to improve the internationalization of Vivafit, such as (i) the inclusion of market studies to analyse the expansion to other countries, namely the PEST analysis, (ii) the use of theoretical models (e.g. BCG, ADL and GE McKinsey matrices) that can assist in selecting the most appropriate investments

and avoiding unnecessary lapses, (iii) a stronger bet on international missions, so that they may have more influence on the choice of target markets and (iv) reduce staff turnover and train local staff in all countries where the company operates, to have a closer relationship with customers, increase its satisfaction and enable the adhesion of new clients.

The main limitations of this case study are (i) to draw conclusions about the internationalization of the company without having moved to the various countries where the brand is located, so as to enable me to better understand their realities, culture and working methods and (ii) analysis of the company's financial results. The analysis of financial results and travel to the countries of destination may be included in future investigations.

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8. Attachments

CEO:

1. What is the vision, mission, objectives, strategy and the enterprise's policy?
2. When and how it emerged Vivafit?
3. What are the strengths and the weaknesses? The threats and the opportunities?
4. What are the main customers and suppliers? How can you get all the equipment?
5. What are the main competitors?
6. How many people work in Vivafit? How is divided in each Vivafit?
7. What are your plans for the next years in Portugal and outside of it?
8. Have all the gyms the same activities and group classes? Why?
9. Why was there a big decrease of the Vivafit's gyms from 115 in Dez/2010 to 25 in 2016?
10. In an interview in India in 2011 or 2013, you said that you were planned to have more gyms in India than in Portugal in 1.5-year time. Today there are 12 gyms in Portugal and 4 in India. What happened?
11. In which countries has Vivafit already been and at this moment is not anymore? Why is not anymore in this/these county/countries?
12. How does it work the gym in terms of space (m², machines, etc)?
13. How does it work in terms of trainings? Are there male personal trainers?
14. How does it work in terms of group of age?
15. Why the nutrition plan is not in every 3 months instead of 6 months? All the activities are included in the overall pack?
16. With which gyms or other enterprises do you collaborate with (or strategic alliances)?
17. Are you planning to invest in another kind of business or/and to do a different business with the name of Vivafit?
18. What is the importance of franchising in Vivafit's expansion?
19. The Future of Vivafit will passed by franchising?
20. What is the type of contract that is established?
21. How is making the contact with foreign investors looking for foreign markets?
22. What are the main competitors outside Portugal?
23. How does it work in terms of prices?

24. In Portugal Vivafit has a dominant market share. Outside Portugal, how is this competitive market share?
25. What are the advantages and disadvantages of internationalization?
26. Is there any kind of discounts for the clients?
27. Which prizes has Vivafit has already won?
28. What is the difference between Vivafit and Vivafit Premium?

Expansion director:

1. When and how was the first country that you internationalized?
2. Why have you never entered in Iran?
3. Why have you never internationalized in the North of Africa? (muslins countries)
4. Why have you never internationalized in Brazil or in another African country which its official language is the Portuguese?
5. What is/are the biggest barrier(s) when Vivafit enters in a new country?

Operation Director:

1. How did you maintain the remaining gyms?
2. How does it work in terms of Nutrition?
3. How does Vivafit make the contracts?
4. How do you make the contracts with the lawyers? How do lawyers make the contracts in terms of national and international market?
5. Why hasn't India got yoga?

Marketing director:

1. What is the Marketing's Strategy (segmentation, target and position) of Vivafit?
2. How does it defer this gym from the others in terms of customer satisfaction?
3. How do you promote and valorise the brand Vivafit?
4. Which endorsements do you have?
5. Which endorsements would you want to have?
6. There is a gym in Taiwan (Taipei), which is officially the Republic of China, and your app has mandarin language. Why don't you have a Chinese social media (WeChat, Sina Weibo, Toudou Youku, etc)?
7. Which product/service are you planning to develop in the next years?

IT director:

1. There is a gym in Taiwan (Taipei), which is officially the Republic of China, and your app has mandarin language. Why don't you have a Chinese social media (WeChat, Sina Weibo, Toudou Youku, etc)?

2. How is the responsible for the activities in the gyms outside Portugal, is it someone from this country or Vivafit?
3. Is there any application for financial and administration management?
4. How does it work in terms of contracts in the international market?
5. Is there any app that controls the entrances of the clients?

Franchises in Portugal:

1. What were the ideas that you had different from the original ones?
2. What is the “secret” to be working until now?
3. What is the feedback from the customers, workers and the direction?

International Questions (Uruguay, Abu Dhabi and Taiwan)

1. Do you have all the activities at the gym (for example SBarre, Pilates, etc)? Which ones do you have?
2. Do you have something different from the others Vivafits?
3. Who are the main competitors in Uruguay/Abu Dhabi/Taiwan?
4. How is the market in terms of gyms only for women?
5. How does it work in terms of social media? What are the main social media apps that you use?
6. Is it so popular Vivafit in your country? How does its people look for Vivafit? Is it attractive the only-women gym market in Uruguay/Abu Dhabi/Taiwan?
7. How is the customer satisfaction?
8. What are the plans/objectives for the future?
9. Is it been growing the Vivafit in Uruguay/Abu Dhabi/Taiwan?
10. How does it work in terms of prices for the clients? Is there any discount?
11. What is the market share of Vivafit in Uruguay/Abu Dhabi/Taiwan regarding the market of only-women gym? Is it dominant, strong, favourable, tenable or weak?
12. What are the suppliers? How can you have the machines, the equipment?
13. How do you analyse the PESTEL (policies, economy, social-cultural, technology, environment and legal) analysis in Uruguay/Abu Dhabi/Taiwan?
14. How do you analyse the SWOT analyse in Uruguay/Abu Dhabi/Taiwan?
15. How does it work in terms of staff? How many professionals do you have in each gym? Are they all women?
16. How does it work in terms of space, area?