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Internationalisation Strategies of Beverage Firms: The Case of Sumol+Compal

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MSc in Business Economics and Competition

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BUSINESS SCHOOL

Departament of Economics

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Abstract

Purpose: The purpose of this dissertation is to explore the internationalisation process of beverage firms.

Methodology/approach: The dissertation is a qualitative single case study. Data collected from the interview with the Head of Exports Markets of Sumol+Compal and socioeconomic studies are analysed to examine the impact of the sector's sensitivities on their preferred internationalisation strategies.

Findings: The findings suggest that the pace and entry modes are influenced by customer relationships and the existence of diasporas rather than physical distance. In addition, beverage firms are motivated by cost leadership to perform direct investment, after which they tend to shift from international strategy to transnational strategy by customising their product offering in their natural markets.

Practical implications: As firms increasingly pursue international markets, knowing key factors that support the sustainability of their international business can help firm managers to approach foreign markets.

Originality/value: While mainstream research into internationalisation is based largely on motives, barriers and patterns, the primary contribution of the dissertation is to introduce the role of business relations and the existence of diasporas to explain how foreign activities are conducted and optimised.

Keywords: Diasporas, Organisational structure, Internationalisation, Strategy, Cultures, Network relations

JEL Classification System: F23 - International Business; L66 - Food and Beverage

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Resumo

Objetivo: O objetivo desta dissertação é explorar o processo de internacionalização das empresas de bebidas.

Metodologia/abordagem: A dissertação trata-se de um estudo de caso que recorre ao método de investigação qualitativa. Os dados recolhidos a partir da entrevista com o Diretor de Mercados de Exportações na Sumol+Compal e de estudos estatísticos são analisados para examinar o impacto das sensibilidades do setor na seleção das estratégias de internacionalização.

Resultados: Os resultados sugerem que o ritmo e modos de entrada são influenciados pelas parcerias estratégicas e a existência de diásporas nos mercados internacionais, ao invés da distância física. Além do mais, as empresas de bebidas são motivadas pela liderança de custo para realizar investimentos diretos estrangeiros, depois do qual tendem a mudar da estratégia internacional para estratégia transnacional ao personalizar a sua oferta de produtos nos seus mercados naturais.

Implicações práticas: À medida que as empresas procuram cada vez mais mercados internacionais, saber dos fatores-chave que apoiam a sustentabilidade dos seus negócios estrangeiros pode auxiliar os gestores na abordagem aos respetivos mercados.

Originalidade/valor: Ao passo que a maioria dos estudos sobre internacionalização se baseia em grande parte em motivações, barreiras e padrões, o principal contributo da dissertação encontra-se na introdução do papel das parcerias estratégicas e da existência de diásporas enquanto fontes de explicação da forma como os negócios estrangeiros são conduzidos e otimizados.

Palavras-chave: Diásporas, Estrutura organizacional, Internacionalização, Estratégia, Culturas, Rede de relações empresariais

Sistema de Classificação JEL: F23 - Negócios Internacionais; L66 - Comida e Bebida

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Chapter 1

Introduction

From Beijing to New York, from Luanda to Lisbon, it is increasingly evident that what happens in one corner of the world affects us all. Business no longer recognises borders. International consumers, global supply chains, and cross-border M&A (merger and acquisitions) and alliances are reshaping the corporate environment. The existence of a serious competitive market, integration of worldwide economies, interconnectedness and interdependency between countries, and constant innovation of products and marketing strategies is forcing organisations in all sectors to think on a global scale. Wittmann et al. (2019) say that business is now living in a VUCA world, where Volatility, Uncertainty, Complexity, and Ambiguity are setting the pace of competition. In such an environment, where the average lifespan of an S&P company is shrinking (Foster and Kaplan, 2001), global economics and strategic management understanding have gained more importance for corporations (Karimli, 2020).

The Food and Drink industry is the manufacturing industry with the highest turnover (1 093 billion euros) and employs the most people in the European Union (4,5 million people) (FoodDrinkEurope, 2021). It is a multifaceted business that involves many activities such as agriculture, storage, processing, distribution, retailing, restaurants, promotion, and other services that together include many organisations and a significant share of employment in both low- and high-income countries. However, beverage firms generally struggle to internationalising their brands. Only a restrictive number of groups have a relevant global presence. The reason generally given to explain this phenomenon is their lack of knowledge, cultural misunderstandings, or inadequate use of strategy (Rheem, 1996).

Our lives move around food. In meetings with friends, family, clients, or business partners, food and drinks are oftentimes present. Beverage firms are trying to export these products, so linked with their nation's culture and taste, to completely different countries. Although foreign trade flows in goods and services are regularly analysed by literature practitioners, the economic relevance of linguistic proximity and multinationals based in Portuguese-speaking countries has been neglected. Furthermore, academic research focusing on non-alcoholic operators is limited compared to alcoholic counterparts. Alcohol consumption is one of the top risk factors for human health (Blackwell *et*. *al*., 2020). In North America, low - and no-alcoholic brands grew 315% in 2020 as part of the ongoing trend for healthier lifestyles (Nielsen *apud* Dingwall, 2021). All these aspects inform the sector's importance in the context of internationalisation and the underlying motivation for this study.

The dissertation aims to portray the business internationalisation process and the strategies that play a role in it in the non-alcoholic beverage sector. First, it will describe the elements of internationalisation, and then it will focus on the non-alcoholic beverage sector in the context of a case study. The choice of discussing this topic in these two axes originates from two reasons: first, the case firm is emblematic of Portugal, and it is present in more than 60 countries; second, the high integration of this industry and culture has made it unique among the other industrial sectors and allows the investigation through different lenses. Our preliminary research model is designed to explore the concrete factors that influence the choice of entry mode of beverage firms, which in turn determines their performance in foreign markets. Inspired by Ulrich *et*. *al*. (2012), this model is illustrated in the figure below:

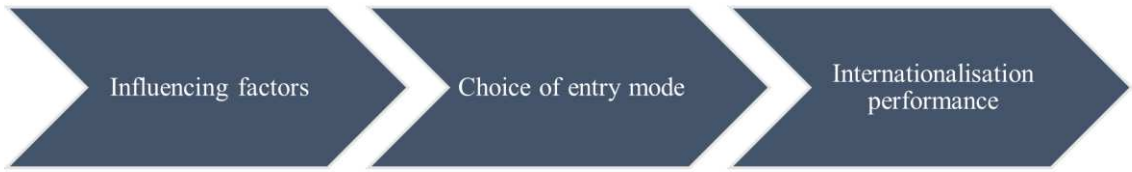

Figure 1.1 - Preliminary research model
Source: Adapted from Ulrich *et*. *al.* (2012)

Following this introduction, we include a literature review that explains the existing research upon which our research is based. Problems and challenges of firms are discussed at different levels based on the traditional internationalisation theories, market-entry, and strategic theories of organisational capabilities and knowledge. Porter (1980) highlighted that a firm's strategy is determined by the conditions in the industry. These conditions inform the strategic positions to be adopted in foreign markets. Despite several theoretical insights, we lack clarification on criteria that determine internationalisation structure among beverage firms. This establishes our research question and the consequent need for further research into our topic area through a theoretical framework.

To address the gap in our existing knowledge, we then include a methodology chapter, which describes and justifies the research project we designed to achieve our research objectives. Our research takes both a descriptive and explanatory approach by conducting a case study on Sumol+Compal, a leading Portuguese non-alcoholic beverage group with approximately 64% of its global sales coming from the African continent (Annex E). The main objective of the case study is to understand the process' inception and evolution throughout the years, the motivations and barriers encountered, and if their strategy effectively allowed the firm to benefit from its international business. Particular attention is paid to the insights resulting from the interview we conduct with the Head of the Exports Market of Sumol+Compal, which constitute our primary data. The secondary data was made through information collected from reports, websites, and books. This data-gathering process was guided by our reviewed literature, which contributed to a better understanding of the reality and the challenges arising from the beverage's peculiarities.

We then present our key findings in the results chapter as per the theoretical framework. We describe the case firm and the non-alcoholic industry before proceeding to discuss at different levels the main dimensions that arise when beverage firms go abroad, using Sumol+Compal as an example. International trade and business relations are analysed, and the relevance of geographical and cultural distances between countries as critical factors underlying the choice of the destination market are discussed.

Finally, we summarise our research, establish its contributions and limitations, and suggest future research opportunities in the conclusions chapter of the dissertation.

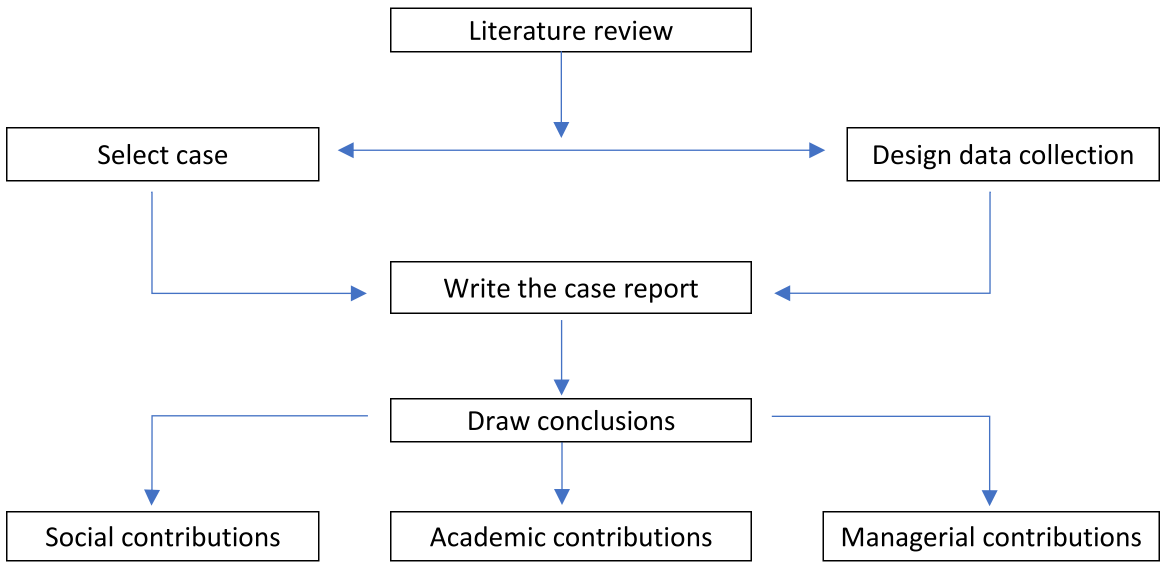

Figure 1.2 - Dissertation structure
Source: Author

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Chapter 2

Literature Review

The literature review is based on internationalisation concepts examined in four parts. The first part exposes theories and their evolution over time. The second part concerns strategies that generically every firm can follow when approaching foreign markets. The third part focuses on different options that firms can take when expanding to new countries and the respective risks and levels of control. Lastly, in the fourth part, we narrow down our review to the beverage industry. It is in this part that we discuss the theoretical insights that specifically regard this sector and identify its limitations, which in turn justify our research project.

2.1 Internationalisation Theories

Freire (1997) considered internationalisation as the expansion of domestic market operations to foreign countries. In contrast, other authors (e.g., Johanson and Wiedersheim, 1977) identified exportation and other transactions that involved the foreign supply and international cooperation as forms of internationalisation, through which firms did not expand their business abroad. In this context, Gorynia (2000 *apud* Ratajczak-Mrozek *et*. *al*., 2013) differentiated between two notions: active internationalisation, referring to various forms of international business expansion, and passive internationalisation denoting the act of selling or exporting to foreign clients without taking the business outside the home country.

Andersen (1993) emphasised the incremental nature of internationalisation, meaning that the participation of a company in other countries increases over time by acquiring resources and learning how to operate in global markets. Johanson and Vahlne (1977) followed the same idea, whereby the authors developed the Uppsala Model. This model assumed that in the first phase the companies function only on the internal market, with no export activity. After a long time, the internationalisation process would be initiated in small steps, starting with exports to neighbouring countries, which allowed the acquisition of information, experience, and know-how. With these new resources, firms would then increase their commitment to the market (e.g., establishing a sales subsidiary) before starting to export to more distant countries. Based on their observations on Swedish firms, the decision to internationalise was determined by, on one hand, market knowledge and market commitment (state aspects), and, on the other hand, commitment decisions and performance of current activities (change aspects).

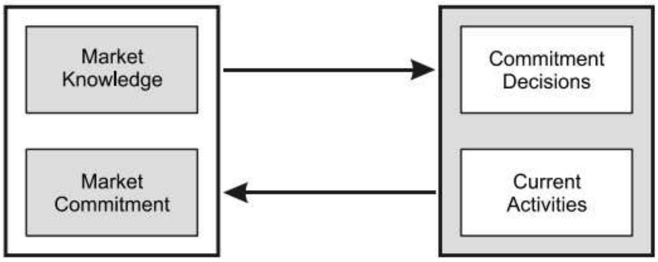


Figure 2.1 - The main structure of the Uppsala Model
Source: Johanson and Vahlne (1977)

Uppsala Model was a pioneering stage model. Although other models differed in the number of stages (Annex A), they shared the perspective that internationalisation was accomplished through a sequential process. These models were valuable in demonstrating how businesses could lower the risk of choosing the wrong country market and entry mode through ever-increasing learning and commitment. Notwithstanding, stage theories ignored other complex issues in internationalisation, such as the degree of autonomy of international subsidiaries. It should also be noted that the psychic distance between countries decreased as the world globalised. However, these facts do not diminish the contemporary importance of stage models. Recent case studies have shown that firms still engage in international business only after acquiring deep knowledge (Silva et al., 2012). In addition to being favourable in reducing uncertainty related to foreign activities (Johanson and Vahlne, 2006), established knowledge can be used to help build and expand networks (Fonfara et al., 2012). Stage models have also contributed to the emergence of other theories.

Consistent with the development of the stage models (Daszkiewicz and Wach, 2012), the resource-based view (RBV) argued that with valuable, rare, imperfectly imitable, and not substitutable resources firms could achieve a competitive advantage. Literature on internationalisation was enriched by the RBV theory, namely regarding market entries, international entrepreneurship, and emerging market strategies, by suggesting that these strategies "are pulled by the resource the capabilities of firms abroad as well as being pushed by the firm-specific advantages possessed by the [multinational company]" (Barney *et*. *al*., 2001, p. 630).

Despite acknowledging that firms are heterogenic, considering the multitude of resources at their disposal and the capabilities of their use, RBV-based studies mainly focused on large state-owned firms. More recent research used resource-based theory to propose that certain firms do not necessarily follow stages. Some of them may become international at inception despite their small size (Knight and Cavusgil, 2004). "Born globals", as defined by Gabrielsson and Kirpalani (2004), are companies that internationalise rapidly without any initial long period dedicated to activities in the domestic market (as explained in stage models) amid external factors, such as technological, governmental, and competitive (Sapienza et al., 2006). Like RBV, this theory mainly concerned a specific segment - high-tech. Cuervo-Cazurra (2011) argued that high-tech firms faced fewer barriers to selling their products abroad, hence they were able to internationalise quicker.

As a result, based on the Uppsala Model, Cuervo-Cazurra (2011) proposed the non-sequential model, which defended that during the initial period dedicated to domestic activities manufacturing firms could develop knowledge conducive to entering psychic distant countries for the first foreign expansion. However, his study did not analyse which types of knowledge induced the firm to select this approach. Other aspects of the internationalisation process, such as the selection of methods to enter a particular country were also beyond the scope of his paper.

Also based on the Uppsala Model, the network internationalisation approach aimed to prove that firms within a network strengthened each other's internationalisation processes, and the network's expertise grew when new members joined, and existing members gained more international experience (Peng and Meyer 2011). Yet, to the best of our knowledge, literature has failed to address how networks specifically impact beverage internationalisation.

2.2 Internationalisation Strategies

The concept of strategy is hundreds of years old, though there has been no agreement about its definition. In fact, organisational strategy has been one of the most complex topics of research (Beard and Dess, 1981; Mintzberg, 2000). Chandler (1962, p. 13) defined it as "the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out the goals". Similarly, Andrews (1971, p. 107) stated that it was a "pattern of objectives, purposes, or goals and major policies and plans for achieving these goals". These definitions looked at a strategy as the outlining of what an organisation aspired to achieve and how intended to do to get there. Overall, strategy is viewed as an action plan of how a firm will deliver the required results.

Numerous reasons have been pointed out for firms to internationalise their operations. Simões and Crespo (*apud* Crespo and Tomás, 2017) distinguished them between reactive and proactive. Some examples of reactive motivations are overproduction, decline or saturation of domestic markets, and relocation of essential customers. Some examples of proactive motivations include profit advantage, macroeconomic benefits, and access to raw materials. For this literature review, we focused on two typologies widely quoted in academic textbooks - concentration/diversification strategies, and international orientation strategies (for a comparison of other strategy approaches see Annex B).

Ansoff (1965 *apud* Daszkiewicz and Wach, 2012) proposed a two-by-two framework that allowed firms to identify growth opportunities in both domestic and international markets. Often called Ansoff's Product-Market Matrix, this framework has two variables: markets and products on X-axis, and their two dimensions – new and already existing on Y-axis. The author distinguished the following four strategies: (i) market penetration (a strategy consisting in offering the existing products in the current markets), (ii) market development (a strategy consisting in developing and/or finding a new market for an existing product or products), (iii) product development (a strategy consisting in developing or modifying products and offering them in the existing markets), and (iv) diversification (a strategy consisting in the development of new products in the new markets).

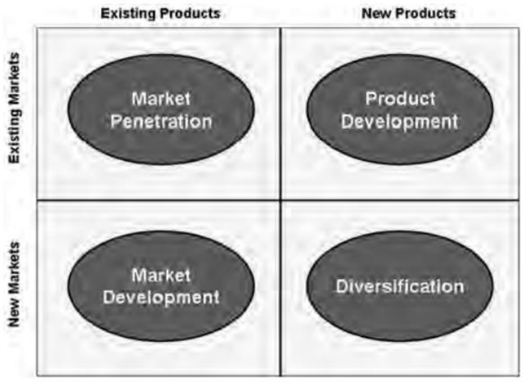


Figure 2.2 - Ansoff's Product-Market Matrix
Source: Ansoff (1965 *apud* Daszkiewicz and Wach, 2012)

Many practitioners have studied the relationship between the strategy and structure of a firm (e.g., Hamel and Prahalad, 1994; Pugh, 1997). The process of assessing and selecting the structure of an organisation is defined by several activities conducted to achieve corporate goals. In the global strategy context, the use of the integration-responsiveness (IR) framework was proposed by Prahalad (1975 *apud* Venaik, 1999) and subsequently applied by several other authors.

The framework illustrated in Figure 2.3 has two dimensions for analysing the managerial demands in foreign businesses: Global integration (GI) and local responsiveness (LR). Assessing these two pressures would enable a company to conclude whether it should offer a marketing mix programme abroad identical to that supplied domestically or adapt it to the specific requirements of foreign markets. The choice between standardisation and adaptation has been a long-debated issue, as each approach claims several benefits for multinational corporations (MNCs). On one hand, standardisation offers a reduction of the complexity of managing overseas operations and expenses due to economies of scale and cost savings in the marketing mix (Yip and Bink, 2007). On the other hand, adaptation offers more customer orientation (Douglas and Wind, 1987), resulting in profit maximisation as revenues accrued from marketing mix modifications tend to be higher than adaptation costs (Terpstra and Sarathy, 1999).

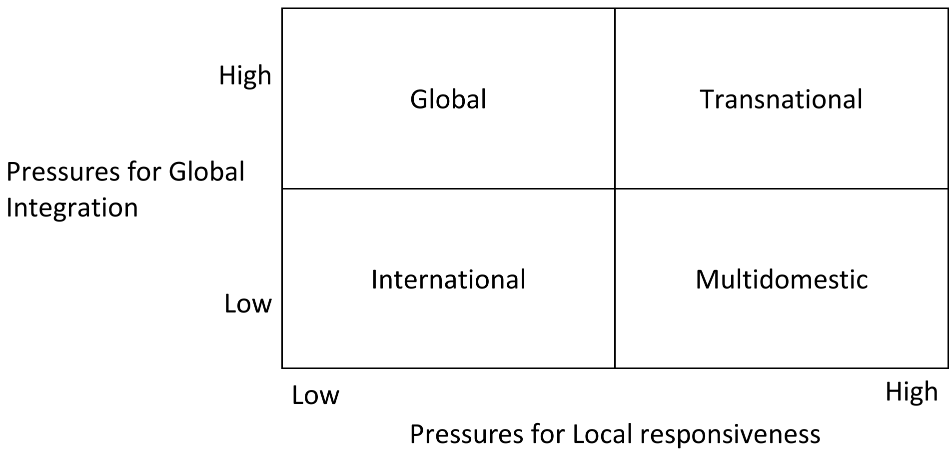


Figure 2.3 - Global integration and responsiveness framework
Source: Adapted from Bartlett and Ghoshal (1989)

According to Venaik (1999), international firms operate in an environment with low GI and LR pressures. These firms export goods from their domestic production site to different countries, with minor modifications. Multidomestic firms operate in an environment with low GI and high LR pressures. Each of their subsidiaries is treated as an autonomous, independent entity with local operational and strategic activities and little to no coordination with the headquarters. Global firms operate in an environment with high GI and low LR pressures. These firms require a high level of global coordination in pursuance of lowering costs arising from economies of scale. Lastly, transnational firms that operate in an environment with high GI and high LR pressures strive to simultaneously achieve global efficiency and local responsiveness.

2.3 Entry Modes and Risks

Ulrich *et. al*. (2012, p. 13) defined an entry mode as “an institutional arrangement for organising and conducting international business transactions by which all future decisions are influenced”. An adequate entry mode is very important. For example, some Portuguese retailers were unsuccessful in Brazil, despite being a country that resembles Portugal in many aspects (Crespo and Tomás, 2017). In literature, “control” is a key indicator associated with risks and gains that each different entry mode presented. Based on this construct, Hollensen (2011; 2010 *apud* Ulrich *et. al*., 2012) classified an entry mode as high control, intermediate or low.

High control entry modes permit full control of foreign activities in form of wholly owned subsidiaries. Vernon (1966) defended that through direct operation, firms could become competitive abroad, for instance by creating differentiated products. Intermediate entry modes are achieved through partnerships with other organisations in which the parties involved agree to share resources, technology, and income for a contractual period. This type of entry mode can made in form of strategic alliances (SA) or joint ventures (JV). The main difference between SA and JV is that the former does not involve the incorporation of a new enterprise. Low control modes consist of exports, which represent the lowest degree of control. Through exporting, firms either export their goods through the intermediaries (indirect export) or sell directly through an agent, distributor, or importer located in a foreign market area (direct export).

In short, the choice between high, intermediate, and low control entry modes depend on the firm's assessment of the advantages and disadvantages that each of these have. A high control mode increases profitability at the expense of risk and cost, while a low control mode diminishes costs and risk at the expense of profitability (Agarawal and Ramaswami, 1992; Ekeledo and Sivakumar, 2004; Chen and Messner, 2009 *apud* Ulrich *et*. *al*., 2012).

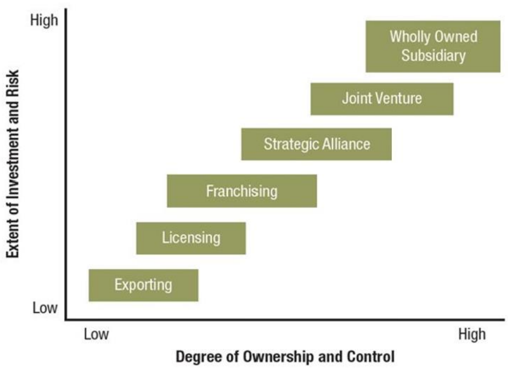


Figure 2.4 - Entry strategies for international markets
Source: Adapted from Root (1998)

In general, risk describes a situation in which a given situation can potentially harm or benefit a company. Simões and Crespo (*apud* Crespo and Tomás, 2017) outlined three of its dimensions: country risk, foreign exchange risk, and cultural risk.

Country risk unfolds in two crucial sub-dimensions: risk associated with the foreign political system (e.g., political stability), and risk associated with the foreign legal system (e.g., guarantees of protection). Foreign exchange risk refers to the potential impact on company earnings of changes in the exchange rate, requiring permanent monitoring of the exchange rate evolution, which may involve, in the case of multinational companies operating in many markets, a strong allocation of resources. Cultural risk is an indelible feature of contemporary societies, requiring a considerable effort from companies to understand different contexts and be able to deal with them effectively.

Literature practitioners have tried to define models that minimise threats arising from risks that internationalisation entails. Ghemawat (2001) presented the CAGE Distance Framework, a theoretical model that correlated the psychic distance between countries with business uncertainty.

Table 2.1 - Four dimensions of the CAGE Distance Framework
Source: Adapted from Ghemawat (2011)

Dimension	Country pairs (bilateral)	Countries (unilateral)
Cultural Distance	Different language Different ethnicities Different religions Different values, norms, and dispositions	Insularity Traditionalism
Administrative Distance	Lack of colonial ties Lack of shared regional trading bloc Lack of common currency Political hostility	Nonmarket/closed economy Lack of membership in international organisations Weak institutions, corruption
Geographic Distance	Physical distance Lack of land border Differences in time zones Differences in climates	Landlockedness Lack of internal navigability Geographic size Geographic remoteness Weak transportation or communication links
Economic Distance	Rich/poor differences Other differences in the cost or quality of natural, financial, and human resources, infrastructure, information, or knowledge	Economic size Low per capita income

Cultural distance is related to differences in language, race, religious beliefs, and social norms between two countries. In his study, Ghemawat (2001) identified the food industry as particularly sensitive to religious attributes by giving two examples: Hindus did not eat beef because it was expressly forbidden by their religion. Americans treated rice as a commodity, while in Japan it carried an enormous amount of cultural baggage.

Administrative distance included historical and current political relationships shared by countries. Ghemawat (2001) argued that past colonial ties between countries, free-trading arrangements (e.g., European Free Trade Association), currency unions (e.g., euro area), and political and economic unions (e.g., Association of Southeast Asian Nations) tended to boost trade. On the flip side, protectionist measures through tariffs, trade quotas, subsidiaries to domestic producers, and restrictions on foreign direct investment (FDI) posed the most common barriers to cross-border trade. Also, companies would normally avoid doing business in countries that had weak infrastructures, high levels of corruption, and macroeconomic and political instability.

Geographic distance, not only expressed in miles or kilometres between countries, but also related to attributes such as topography, the physical size of the country, and access to waterways and the ocean, must be taken into account. According to Ghemawat (2001), the costs of transporting fragile or perishable products (like food and drinks) were higher across large distances. The author also defended that intangible goods and services were also affected by geographic distance, by quoting a study that indicated that cross-border equity fell off significantly as the geographic distance between countries rose.

Countries also differed in economic conditions. Ghemawat (2001) revealed that poor countries traded more with rich countries, while rich countries engaged more with counterparts relative to their economic size. The author suggested that companies relying on economies of scale and standardisation should focus on countries that have similar economic profiles where their business model could be replicated. In this context, a Dutch retailer in Belgium would be a virtual carbon copy of its home business, but vastly different in India.

While the literature on entry modes and related frameworks such as CAGE helped explain how firms go international, they did not explain how, after the internationalisation process had concluded in a certain market, should compete against their local and global competitors, and improve their corporate performance.

2.4 Beverage Internationalisation

The term "beverage" is derived from the French word "Beivre", which means drink. Raga (2020) divided the industry into two segments: alcoholic drinks and non-alcoholic drinks. The alcoholic segment mainly consisted of beer, wine, spirits, and cider. The non-alcoholic segment broadly included hot drinks (coffee and tea), water (natural water, flavoured water, and sparkling water), and soft drinks (which contain carbonated or non-carbonated water, a sweetener, a flavour and include carbonates, juices, ready-to-drink tea and coffee, and sports/energy drinks).

The beverage sector was considered part of the food industry and one of the categories of Fast-Moving Consumer Goods (FMCG), along with shaving products, toiletries, detergents, cosmetics, and plastic goods, among others. A critical feature of FMCG was the fact that it was an extremely volatile industry characterised by stiff competition, low customer loyalty, and high operational costs. Raga (2020) said that innovation was preponderant, with manufacturers of beverage products being pressured to find ways to keep a winning portfolio with changes in the preferences of the consumer. Nevertheless, the beverage industry was rapidly growing during the pre-pandemic period, processing over 3% of CAGR (compound annual growth rate) (Raga, 2020).

According to Katsigris and Thomas (2011), people drink for many good reasons: for food and health, pleasure and fellowship, truth, and celebration. Anderson (2005, p. 62) added that “food is not only consumed in order to satisfy the nutrients needs but also to communicate, to reassure [and] to affirm religious faith”. Coleman (2006) noted that there was a direct connection between society’s values and food and drink consumption. Ghemawat (2001) also concluded that food was a very important cultural difference between countries. With the linkage between culture and globalisation in mind, Can *et*. *al*. (2020) defined “glocalisation” as the act of tailoring goods and services to a particular market. McDonald’s is an example of a fast-food chain that pursued this strategy. Their restaurants in India, for example, did not serve beef, while in France wine was included on the menu.

We have identified several studies on firm internationalisation of the beverage business and most of them touch on concepts of motives, patterns, and barriers.

Tuzová *et*. *al*. (2017) studied the internationalisation process of Czech small and medium-sized enterprises (SMEs) in the food industry and showed that large and foreign-owned firms often selected levels of standardisation in marketing strategies for product, distribution, and promotion, but an adaptation for price. Interestingly, unlike Ghemawat (2001) and Azar (2013), their research downplayed culture as an important barrier. Instead, the administrative burden was cited by Czech companies as the most relevant. The author also found that beverage firms identify internationalisation as too big of a risk. Bowen (2019) reached the same conclusion, by arguing that food and drink products were unsuitable for international markets. In addition to enterprise-related barriers, namely, the aversion to risk and the lack of incentives to internationalise, the shelf-life of food products was not conducive to internationalisation. As such, his data suggested that internationalisation was only statistically significant when the company was encouraged to do so with a reliable partner. However, there was a certain level of FDI reported in the literature, with Belk *et*. *al*., 2014 saying that in the case of the agri-food industry tended to be preceded by regular exports as companies required a deeper understanding of eating habits, meal preparation methods, and food safety legislation. Both Cuervo-Cazurra (2011) and Santos *et*. *al*. (2020) agreed with the incremental notion, with the latter adding that agri-food firms tended to first conduct FDI in neighbouring countries before moving to more distant ones. Therefore, most of the external investments of the agri-food MNCs analysed occurred at the regional level. However, as several emerging countries are abundant in natural resources and have a cheap labour force that allows them to be competitive in the production of primary agricultural products, Santos *et*. *al*. (2020) acknowledged that FDI could offer opportunities that cannot be fully exploited through exports.

Further on the entry strategies, Cuervo-Cazurra (2007) discovered that the beer company Modelo maintained its production facilities in the home country and used marketing subsidiaries in foreign countries, unlike Femsa, which had overseas production factories. While Modelo could start to produce elsewhere and benefit from lower costs, it would lose the "Made in Mexico" image (Cuervo-Cazurra, 2007). The effect of country of origin (COO) in the context of internationalisation was first proposed by Schooler (1965) who defined it as the phenomenon that country of manufacture affects consumers' perception and evaluation of products. Recent studies found that COO could influence consumer purchase intention (Berry *et al*., 2015). For instance, Fábrica Santo António based in Funchal (Portugal) had chosen London as an export destination for its artisan sweets due to the significant community of Madeirans residing in the British capital (Martins, 2015).

In the international business context, we found that diaspora networks have not been adequately studied. We also lack clarification on the potential impact that network relations have on beverage internationalisation and which of the four CAGE elements is more relevant for such a process. Motivated by this concern, this research seeks to directly respond to this gap by exploring the following question: How relevant business and diasporas networks are for beverage internationalisation?

Chapter 3

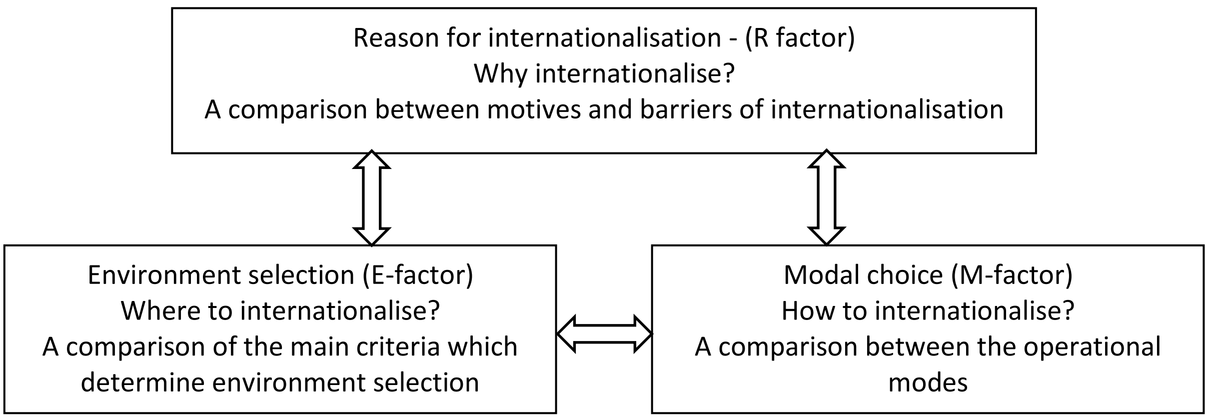
Theoretical Framework

To explore how managers attempt to create international beverage brands in their firms, we draw insights from the literature on internationalisation theories (e.g., Barney, 1991), strategies (e.g., Ansoff, 1965), and entry modes (e.g., Ulrich, 2012). This theoretical perspective is appropriate for exploring our research questions as it generally encourages researchers to consider the concrete actions that managers perform on a day-to-day basis to introduce and distil foreign business activities in firms.

Internationalisation is too broad of a concept to be expounded by a single theoretical view (Coviello and Martin, 1999). At the same time, the scope of our study is not conducive to the use of multiple frameworks. However, by examining internationalisation in a holistic, inclusive manner, the limitations inherent in focusing on a single theoretical framework can be overcome. The REM model developed by Liuhto (2002) allows us to set a comprehensive framework that very much integrates our reviewed theoretical background. This model consists of three factors. The R-factor strives to answer why a firm decided to internationalise in the first place. The E-factor stands for the comparison between business environments. The M-factor aims to answer the question of how a firm implemented its internationalisation. In our reviewed literature, these factors were covered by, among other scholars, Crespo and Tomás (2017), Ghemawat (2001), and Root (1998).

The framework underpinning our research is summarised below.

Table 3.1 - Theoretical framework
Source: Adapted from Liutho (2002)



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Chapter 4

Research Methodology

4.1 Research Design

With the definition of the research question and the theoretical framework, outlining how this research project can be undertaken was essential to identify the best methods to collect the necessary information and make conclusions. The two most adopted methods in empirical literature are quantitative and qualitative (Alharahsheh and Pius, 2020).

Quantitative methods can be subdivided into three types:

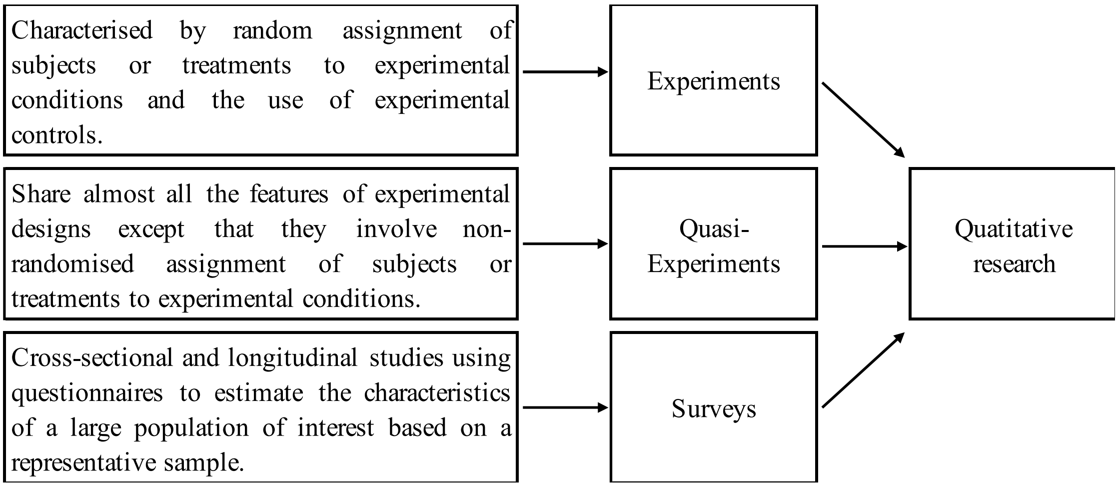

Figure 4.1 - Quantitative research
Source: Adapted from Kumar (2015)

According to Alharahshe and Pius (2020), quantitative research is often used to test existing theories. Under this approach, our dissertation would have focused on the discovery of facts or regularities that are observable and measurable, leading to the creation of universal rules and laws that support and explain the internationalisation behaviour within organisations. However, such a method would be rather difficult to implement in the context of our topic. Considering the cultural nature of our study, a strict focus on pure data would ignore the intention of firms and their actions would not be fully understood. Considering that reality is subjective and differ across different environments, we intended to provide an in-depth understanding through the collection and interpretation of data based on participants' perspectives leading to deep insight and conclusions.

Consequently, we considered qualitative research as better suited for the dissertation. As discussed by Alharahshe and Pius (2020), it affords us to provide a clearer understanding of a phenomenon through the ones experiencing it. It has the added benefit of being more sensitive toward individual meanings by considering differences such as cultures, circumstances, as well as times leading to the development of different social realities. This type of research can be further classified into three sub-types:

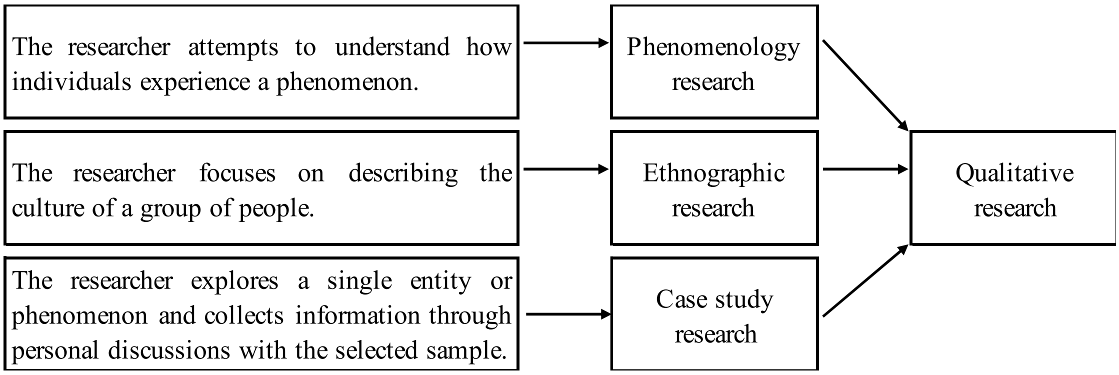

Figure 4.2 - Qualitative research
Source: Adapted from Kumar (2015)

Our research was conducted in form of a single-case study. As Yin (2003, p. 7) mentioned, “case study is appropriate for examining contemporary events when the relevant behaviours cannot be manipulated”. It empowered us to recognise the driving forces toward involvement in international operations from numerous perspectives by facilitating a more thorough analysis of firms than possible through quantitative data. Even though single cases involve several disadvantages compared to multiple cases, such as misrepresentation, the difficulty of accessing foreign firms restricted the scope of the study to Sumol+Compal, the only major Portuguese non-alcoholic beverage firm. Other Portuguese brewers such as Sociedade Central de Cervejas e Bebidas (Sagres) and the Super Bock Group (Super Bock), which were larger operators than Sumol+Compal, were active in the alcoholic segment but regarded other business categories (soft drinks and waters, for example) as portfolio complements. Furthermore, our motivation laid in establishing base information for future studies. The idea of this case study was to be an initial step to understanding the internationalisation process in the context of the non-alcoholic business and serve as a comparative study in the future.

4.2 Data Collection and Analysis

To find answers to our research question, our research used both primary and secondary evidence.

Our primary data draws on an interview with the Head of Export Markets of Sumol+Compal, Dr. Luís Marques. The interviewee had a special relationship with the phenomenon under investigation, and sufficient and relevant work experience in the field of brand management and internationalisation.

Since case studies are about human affairs, the interview technique was able to capture the very critical subjective meanings that are an essential element of understanding human behaviour. In addition to creating the right atmosphere to enable the respondent to express his views completely to the extent of their knowledge, interviews also offer flexibility in terms of leaving room for the generation of conclusions that are not initially meant to be derived regarding a research subject. However, to avoid deviation from the pre-specified research aims and objectives, a general interview guide was developed with open-ended questions.

Table 4.1 - Interview guide
Source: Author

Interview guide
Q1: Why did Sumolis and Compal decide to involve in international markets?
Q2: Why have you selected the countries or regions where you currently export?
Q3: What are the challenges and benefits of exporting to different countries?
Q4: How important is it to enter new markets with a partner?
Q5: Are your subsidiaries very autonomous, or is there high coordination with the headquarters?
Q6: How the climate change, the ongoing health pandemic, and armed conflict in Europe changing your business?
Q7: Do you agree that Portugal can build global brands?
Q8: What are your suggestions and ideas for companies that have not entered international markets?

The above questions were designed to gain access to behavioural aspects based on the participant's experience. The interview occurred on 20th October 2022 in Sumol+Compal's headquarters, was voice recorded under the interviewee's consent agreement, and was conducted in the native language and dialect of both participants (European Portuguese) to minimise semantic misunderstanding between the speaker and the listener and leave room for a richer discussion. Once ended, the interview was transcribed in full detail in Portuguese (Appendix A) and translated into English (Appendix B). There are several translation methods used by cross-cultural researchers, such as back-translation and "decentering" (Cha *et*. *al*., 2007), however, these techniques require the participation of independent bilingual experts. Due to a lack of resources, we opted for a series of revisions in both languages as often as needed until similar but culturally relevant data was validated in each language based on our linguistic skills. To provide further support for our case study, annual reports, prospectuses, news releases, social media posts, and other official publications were collected from the firm visited. These additional primary data sources enabled the extension of the information gathered from the interview. They allowed us to measure the impact of their chosen strategies in terms of financial outcome. They have the additional advantage of comparing the resources of the firm with its competitors and further assess the relationship between size and entry modes.

Regarding secondary data sources, gathering market data was essential to increase our understanding of the environment in which beverage firms operate and develop a more accurate discussion. Several private companies (e.g., Allied Market Research, Fortune Business Insights, and Grand View Research) contain databases with key industry figures such as global or regional sales and growth rates. However, each of their data differs, which raised our doubts about their reliability. Since we have no means to validate their findings, we prioritised sources that were as close as possible to the phenomenon in question. As such, our industry data originated from non-profit associations that represent the sector, and therefore have a special relationship with the players involved. This included organisations such as UNESDA and the European Fruit Juice Association, both of which represent European brewers. Other regions were left unreported due to a scarcity of relevant data. Additionally, we collected information from other national and international public bodies, such as the World Bank, OECD, Banco de Portugal (through Neves and Belo), and Observatório da Emigração (through Pires *et. al*.) to connect firm motivations to pursue certain strategies with economic development, migration movements, and international trade patterns. In addition, we sought scientific and literary publications by historians who long studied these socioeconomic phenomena and had deep knowledge (e.g., Lains and Mattoso). Apart from this, the information was also taken from a collection of articles, reports, and websites from reliable publishers. Considering that the Group's internationalisation process began several decades ago, both old and recent information was chosen. Secondary sources not only assisted in answering the research question but also provided some clarification from primary evidence.

Using data from various sources allowed us to cross-check data and ensure validity. To further increase confidence in our analysis, our empirical observations were presented to our interviewee for feedback before incorporating his insights into our findings. This managerial feedback enabled us to increase the quality of our analysis.

Chapter 5

Findings

Our research uncovered three priorities that beverage firms follow. Starting from the number one priority, they attempt to enter countries that are culturally close to their home country. Secondly, they search for opportunities in countries with significant diaspora communities. Finally, they consider countries with fewer cultural affinities than their home country. Despite being an incremental process, beverage internationalisation is not necessarily determined by physical distance, nor does it have to follow a particular sequential model. Their entry modes and pace seem to depend on customer relationships. In fact, the early internationalisation of the case firm resulted from unsolicited demand from export agents. Although they consider implementing direct operations, these are usually limited to their natural markets to minimise risks. Once abroad, they tend to shift from an international strategy to a transnational strategy by customising their portfolio in select markets. In short, we can conclude that both business and diaspora networks play a major role in approaching foreign markets. Key findings are summarised in Table 5.1 and unpacked in more detail throughout this chapter.

Table 5.1 - Summary of findings
Source: Author

<table>
<tr><td colspan="2">R - Reason for internationalisation: why internationalise?</td></tr>
<tr><td>Pro-internationalisation arguments:</td><td>Anti-internationalisation arguments:</td></tr>
<tr><td>1. Growing demand abroad from customers.
2. Small or declining domestic market.
3. Several means of international cooperation.
4. Markets with shared cultural affinities.
5. Existence or formation of trade blocs.</td><td>1. Internationally competitive industry.
2. Insufficient knowledge on foreign markets.
3. Financial constraints.
4. Domestic cuisine is not globalised.
5. State restrictions and tariffs.</td></tr>
<tr><td colspan="2">E - Environment selection: where to internationalise?</td></tr>
<tr><td colspan="2">1. Natural markets are the key foreign environment (culturally close to home country).
2. Niche markets with significant diasporas are attractive.
3. Fast-growing markets are considered.</td></tr>
<tr><td colspan="2">M - Modal choice: how to internationalise?</td></tr>
<tr><td colspan="2">1. Incremental process, starting with exports to natural markets.
2. Geographical expansion to niche and fast-growing markets.
3. Product adaptation to better cater local consumers.
4. Increasing commitment in natural markets (up to wholly owned subsidiaries).
5. Internationalisation to niche and high-potential markets is preferred with a partner.</td></tr>
<tr><td colspan="2">Peculiarities concerning the internationalisation of the case company</td></tr>
<tr><td colspan="2">1. Leading Portuguese non-alcoholic beverage MNE with more than 70 years of accumulated history.
2. Production of own-branded soft drinks (Sumol), juices, and nectars (Compal).
3. Presence in more than 60 countries across three different entry modes.</td></tr>
</table>

5.1 Case Firm Background

Sumol+Compal, S.A. was Portuguese non-alcoholic beverage firm created in early 2009 through a merger between Sumolis (founded in 1945) and Compal (founded in 1952), with the former as the surviving entity. The Group was defined by the European Union as an MNE (multinational enterprise): as of December 2021, 1 223 people were directly employed (1 098 in Portugal, 90 in Mozambique, 34 in Angola, and one in Switzerland for market research purposes) with a turnover of 262,2 million euros.

Table 5.2 - Sumol+Compal's income statement
Adapted from Sumol+Compal (2021)

Millions EUR | S+C Annual Report details						
Income statement	2016	2017	2018	2019	2020	2021
Domestic net sales	253,2	227,4	224,3	232,0	182,0	209,5
International net sales	102,6	87,0	75,4	68,0	45,8	52,7
EBITDA	55,4	44,4	42,3	38,9	25,4	40,5
Consolidated net profit	10,5	9,2	1,4	4,3	-8,3	16,4

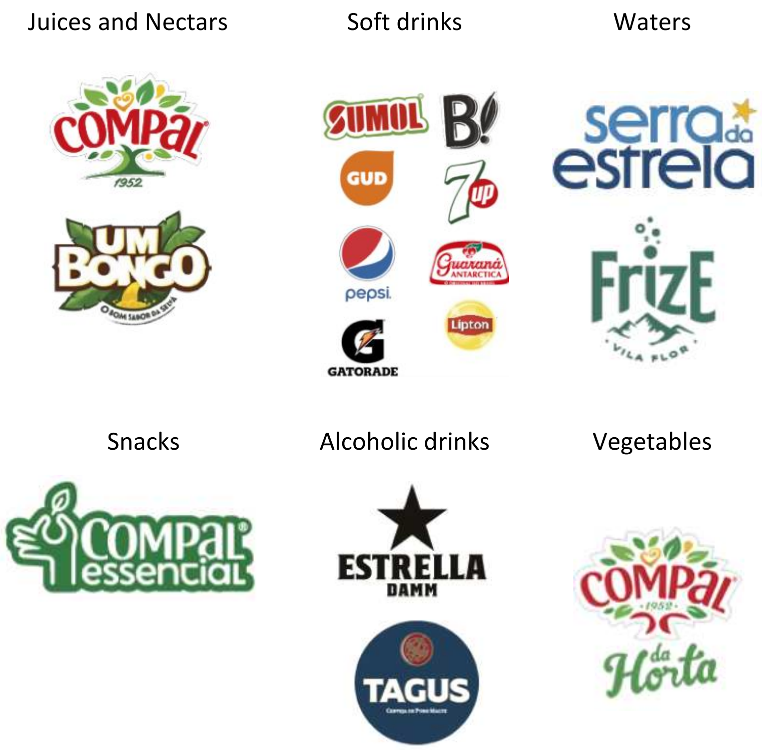

Figure 5.1 - Sumol+Compal's brands
Adapted from Sumol+Compal (2021)

Sumol+Compal owned and produced several products in juice, fizzy drinks, and water segments, in addition to distributing in Portugal third-party brands such as Pepsi, 7Up, and alcoholic drinks.

Juices and Nectars were segmented based on fruits, which included apple, orange, grape, pineapple, pear, and others. The European Fruit Juice Association (2019) revealed that, as of 2018, Compal and Um Bongo dominated this segment in Portugal, with Ceres in a distant third. Despite the introduction of IABA to sweetened beverages, as a sugar tax responsible for the price hike of about 30% (Tiago, 2018), consumption in Portugal increased by 1,6% between 2015 and 2019 (from 139,0 million litres to 147,9 million litres) according to UNESDA (2022).

While the Portuguese bottled water market was highly fragmented, with more than 30 brands/firms competing (Gonçalves and Santos, 2019), the soft drinks market share was highly concentrated in two brands, Sumol (from Sumol+Compal) and Fanta (from The Coca-Cola Company). The former had 58.5% of the market share in Portugal (Sumol+Compal, 2021a), whereas the latter was the second-largest seller in Portugal and the fifth-largest seller worldwide (Santos, 2015). The demand for naturalness and the benefits of natural foods has impacted the sales of soft drinks (Sumol+Compal, 2014). In response to worrying studies about dietary illnesses, Portuguese society has taken increasing proactive measures, including institutional campaigns and fiscal regulations (Sumol+Compal, 2014). As a result, the consumption volume in Portugal decreased by -0,9% from 2015 to 2019 (from 715,4 to 689,1 million litres).

Table 5.3 - Non-alcoholic beverage consumption in Portugal
Source: Adapted from UNESDA (2022)

Portugal	**Million litres**					
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Total non-alcoholic beverage	2 105,8	1 610,9	1 510,8	1 507,5	1 539,3	1 414,1
Consumption per capita	203,3	156,0	146,7	146,5	149,4	137,3
Total bottle of water	1 251,3	743,0	690,0	688,1	702,3	643,0
Consumption per capita	120,8	72,0	67,0	66,9	68,2	62,4
Total fruit juices & nectars	139,0	141,2	145,5	145,5	147,9	142,2
Consumption per capita	13,4	13,7	14,1	14,1	14,4	13,8
Total soft drinks	715,4	726,6	675,4	673,9	689,1	628,9
Consumption per capita	69,1	70,4	65,6	65,5	66,9	61,1

5.2 International Non-Alcoholic Industry

Despite being the leading beverage MNE in Portugal, Sumol+Compal was a relatively small player compared to several international competitors. The Group's turnover for 2019 only represented 0,1% of that of The Coca-Cola Company, its main competitor in Portugal (The Coca-Cola Company, 2019).

Unlike The Coca-Cola Company, Sumol+Compal's domestic and international net turnover has shown negative annual growth in recent years: -3% and -11% between 2016 and 2019, respectively (Sumol+Compal, 2019). Examples of other global players in the market included Nestlé S.A., PepsiCo, Inc., and Red Bull GmbH. Most European players were similar in size and product offerings compared to Sumol+Compal (European Fruit Juice Association, 2019). Although the number of operators in the industry was significant, not all competed in the same segments where Sumol+Compal sought growth. Nestlé, for instance, produced chocolate malts, iced teas, and cold coffees.

Nevertheless, the global non-alcoholic market was competitive. Economies of scale were a determining factor, without which production costs were high (Marques, 2022b). The concentration that had taken place in the sector, which gave greater size to the resulting operators, was enough to repel any potential new entrant. Although raw materials were relatively accessible, this industry required significant investments to establish a firm in the market. Brand reputation was crucial since the industry was concentrated around a few global operators in each business segment. At the same time, the growing presence of private labels by retail distributors has been an important competitive factor. In fact, the price/quality ratio of their offering has eroded the sales of branded products like Compal's, but as these distributors relied on manufacturers to establish their brands, they were conditioned by them. By the end of 20018, the European non-alcoholic beverage industry was concentrated in two-thirds in the hands of private labels and top 10 players (Nielsen, 2019).

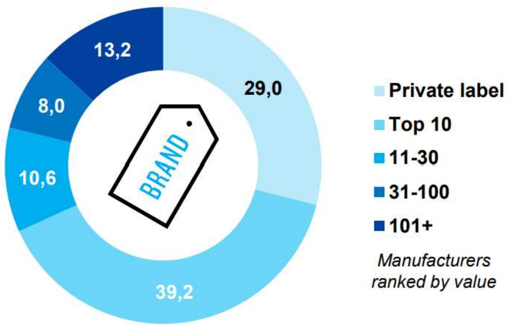

Figure 5.2 - Value share in the EU
Source: Nielsen (2019)

Whereas European NFC (not-from-concentrate) juices and chilled juices were experiencing growth in sales, the FC (from-concentrate) juices were experiencing a decline. Increasing health concerns boosted the juices with fruit extraction and sterilisation that preserved more nutrients and original flavour in favour of high-sugar options with additives to improve the taste. As a result, juice consumption in Europe recorded a -1,8% CAGR between 2015 and 2019 (UNESDA, 2022). Although concerns regarding healthy diets were observed in developed countries and, to a lesser extent, in emerging countries, sensory pleasure continued to prevail among consumers (Sumol+Compal, 2020). Thus, the carbonated beverages segment recorded moderate growth overseas.

Table 5.4 - Non-alcoholic beverage consumption in the European Union
Source: Adapted from UNESDA (2022)

European Union	Million litres					
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Total non-alcoholic beverage	126 422,3	127 106,9	129 096,4	131 368,8	130 684,2	123 257,8
Consumption per capita	244,2	244,8	248,1	252,1	250,2	235,6
Total bottle of water	58 796,6	59 997,4	62 256,9	63 702,0	63 288,2	59 137,8
Consumption per capita	113,6	115,6	119,6	122,3	121,2	113,0
Total fruit juices & nectars	9 905,1	9 663,4	9 605,1	9 461,4	9 226,4	8 793,7
Consumption per capita	19,1	18,6	18,5	18,2	17,7	16,8
Total soft drinks	57 720,7	57 446,1	57 234,4	58 205,4	58 169,6	55 326,3
Consumption per capita	111,5	110,6	110,0	111,7	111,4	105,7

The beverage sector has several challenges ahead. It is an example of an industry highly dependent on the international trade of raw materials, which are more prevalent in Africa. However, the preference for local produce has spread from the north hemisphere to other markets. With most fruit produced far from the biggest markets, Tetra Pak (2020) predicted that the industry will struggle to reduce the used amount of transport. Moreover, the impact of the COVID-19 pandemic exacerbated the high volatility of prices and risks in the availability of raw materials. This situation worsened significantly with the ongoing armed conflict in Europe (Marques, 2022b). Both events have promoted the growth of nationalist and protectionist policies in various countries (Sumol+Compal, 2020). The existence of other geopolitical tensions (e.g., China-Taiwan, Armenia-Azerbaijan, and Greece-Turkey) is leading to higher uncertainty and risks to world trade. In addition to these circumstances, beverage producers are exposed to the consequences of climate change (FAO, 2022). Our interviewee Dr. Luís Marques informed us that the case firm was already experiencing increasing problems with the quality of harvests (Marques, 2022b). Heatwaves will likely be more occurrent, causing difficulties in sourcing fruits and storing and shipping temperature-sensitive goods such as beverages.

5.3 Expansion Strategies

Sumol+Compal's winning aspiration was to become an internationally renowned fruit and vegetable beverage company. Specifically, they desired to lead in the non-alcoholic beverage domestic market while holding a relevant position in Africa, its main international market, where it exported 64% of its total production (Sumol+Compal, 2021b). The firm had four production units in Portugal and one in Mozambique. Until the end of 2020, they also had a factory in Angola with 128 employees in 2019 (Sumol+Compal, 2019). Its internationalisation started in the early 1970s in select African, European, and American countries (Sumol+Compal. n.d.). The latest data informed that the Group regularly sells over 60% of its annual volume outside Portugal (Sumol+Compal, 2021b). To select its markets, the Group used the Stage-Gate Model (Marques, 2022a, 2022b) - a widely used business process based on the belief that product innovation should begin with ideas, go through five stages, and end when a product launches on the market (Edgett *et*. *al*., 2022). As our interviewee explained, "first, we look at volumes in the categories we operate and the competition to see if there is an opportunity. Then (…) we follow the rest of the model until launch." (Marques, 2022b). Preceding each stage is a gate whose purpose is to decide if the project should continue. As he advised, "if things do not go well, we stop halfway through." (Marques, 2022b).

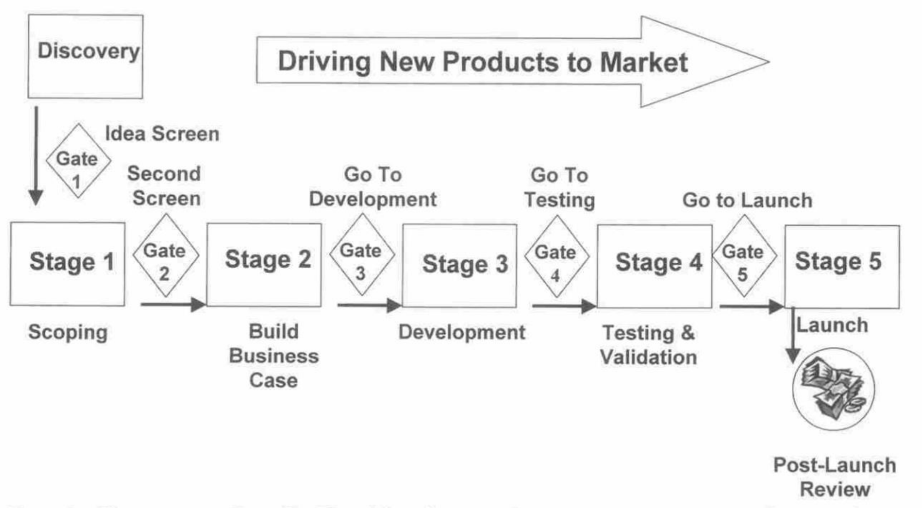

Figure 5.3 - Stage-Gate model
Source: Edgett *et*. *al*. (2002)

Moreover, our interviewee revealed to us that the Group's internationalisation process was based on three axes: (1) a clear commitment to Portuguese-speaking markets, which represented about two-thirds of their sales, (2) markets with Portuguese diaspora, which accounted for about one-third, and (3) around 10% concerning the rest of the world (Marques, 2022b). In this context, we can distinguish two stages of their internationalisation process as per Gorynia (2000 *apud* Ratajczak-Mrozek *et*. *al*., 2013): active internationalisation referring to the implementation of a direct operation, and passive internationalisation denoting involvement in several economic relations with foreign partners.

5.3.1 Passive Internationalisation

The passive internationalisation stage was a slow and gradual move of Sumol brands from Portugal into new geographies.

Portugal came from the 19th century with exports concentrated on food products, which represented more than two-thirds of the exports of goods (Lains, 1995, p. 92). A large part of these exports was bulk wine (more than one-third of the total), mainly Port wine (around a quarter of the total). England was the main supplier of manufactured goods and almost the only customer for Port Wine partly due to its preponderance as the world leader in industrialisation but also as a legacy of the Anglo-Portuguese Alliance. During the 20th century, Portugal became no longer over-dependent on the British market. Although food products gradually lost importance, foreign trade was perhaps the main driver of the late but rapid industrialisation of the Portuguese economy.

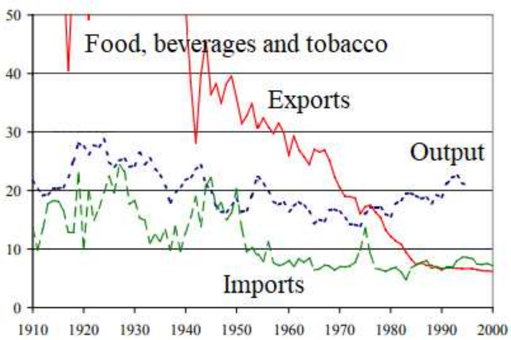

Figure 5.4 - Weight of the sector in the Portuguese manufacturing industry
Source: Adapted from Aguiar and Afonso (*apud* Lains and Silva, 2005)

Between 1986 and 2015, exports grew at an average real rate of 5.9% per year (Manzoni *et. al.*, *apud* Crespo and Tomás, 2017). The weight of exports in the GDP rose from approximately 7,5% in 1900 (Lains, 1986) to 43,7% in 2019 (Pordata, 2022). As per Table 5.5, although the value of exports grew in all markets, their value share changed substantially.

We identify two trends over this period. The first was the strengthening of geographical proximity, with the Portuguese colonial provinces losing their status as the main market for Portuguese exports to Great Britain, and West Germany overtaking the United States in the second position. The importance of physical distance is reinforced by the relative increase in exports to France, Italy, and Spain. The second trend was the steep relative decline in colonial exports, which coincided with the end of the Portuguese Colonial War and the beginning of decolonisation. However, despite the armed conflict and the geographical distances, exports to colonies quadrupled in volume, suggesting that cultural proximity and sharing a common language are relevant for trade links.

Table 5.5 - Portugal's exports of goods and services (Portuguese escudos)
Source: Adapted from Mattoso (1993)

	1950		1955		1960		1965		1970		1974	
Country	Total 1000 PTE	Total %	Total 1000 PTE	Total %	Total 1000 PTE	Total %	Total 1000 PTE	Total %	Total 1000 PTE	Total %	Total 1000 PTE	Total %
Great Britain	2 278 121	17,24	2 877 087	14,67	3 152 419	12,56	6 370 451	14,77	11 939 506	16,40	24 159 433	13,72
France	653 443	4,95	1 313 670	6,70	1 625 515	6,48	2 761 371	6,40	4 421 377	6,07	12 608 634	7,16
West Germany	492 387	3,73	2 301 891	11,73	3 534 419	14,08	5 660 683	13,13	8 777 376	12,06	20 510 154	11,65
Italy	207 875	1,57	652 917	3,33	895 079	3,57	1 846 804	4,28	3 266 461	4,49	8 174 102	4,64
Spain	155 561	1,18	109 740	0,56	75 817	0,30	1 173 941	2,72	2 424 370	3,33	6 565 155	3,73
United States	1 925 156	14,57	1 940 809	9,89	2 201 660	8,77	3 906 037	9,06	5 629 915	7,73	16 853 507	9,57
Iraq	256 558	1,94	176 718	0,90	106 204	0,42	816 510	1,89	2 567 764	3,53	7 494 624	4,26
Colonies	2 637 253	19,96	3 517 175	17,93	4 658 162	18,56	7 791 302	18,07	13 404 804	18,41	18 786 983	10,67
Others	4 606 199	34,86	6 728 534	34,30	8 853 411	35,27	12 798 298	29,68	20 362 119	27,97	60 956 635	34,61
Total	13 212 553	100	19 618 541	100	25 102 686	100	43 125 397	100	72 793 692	100	176 109 227	100

The Portuguese degree of trade openness (calculated at current prices) evolved from around 15 per cent at the beginning of the century to approximately 36 per cent at the end (Neves and Belo, 2002). Amid the reduction of protectionism, national companies started to face increasing penetration of foreign competitors in the domestic market. However, these changes in the market did not encourage Portuguese beverage firms to pursue internationalisation to increase their competitiveness. Instead, it was a specific key external factor – the increasing number of Portuguese communities living abroad, as informed by our interviewee (Marques, 2022b). The unprecedented migratory surge from Portugal during the 1960s presented an opportunity for Portuguese beverage firms.

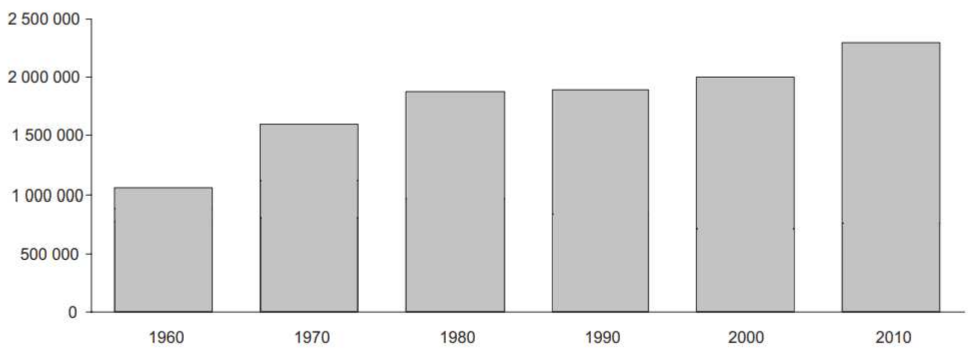

Figure 5.5 - Evolution of Portuguese emigrated population
Source: Adapted from Pires *et. al.* (2020)

Sumolis was an example of a firm that targeted Portuguese-speaking audiences that lived abroad. Its exportation activities started in the 1970s to Lusophone Africa and several countries with significant Portuguese minorities, namely the United States and Switzerland (Sumol+Compal, n.d.). In the United States, for instance, Sumol was present in Fall River, Massachusetts, where 43.9 percent of its population were Luso descendants (Marques, 2022a). It was also available in North and South Dartmouth, New Bedford, Dighton, and Somerset, where Portuguese Americans made up at least one-third of the population, and in other states with a significant presence of Luso descendants such as Rhode Island, Connecticut, New Jersey, Florida, and California (Marques, 2022a). According to Dr. Molarinho da Costa (*apud* Gonçalves, 1997), responsible for exports at Sumolis in 1996, Sumol was a drink "with a different taste and could differentiate [itself in the market] if placed in the hands of a multinational". He shared that all foreign agents "came knocking on the company's door" in the 1970s, asking the company to sell them its products. As our own interviewee Dr. Luís Marques pointed out "with the Portuguese diaspora, companies were formed of luso-descents who wanted to bring products from Portugal to sell to their countrymen, particularly in Africa where consumer habits were created and remained after decolonisation" (Marques, 2022b). These insights are highly connected to Simões and Crespo (*apud* Crespo and Tomás, 2017), who reported that business internationalisation does not always come from a firm's own proactiveness. They can be motivated to export by pulling effects such as relocation of customers.

By the end of 2008, when Sumolis completed the acquisition of Compal, the combined organisation was present in 45 countries through agent exportation (except Spain until 2010) (Sumol+Compal, 2008, 2010). Their drinking brands are apparently seldom consumed by non-Portuguese speakers. Dr. Luís Marques (2022b) argued that attracting other audiences is dependent on the country of origin. He named Italy, Japan, and China as examples of countries that have globalised their respective cuisines. For Portuguese beverage producers, he added that "if you have a relevant category, for a relevant country, for example, Portuguese wine or olive oil, you may be able to stand out more than others" (Marques, 2022b). Here, we can see the importance of the COO and its advantages for culturally linked industries such as food and drinks. In fact, exportation outside of these markets only accounted for one-third of the international turnover of the Group.

The importance of diasporas that we can gauge from these findings suggest that Sumol+Compal could seize the opportunity of the French market, considering that it has the largest Portuguese emigrated population. Crossing the market size with the Portuguese diaspora network data further indicates that Sumol+Compal could be capable of identifying and timely placing qualified human resources and achieving further market shares in France through a direct operation.

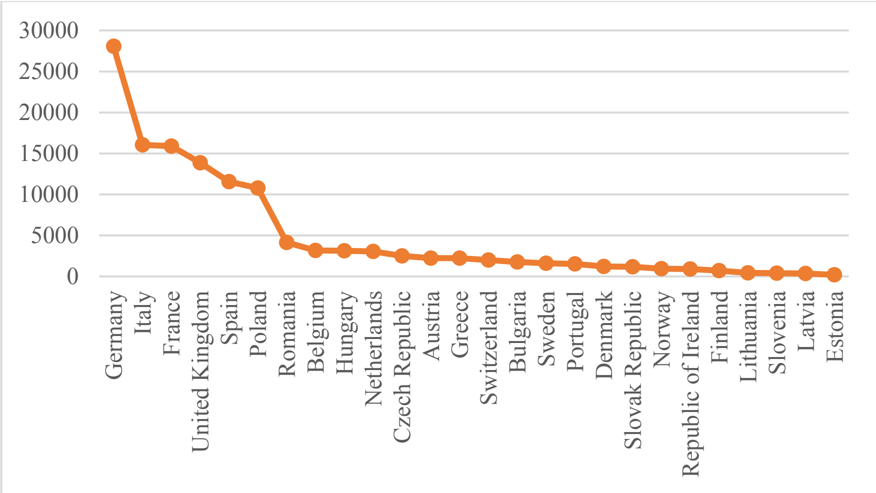

Figure 5.6 - Consumption of non-alcoholic drinks in Europe (million litres)
Source: Adapted from UNESDA (2022)

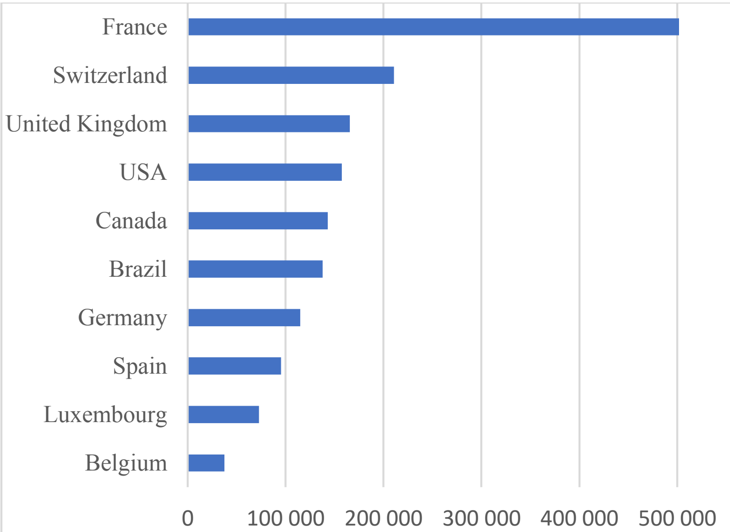

Figure 5.7 - Portuguese emigrated population, 2020 or last year available
Source: Adapted from Pires *et*. *al*. (2021)

Nevertheless, although the firm is always looking to optimise its presence abroad (Marques, 2022b), it is apparent that they are trying to maintain its traditional exporting outside of Africa. The nature of our interview prevented us from further exploring its European business approach in more detail. We cautiously associate it with Portugal's structural and geo-economical investment crisis discussed by Manzoni *et*. *al*. (*apud* Crespo and Tomás, 2017). In the absence of new waves of investment, combined with the strong euro policy, Portuguese firms have generally struggled to improve their competitive position in foreign markets. Manzoni *et*. *al*. (*apud* Crespo and Tomás, 2017) argued that exporting with a lack of investment capabilities is economically unsustainable in the medium/long term and leads to further loss of competitiveness. Combined with the competitiveness nature of the industry, it makes sense that the firm cited either market saturation or lack of scale to keep their low control approach in European and North American markets (Marques, 2022b).

5.3.2 Active Internationalisation

The second and latest stage was active internationalisation when, by establishing subsidiaries and localising its brands, Compal and later Sumol+Compal opted for a high extent of investment and risk in both close and physically distant markets.

Compal took a different route compared to Sumolis. In 1999, the firm entered Spain, its first foreign market, with a wholly owned subsidiary called Compal Espanha (Mata, 2001). Six years later, however, Compal Espanha was dissolved in favour of a joint venture with Osborne called Sensafruit, which in turn operated for only three years (Lusa, 2008; Sumol+Compal, 2010). Even though by 2000 Spain had become the main market for Portuguese exports, Dr. Luís Marques (2022b) confirmed that Compal's venture to the neighbouring country was rather unsuccessful: "There is no tradition of exporting brands there, unlike what happens to the diaspora or Portuguese-speaking countries where Portuguese brands are more valued."

Table 5.6 also shows a strong expansion of markets outside the European Union. After China, Angola and Brazil recorded the highest relative growths, confirming the importance of sharing a common language in strengthening commercial ties, despite physical distance.

Table 5.6 - Destinations of Portuguese Exports (euros)
Source: Adapted from Esperança *et*. *al*. (*apud* Crespo and Tomás, 2017)

	2000	%	2015	%	Deviation
Angola	371,0	1,4%	1 502,8	3,0%	305,1%
Brazil	196,9	0,7%	538,8	1,1%	173,6%
China	52,7	0,2%	676,8	1,3%	1184,3%
France	3 459,0	12,7%	6 326,1	12,6%	82,9%
Germany	4 847,3	17,8%	5 850,4	11,6%	20,7%
Italy	1 087,9	4,0%	1 725,5	3,4%	58,6%
Japan	119,5	0,4%	138,8	0,3%	16,2%
Netherlands	1 159,6	4,3%	1 876,8	3,7%	61,8%
Spain	5 467,0	20,1%	13 159,5	26,2%	140,7%
United Kingdom	2 938,5	10,8%	3 540,1	7,0%	20,5%
United States	1 525,0	5,6%	2 465,6	4,9%	61,7%
Others	5 990,4	22,0%	12 488,4	24,8%	108,5%
Total	27 214,8	100%	50 289,6	100%	84,8%

Furthermore, unlike the United States, Switzerland, and several other countries, a relatively small number of Portuguese resided in Spain. Although we lack more data on Compal's early internationalisation, we cautiously suggest that the firm was eluded by its lack of knowledge of the market. It further indicates that for beverage internationalisation cultural proximity is more important than physical proximity and should be done in slow steps, as advised by Andersen (1993) and our interviewee (Marques, 2022b).

Table 5.7 - Select countries with Portuguese emigrants
Source: Adapted from Pires *et. al*. (2020)

Country	2000/01	2010/11	Deviation	
			Absolute	Relative (%)
United Kingdom	36 556	92 065	55 509	151,85%
Spain	56 359	98 975	42 616	75,62%
Switzerland	100 975	169 459	68 484	67,82%
Luxembourg	41 690	60 897	19 207	46,07%
Germany	70 100	75 110	5 010	7,15%
France	581 062	617 234	36 172	6,23%
Canada	153 530	140 315	-13 215	-8,61%
United States	218 646	191 803	-26 843	-12,28%
Venezuela	53 477	37 326	-16 151	-30,20%
Brazil	213 203	137 973	-75 230	-35,29%

Another reactive factor that we confirmed pushes beverage companies abroad is the downsizing of domestic market. In 2010, Portugal was under an economic crisis that quickly spread to the banking system, causing restrictive fiscal policies and severe contractions in investment and consumption. During ten recessionary quarters, real GDP per capita fell 7,19% from its peak.

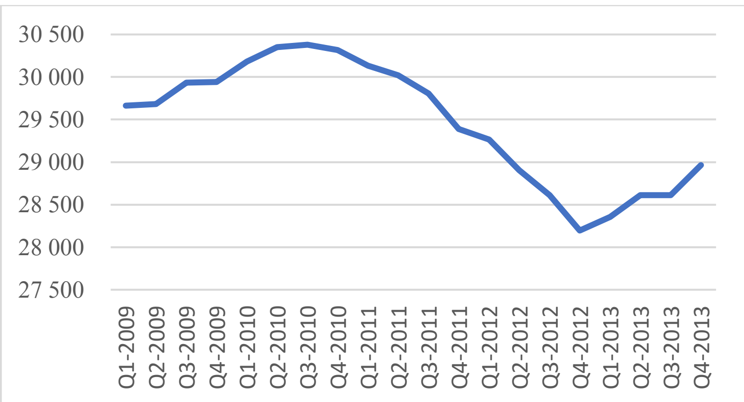

Figure 5.8 - Evolution of the Portuguese real GDP per capita (us dollars)
Source: Adapted from OECD (n.d.)

As a result, the Portuguese non-alcoholic drinks sector downsized by 1,5% and 4,3% in 2011 and 2012, respectively (Sumol+Compal, 2012). The national market was further affected by the increase in the costs of raw materials. Naturally, these adversities negatively impacted its domestic turnover. Meanwhile, its international sales were growing uninterruptedly since the merger, recording 80.5 million euros in 2012, representing 28,4% of total sales (an increase of 3,2% compared to 2011). The depreciation of euro against the us dollar and pound sterling meant that Portuguese firms could export their goods and services at a more competitive price abroad. These circumstances were day by day emphasising the opportunities coming from external markets (Sumol+Compal, 2012).

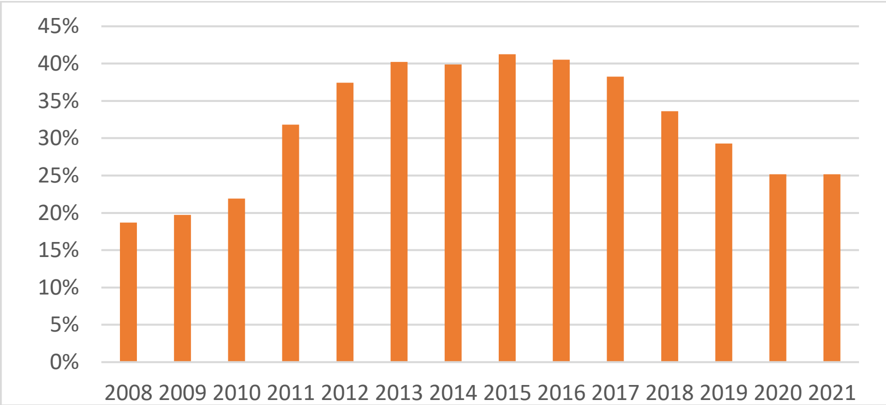

Figure 5.9 - Percentage of international sales in total sales
Source: Adapted from Sumol+Compal (2012, 2017, 2021)

According to Ernst & Young (2012, 2013), in the 2000s, Africa had become increasingly attractive to international investors. In 12 years, the African GDP (gross domestic product) had more than tripled. Such growth had originated from decades of economic and regulatory reforms that had occurred across much of the continent. These reforms resulted in an improving business environment and a much wealthier society with greater spending power. Developed markets represented the largest proportion of investment into Africa and were increasingly investing in a wider range of sectors. Other factors, such as abundant natural resources and society's young age, have also contributed to several African economies recording impressive growth rates. Business leaders believed that Africa's performance would continue to improve into the 2010s. As the continent remained relatively attractive through the 2008 economic crisis and maintained its increased share of FDI compared with other regions, its outlook was positive, with regions forecasted to remain among the fastest growing in the world for the foreseeable future.

Africans were used to consuming European products due to past colonial ties. The continent had been Sumol+Compal's main international market for many years, despite strong presence of other competitors (Sumol+Compal, 2008, 2021). Although African consumption had risen, the income per capita was still low and acted as a barrier to imported products. Considering that through imports African consumers were subject to higher prices, the management team believed that with local production their brands would further grow via lower prices (Sumol+Compal, 2010). Two countries were being considered at the time: Angola and Mozambique.

In Angola, Portugal had historically been its largest importer of non-alcoholic beverages (41,2% and 43,1% of importations in 2010 and 2015, respectively). The Portuguese were also the top direct investors from 2003 to 2010. Angola had been the biggest foreign market for Sumol+Compal. The Group was the third largest player in the Angola market, behind The Coca-Cola Company and the leader Refriango (ApexBrasil, 2017). Beverage was the second sector that lured most FDI projects in the mid to late-2000s. Angola's attractiveness for FDI was forecasted to improve between 2011 and 2015 due to oil wealth and the growing middle class in the country.

Concerning Mozambique, the country shared the same linguistic and cultural affinity as Angola in addition to its prospects of accelerated economic growth, mainly due to the recent discovery of large natural gas reserves (Oliveira *apud* Justo, 2022). Moreover, the country was one of the ten fastest-growing economies in the world during the 2000s. Significant improvements had been made to its education system and infrastructure. Like Angola, Mozambique also had longstanding ties with Portugal. By 2012, Portugal was its third largest direct investor.

Another key attraction for a direct operation in Angola and Mozambique was their geopolitical localisation. Both countries were members of SADC. Created in 1992, the objectives of this organisation as stated in the SADC Treaty (1993, p.5) were to "achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged through Regional Integration". For Sumol+Compal, this block represented a major potential for its business. In 2012, all member states comprised about 277 million people (SADC, 2015), representing approximately 3.9% of the world population (Worldbank, n.d.). With an economic output of 710.26 billion us dollars (SADC, 2015), they represented around 1.06 percent of the global economy (Worldbank, n.d.). Via liberalisation of intra-regional trade of goods produced in the region, the Group could export more volumes from Angola and/or Mozambique's production factories to the remaining SADC members at a more competitive price. The introduction of import quotas and increasing tariffs in Angola further emphasised the need for local production.

Eventually, Sumol+Compal decided to greenlight its Angola and Mozambican FDI projects. The Group acquired its first factory outside of Portugal, in Boane, Mozambique, with the capacity to serve SADC (Balreira, 2013), followed by a second one in Bom Jesus, Luanda (Lusa, 2017). Although the firm keep certain functions centralised (e.g., brand management), their commercial teams were autonomous from the headquarters (Marques, 2022b).

To further penetrate the Francophone Africa, the Group sold 49.9% of its brands to Groupe Castel, the world's third biggest wine group in the world (Jones, 2012; Aveiro, 2015). Markets, where they dominated, included Angola, with 80 percent of the market share, where they had 13 factories and produced seven breweries, including Cuca, Cameroon in production and sale of beers and soft drinks, also with over 70 percent of the market, and Ivory Coast with 90 percent of the beer market. Dr. Luís Marques (2022b) shared with us that the firm has had decided to involve a partner in all internationalisation projects claiming a lack of knowledge of destination markets. This translates into benefiting from the knowledge drawn from each partner and potentially using it to create new skills. As our interviewee stated, "they know the markets, we know the products" (Marques, 2022b).

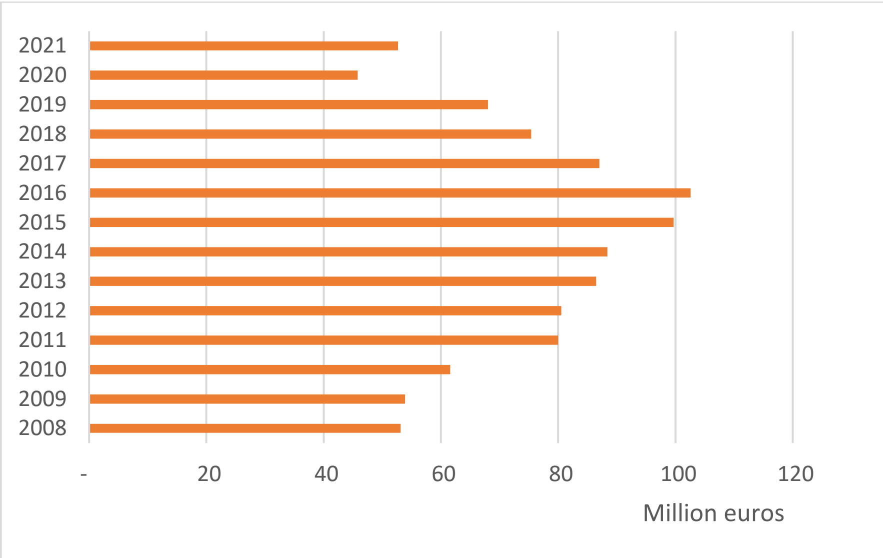

Figure 5.10 - International sales of Sumol+Compal
Source: Sumol+Compal (2012, 2017, 2021)

As per Figure 5.10, international sales declined between 2016 and 2020. The economic crisis felt in Angola since the beginning of that year started to mitigate the success of their business in the country. It was a situation that exemplified how risks can harm a firm as informed by Simões and Crespo (*apud* Crespo and Tomás, 2017). Concretely, the industrial activity at Bom Jesus was affected by high inflation, stronger competition (proliferation of low-priced brands), and the scarcity of foreign currency that prevented the plant from acquiring raw materials and packaging materials with the necessary regularity. Although Sumol+Compal decided to outsource sales and distribution to Groupe Castel in September 2016 in hopes that it would boost sales of their brands, business in Angola continued to downturn. Eventually, the firm closed the factory, and its brands have since been sold under a franchising agreement (Sumol+Compal, 2022).

5.4 International Orientation and Product Development

Sumol+Compal overseas business looked like an international strategy type, which is proper when the operational environment is at a low-pressure level for both GI and LR. However, when a great potential demand in Southern Africa was seen, the firm established two manufacturing plants in the region. Such structure further extended a gap, especially in culture, between Portugal-based operations and international markets. After all, consumer habits differ in both homogeneous and heterogeneous markets. As revealed by Dr. Luís Marques “sometimes, our juices are considered sweet in Northern Europe, normal in Portugal, and a little bitter in North Africa” (Marques, 2022b). Moreover, as other players also saw their markets with great interest, the competition became increasingly intense. These changes in their operational environment increased the importance of satisfying local market demand. The unique needs from emerging markets forced the company to adapt dissimilar local market conditions. At the same time, due to restricted resources, they wanted to keep supplying standardised products. Therefore, as the firm needed to meet both GI and LR to compete and thrive, they shifted from an international strategy to a transnational strategy in which the headquarters had the authority in brand management while the subsidiaries were autonomous with sales and commercialisation.

In 2014, the Group interviewed consumers in Portugal, Angola, Mozambique, and other African countries in search of universal insights into youth culture that could underlie its strategic course. Included in the agenda were various rounds of qualitative and quantitative techniques in search of the best overall international positioning and the most relevant points of local adaptation in the marketing mix. This new positioning resulted in new products being developed for foreign markets, using other ingredients in their formulations and different packages, as illustrated in Annexes F, G, and I. Similar initiatives have taken place in Europe and United States, resulting in a new range of products being launched exclusively for both markets (Marques, 2022b). Such a complete transformation to transnational structure was based on its competitive advantages and skills. They believed that adapting their offerings was key to strengthening strong international brands. To this end, a truly consumer-centric orientation was fundamental.

Chapter 6

Discussion and Conclusions

The dissertation studied the factors that influenced beverage firms to internationalise their business. Especially from Portugal, these firms have received scant attention in the international literature. It is rather unfortunate because they are an interesting case to study due to their challenges and motivations in exporting such a particular cultural feature of a country to others. Therefore, the dissertation aimed to address the gap in our existing knowledge by offering rare qualitative insights into the international expansion pattern of beverage firms. We explored the following question: How relevant business and diasporas networks are for beverage internationalisation?

Internationalisation is a challenging process. No matrix, framework, or even knowledge guarantees per se the firms' path to success in foreign markets. Despite such, going abroad continues to be one of the most adopted decisions as globalisation becomes increasingly present. To minimise the risks that internationalisation entails, firms try to have a well-defined strategy to gather enough resources and develop each of their unique characteristics that make it possible to differentiate in target markets.

Portuguese beverage firms have shown resilience to the 2008 financial crisis by exporting to markets outside the European Union. They exploited one of Portugal's comparative advantages, i.e., the existence of Portuguese-speaking countries and relevant Portuguese diasporas across the world. Cultural and linguistic proximities facilitated their market diversification. Unlike English (e.g., United States-Canada), Spanish (e.g., Argentina-Chile), and French (e.g., France-Belgium), Portuguese is a global language that shares no border. Business relations allow firms to overcome their small size and lack of knowledge and financial resources to grow their presence overseas, especially amid adverse conjunctures and obstacles. In fact, export agents were responsible for the Portuguese market internationalisation. Sumol+Compal had to revert its active internationalisation in Spain and Angola partially due to their entry mode without a partner.

Overall, business and diaspora networks are indeed relevant for beverage firms. Markets considered culturally distant and without significant minorities from their home country are considered unattractive, especially without a partner. These findings contribute academically by exposing the rigidity of the internationalisation theories. We consider that the uncovered factors that explain the geographical structure of beverage internationalisation can also contribute to the knowledge and the perception of Portuguese beverage firms about prioritising certain foreign markets. Moreover, by assisting beverage entities in identifying new business opportunities abroad, positive externalities can be generated that contribute to society in general

6.1 Academic Contributions

We demonstrate that all the existing theories can partially explain beverage internationalisation, but not throughout. The internationalisation of Sumolis reflects the ideas of Johanson & Vahlne (1977), who proposed the Uppsala Model. The concept of psychic distance is present, as the company used a "gradual acquisition, integration, and use of knowledge about foreign markets and operations and on its successively increasing commitment to foreign markets" (Johanson & Vahlne, 1977, p. 32). Indeed, Sumolis took several decades to initiate its exporting activities and it started with somewhat culturally close countries (e.g., Cabo Verde, Switzerland, and United States). However, these countries are not physically the closest to Portugal. The presence of a production unit in Mozambique, and until recently Angola, instead of Spain, further challenges the rigidity of sequential stage models. This phenomenon of skipping a neighbouring country and going into more distant ones is explained by the non-sequential theory. Proposed by Cuervo-Cazurra (2011), the model argued that firms are likely to skip traditional stages if they have developed knowledge in their home country that allows them to manage differences in foreign markets. It turned out, however, that such knowledge was not developed by Sumolis in Portugal. Instead, the firm reacted to unsolicited demand from export agents who had relevant knowledge of foreign markets, which is connected to the ideas of network approach discussed by Peng and Meyer (2011). This raises the question of lack in one single theory to fully explain the firm's behaviour.

Nevertheless, our research confirms the importance of taking a careful, incremental approach and building sufficient knowledge before exploring the possibility of addressing foreign markets without a partner. Like Sumolis, the internationalisation of Compal builds on these two ideas. Instead of exporting and increasing its degree of ownership and control as per Root (1998), Compal initiated its foreign activities by establishing a wholly owned subsidiary in Spain, the nearest country to Portugal. However, Compal seemingly had insufficient knowledge of the Spanish market, given its rather unsuccessful performance. By the time Compal started to internationalise, Spain had become the main trading partner of Portugal. Before then, economic transactions between the two Iberian countries were insignificant. It was only when European integration came to dominate the international policy of both countries that geographic proximity began to have a clear impact on trade relations.

Furthermore, beverage firms do not limit themselves to a progressive presence in successively more distant markets. They also invest in more sophisticated markets. Sumol+Compal was motivated to implement a direct operation in both Mozambique and Angola by the existence of free trade agreement in Southern Africa (SADC). Here, we can also notice a proactive motive, i.e., to make Sumol+Compal one of the top beverage companies in Francophone Africa. Their past winning aspiration confirms it, which in 2015 stated: "To lead the fruit and vegetable beverages market in

Portugal, Angola, Mozambique, and French-speaking Africa" (Sumol+Compal, 2016). Today, the company produces several specific products typical of Lusophone Africa as per "glocalisation" and Ansoff's product development. By doing so, the Group changed its strategic orientation from international strategy to transnational strategy to adjust to local preferences without compromising efficiency. In an industry where economies of scale are important and local taste matters, international strategy would probably not be viable in the long term. The transnational strategy has the advantage of lowering the costs, which is especially important for low-income countries such as those that Sumol+Compal targets while allowing differentiation of the product offering across geographic markets to account for local consumers. This approach has helped them to keep a sizable market share in those territories, despite competition.

Overall, the network and relationship perspectives provide a clear explanation of the internationalisation choices of beverage firms. It opens up a broader scope for future studies, considering how well-suited this approach is for the analysis of the behaviour of new firms in the international arena.

6.2 Managerial Contributions

Managers can benefit from the insights generated in this research in several ways. First, the dissertation illustrates how they can learn and acquire knowledge on different dimensions and create practical and helpful commercial relations. Foreign trade activities permit a more detailed and accurate inventory of opportunities. They can assess the conditions of existing knowledge within the firm and select strategies accordingly. For example, the international operations department can study and allocate resources to confirm if there is potential for local production to achieve higher sales volumes for the country or region in question. Especially in culturally distant markets, firms should strive to build good relationships through commercial flexibility and learn the best way to penetrate the market. Developing local products represents an opportunity to serve different and distant markets and ensure a more successful international expansion. Managers can follow these tactics to develop those aspects of knowledge that their company lacks. Second, the dissertation explains how and why knowledge existing in the firm before the internationalising process helps the company follow a non-sequential strategy. Thus, managers can be strategic and mindful in their domestic operations and take actions that generate knowledge for the current domestic operations and potentially for the future international expansion of the firm, even when such internationalisation may be many years in the future. The aim of FDI should be to replicate the success formula with the required adaptations to a new market. This strategy should be conducted when (i) the firm is capable of investing in research and development for the existing foreign market, (ii) the foreign market is profitable enough for the required investment, and (iii) the product has points of difference compared to the competition that are valued by the target audience. Third, the research cites several future challenges that beverage firms should face in the future. Managers can analyse these trends to better understand how the future environment affects the internationalisation of their firms. In short, managers can take the dissertation as a tool for international business development.

6.3 Social Contributions

By combining the contributions we have identified in the academic and managerial contexts, our research looks to benefit society. For instance, the dissertation promotes well-being across different economies by encouraging firms to seek robust, win-win partnerships with foreign distributors, customers, and other relevant market actors. By helping managers nurture their potential and achieve goals through various international opportunities, the chances of their success become higher. More successful companies are likely to generate more income for themselves and many stakeholders, such as the government (taxes), shareholders (dividends), and employees (salary and other perks), resulting in an overall improvement in quality of life. Furthermore, the dissertation promotes cultural export. A better, more adequate exposure of a local cuisine across the world could improve its awareness and yield significant benefits for tourism, internal/external consumption, and the image of the country. Finally, our research can be useful as a tool through which future researchers can use their studies to advance knowledge that leads to discoveries, complementary insights, and added accuracy on the needs, attitudes, and motivations of a society.

6.4 Limitations and Future Research

The dissertation has some limitations that future research can solve. First, in introducing the internationalisation theories, the emphasis was on explaining outward internationalisation. A growing body of literature covering de-internationalisation had to be left out due to the limited scope of our study. However, this strand of literature warrants attention. For further read in this area, we suggest research studies from Kafouros *et*. *al*. (2022), Tang *et*. *al*. (2021), and Kuiken *et*. *al*. (2020). Other aspects of the internationalisation process, such as supply chain, outsourcing, and the degree of internationalisation of the market were also beyond the scope of the dissertation. Future studies can extend the arguments presented to cover other aspects of the internationalisation process. Second, we did not explore potential problems arising from co-dependencies within business networks. The relational outcomes may sometimes fall short of firms' expectations or even damage their reputation and prevent them from getting new ones. Future studies can assist managers in obtaining answers regarding the selection process of key partners. Finally, our research is a single-case study. Being a cross-cultural study, we cannot deduct that all beverage companies have the same motivations and barriers as the case firm, irrespective of their size, country of origin, and year of incorporation. Hopefully, future studies will improve our knowledge in this area.

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Appendices

The Appendix A is the original transcription of the interview conducted in Portuguese by the author (identified as ‘LS’) to the Head of Exports Market of Sumol+Compal (identified as ‘LM’). The Appendix B is our own English translation of the interview concerned.

Appendix A - Interview data (original transcript)

LS: Por que razão a Sumolis e a Compal tomaram a decisão de se envolverem nos mercados internacionais?

LM: Eu vou dar-te a minha opinião, porque desconheço a razão oficial. Eu diria que as empresas portuguesas começaram a exportar os seus produtos, não por iniciativa proativa, do género ‘temos aqui uma oportunidade, vamos atrás destes mercados’, mas sim de uma forma reativa – ‘eu estou em França, gosto muito das marcas portuguesas, como é que arranjo uma maneira de trazer os produtos portugueses’. Ou seja, não foi tanto uma decisão das empresas a começarem a exportar, mas sim começarem, os distribuidores estrangeiros, a querem vender os produtos portugueses aos portugueses que viviam no estrangeiro. Com a diáspora portuguesa, formaram-se empresas de lusodescentes que queriam trazer os produtos de Portugal para vender aos seus congéneres, nomeadamente em África onde se criaram hábitos de consumo que permaneceram após o 25 de Abril. Portanto, foi uma decisão que partiu dos clientes, e depois as próprias marcas viram que havia interesse internacional e começaram a organizar *routes-to-market*. Mas sempre reativo, nunca proativo. E isso pode acontecer a uma marca que nasça hoje. Para internacionalizar a sua proposta de valor, vai à procura de um mercado onde a mesma faça sentido. As marcas que trabalham com base nas diásporas ou nas ligações culturais são sempre muito mais reativas do que proativas. Eu diria que essa foi a grande razão e isto podia aplicar-se à maioria das empresas portuguesas.

LS: Considera, portanto, que o fator político ou proximidade geográfica seja pouco relevante?

LM: A proximidade geográfica é um dos fatores de exportação, mas Portugal exporta poucas marcas para Espanha, que é o nosso único país vizinho. Os Espanhóis são um pouco patriotas e valorizam as suas próprias marcas. Porém, temos o caso da Delta, que é interessante. A Delta está muito bem integrada em Espanha, mas são uma exceção. Embora que a Espanha seja responsável por um terço das nossas exportações, são produtos semiacabados, matérias-primas, perecíveis sem marca. Estamos a falar de peixe, ou categoria de peixe, azeite, frutas e legumes que não têm marca. Ou seja, existe uma grande exportação de *commodities*. Há empresas que vendem, por exemplo, azeite em *bulk* para Espanha, mas sem marca, para marcas espanholas. Não há uma grande tradição de exportar marcas, ao contrário do que acontece para países da diáspora ou nos países lusófonos onde as marcas portuguesas são mais valorizadas. A matriz da Sumol+Compal está mais ligada à marca de produtos, portanto nós estamos muito mais enraizados no mercado da lusofonia, que vale dois terços das nossas vendas, e a seguir nos mercados da diáspora portuguesa, que valem um terço. E depois temos cerca de 10% correspondentes ao resto do mundo. Nós temos três modelos de entrada. Exportamos produto acabado produzido em Portugal. Também temos uma fábrica em Moçambique. E temos projetos de *franchising* em Angola, Gabão e Camarões. *Franchising* é nós vendermos a matéria-prima, que é cheio pelo nosso distribuidor antes dele vender o nosso produto. É o mesmo que a Sumol+Compal é, em Portugal, para a PepsiCo. Nós somos os seus distribuidores e enchemos as nossas fábricas de Pepsi e 7UP.

LS: Acho interessante o facto da Compal ter começado a exportar primeiro para Espanha.

LM: É verdade que é interessante, mas não é uma estória bonita (ri-se). Achávamos que era o mercado mais óbvio, mas na realidade, na categoria de sumos e néctares, foi muito complicado e não nos conseguimos impor.

LS: Acho que também tinha a ver um pouco com o ano em que foi feito, porque Espanha, até nos finais de 90, tornou-se no maior parceiro comercial de Portugal. Contudo, esse não era o caso na década de 70. Nessa altura, parecia que a proximidade geográfica não era suficiente e de certa fora ambos os países estavam, digamos, de costas voltas.

LM: Sim, antes da entrada de ambos para a Comunidade Económica Europeia.

LS: Sim, exatamente.

LM: Depois da entrada para a CEE, em termos de matérias-primas, no que à alimentação e bebidas respeita, tornou-se o nosso primeiro país de exportação. Mesmo aquando de um grande crescimento das nossas trocas com a Angola, nunca chegou a superar a Espanha. Entretanto, o peso de Angola diminuiu, devido à crise, mas a Espanha, pelo menos nos últimos 20 anos, tem sido o nosso primeiro mercado.

LS: Por que razão foram selecionados os países ou regiões para os quais o Grupo exporta atualmente?

LM: Eu diria que cada empresa tem os teus mercados naturais e vão tentando otimizá-los. Os mercados naturais para a Sumol+Compal são os mercados onde existem comunidades portuguesas, ou seja, a diáspora portuguesa à volta do mundo, e os países lusófonos, principalmente em África. Nós em Angola primeiro exportávamos, depois com a lei de quotas e subidas de tarifas decidimos produzir localmente, mas com a crise acabámos por perder escala, decidimos fechar a fábrica e trocar o nosso modelo por *franchising*. Isto é um exemplo em como estamos sempre a tentar otimizar os nossos mercados naturais. O mesmo aplica-se em França, onde tentámos reorganizar a distribuição. Quando pesquisamos por novos mercados, procuramos oportunidades dentro da categoria dos produtos, perceber como que é que nos podemos diferenciar nos mercados alvo. Pode ser, por exemplo, uma proposta de valor intrínseca ao produto, como é o caso no Gabão onde vimos que havia uma oportunidade para haver um refrigerante mais qualitativo. Nós lançámos uma Sumol com uma garrafa de 6ml. Vimos que havia essa oportunidade. Fizemos uma adaptação ligeira em termos de quantidade de açúcar no produto para ir mais ao encontro do gosto local e assinámos um acordo de *franchising* para esse país com grande sucesso. Também tentámos lançar uma outra garrafa distinta no Costa de Marfim, mas não tivemos muito sucesso. Nos Estados Unidos, temos um projeto para a comunidade hispânica. Como os hispânicos são muito apreciadores de néctares, e nós somos peritos em néctares com a marca Compal, decidimos lançar uma nova gama. Portanto, tentamos encontrar o nosso consumidor ideal e em seguimos adaptamos a proposta em função do consumidor local. O que seguimos é o modelo *stage-gate*. Primeiro, olhamos para volumes nas categorias onde nós estamos e a concorrência para perceber se existe uma oportunidade. Depois, se necessário, fazemos um estudo de mercado - um *business case* – no âmbito do qual metemos um *partner on board* para perceber como é que podemos montar o negócio, e seguimos o restante modelo até ao lançamento. Se as coisas não correrem bem, paramos a meio. Então, nós temos o modelo *stage-gate* para avançar e tentar ir aos mercados. Os mercados que procuramos são onde a nossa proposta de valor possa ser diferenciada e não sermos apenas mais um. Eu há duas semanas, estive num congresso em Vílnius, na Lituânia, e visitei uma loja. Nessa loja, na seção dos sumos, havia dezasseis marcas. Seria pouco atrativo sermos um décimo sétimo concorrente. Este é um exemplo de um critério que nos leva a escolher os mercados. Têm de ser mercados com dimensão suficiente para conseguirmos ter um nicho relevante. A escolha tem de ser muito bem feita. Depois, o resto são vendas oportunistas. Ou seja, se nos querem comprar um contentor para um país onde não estamos, não deixamos de vender.

LS: Quais são os benefícios e os desafios subjacente à exportação para vários países que se diferem em vários aspetos, nomeadamente em termos culturais, regulatórios e de consumo?

LM: Produtos alimentares são perecíveis. Não é possível ter um produto fresco quando a respetiva produção é limitada. Os grandes distribuidores em Portugal, tal como em todo o mundo, desejam receber produtos com dois terços de validade, portanto o desafio é ter escala suficiente para produzir todos os meses. Quanto mais países partilharem embalagens, mais interessante é a escala para o negócio. Esse é o benefício. Depois, a parte regulatória depende de país para país, mas a europeia é mais ou menos similar. Eu diria que, na nossa categoria de produtos, nós não temos grandes desafios em termos de certificações, embora que tenhamos de cumprir com as regras em relação à embalagem. Já os hábitos de consumo, diferem de país para país. Nós somos o que comemos. O nosso palato é formado ao longo do tempo. Por exemplo, se consomes sumos regularmente, vais ter tendência de gostar de coisas mais doces. Por vezes, os nossos sumos são considerados doces no norte da Europa, normais em Portugal e pouco doces no norte de África. É este o tipo de adaptação que temos de estar preparados para fazer quando expandimos marcas para outros países. Mesmo dentro de um país, poderá haver diferenças regionais. Por exemplo, em Portugal a pera vende mais a sul e o pêssego vende mais a norte. É esse o nosso grande desafio – conseguir adaptar o produto às preferências do consumidor. Significa que temos de fazer estudos de mercado, para perceber onde é que nós podemos melhorar o produto.

LS: Essa adaptação não acaba por ser uma barreira à escala e à otimização dos custos?

LM: Só se faz este tipo de adaptação em projetos muito específicos. Uma coisa são os nossos produtos servirem para a Europa toda. Pode agradar mais os espanhóis do que os alemães, mas há escala. Outra coisa é priorizamos um mercado onde nele podemos ter uma posição relevante através da adaptação. Depois, as embalagens estão adaptadas para esse país, mas podem ser utilizadas para outros. E, depois, há ainda as vendas pontuais. Para essas, não há adaptações. Podemos ter de colocar etiquetas por questões de *compliance*, mas não vamos querer criar um *stream* de vendas contínuo. Há uma diferença entre criar marcas e vender produtos. Nós fazemos as duas coisas. Quando eu quero criar uma marca, para adaptar a um mercado, vou ter de criar valor em todo o marketing-mix. Isso é uma coisa. Outra coisa são vendas oportunistas ou pequeninas, perante as quais não me vou adaptar por não haver escala para isso.

LS: Entendido. O que me diz sobre a importância de se entrar em novos mercados com um parceiro?

LM: Nós, em termos de *route-to-market*, tirando o caso de Portugal e de Moçambique, países nos quais vendemos diretamente aos clientes, decidimos que todos os projetos de internacionalização passam por encontrar parceiros que trabalhem connosco. Nós não nos consideramos especialistas sobre mercados de destino, portanto preferimos ter um parceiro que nos ajude a trabalhar no *route-to-market*. Não somos uma empresa global. Consideramo-nos uma firma regional, pois não temos escala para entrar em todos os mercados diretamente, tampouco temos essa ambição. A nossa ideia é encontrar parceiros que nos ajudem a trabalhar os mercados e cada a parte encarregar-se de fazer o que melhor sabe. Eles sabem os mercados; nós sabemos os produtos. Em relação ao modelo de entrada, poderá ser diferente. Apostamos em vários modelos de entrada, mas nunca sem um parceiro.

LS: A vossas subsidiárias são autónomas ou há bastante coordenação com a sede?

LM: Só temos uma subsidiária. Eles são autónomos em funções comerciais. No que toca à gestão de marcas, são menos autónomos. Quer isto dizer que a marca é gerida pelo nosso marketing estratégico. O objetivo é que se mantenha coerência da marca e dos valores que ela defende. As marcas acabam por depois, como é natural, ser alvos de adaptações em função dos mercados de destino, muitas vezes em sabores ou fórmulas. Temos produtos que nunca foram lançados em Portugal. Nós, por exemplo, lançámos edições especiais para certos mercados com sabores locais, sabores muito típicos de Moçambique, Cabo Verde ou Angola. Nós queremos ser *locals*, mas o controlo de marca está centralizado.

LS: Em que medida as alterações climáticas e a pandemia afetam o vosso negócio?

LM: As alterações climáticas são um grande problema, porque nós trabalhamos com produtos alimentares e um clima desadequado afeta as colheitas. Ultimamente, nós temos sentido mais problemas com a qualidade de colheita em relação há uns anos. Relativamente à pandemia, não sentimos um grande impacto comercial nos mercados internacionais porque estamos mais presentes no retalho do que no HoReCa. Em Portugal é o oposto, houve um maior impacto. Contudo, em alguns produtos alimentares, especialmente aqueles que podiam ser consumidos em casa, até houve crescimento.

LS: Acha que vai haver alguma alteração permanente em termos de hábitos de consumo após a pandemia?

LM: Acho que poderemos ter um desenvolvimento mais acelerado do comércio eletrónico, mas diria que de resto a tendência é voltarmos a uma certa normalidade.

LS: Que efeitos traz o conflito armado na Europa?

LM: O problema que aliás já vinha da pandemia e que agora está a ser agravado com o conflito armado é a inflação. O que a empresa sente é uma disrupção das cadeias de abastecimento, que gerou um problema de transporte a nível mundial e menor disponibilidade de produtos. Este já era um problema antes da guerra, mas agora agravou-se. A escalada de preços de energia afeta os fornecimentos alimentares, porque é necessária energia para produzir, afeta o transporte desses mesmos produtos, e, claro, esta inflação crescente afeta o consumo. Embora que ainda não estejamos a sentir quedas de volume, estamos a perder alguma rentabilidade, porque não estamos a conseguir negociar preços. Acreditamos que os próximos dois anos serão muito complicados porque, como podes imaginar, uma inflação de cerca de 15% em Portugal em produtos alimentares retrai o consumo e o negócio, em consequência, sofre.

LS: Considera que Portugal tenha capacidade de criar marcas globais?

LM: No setor de bebidas, não há marcas globais portuguesas. Fora da nossa indústria, existem poucas. Eu acredito que nós temos condições para criar mais marcas internacionais, mas não globais. Eu não acredito que marcas globais sejam muito necessárias. Acredito que precisamos de mais marcas internacionais. O nos falta é o primeiro passo, que é internacionalizar a nossa gastronomia. Ao contrário de nós, há países que souberam muito bem internacionalizar a sua gastronomia. As gastronomias italianas, francesas ou espanholas são exemplos disso. Também é possível ver restaurantes chineses e japoneses espalhados por todo o mundo, mas a cozinha portuguesa não é internacional. Se conseguirmos trabalhar a internacionalização da gastronomia portuguesa, que é dependente de todos os *stakeholders*, incluindo o apoio por parte do Governo, vamos conseguir internacionalizar mais marcas de alimentação e bebidas. A Sumol+Compal não tem a ambição de criar uma marca global. Ambiciona ser uma referência global na nossa categoria de produtos. Estarmos em todos os países aparenta ser interessante, mas em boa verdade não é possível se estar bem em todos. Não vale a pena ir para países onde não faça sentido. Vale a pena é estar bem naqueles em que nos sirva para um leque de consumidores. Cabo Verde é onde temos o maior consumo *per capita* de Compal. Lá, somos uma marca muito relevante. São Tomé e Príncipe é onde temos o maior consumo *per capita* de Sumol. Em França, que é um mercado de nicho, somos relevantes para a comunidade portuguesa que lá reside. Não existem muitas marcas globais no setor de sumos e néctares. A marcas Tropicana e Minute Maid têm alguma relevância, mas nenhuma delas está presente com relevância em mais de 50 países. Nas colas, a disputa resume-se entre Pepsi e Coca-Cola e há pouco espaço para outras. As outras são muito regionais. Portanto, eu diria que ser global pode não ser interessante.

LS: Quais são as suas sugestões para as empresas que ainda não entraram em mercados internacionais?

LM: Na indústria de alimentação e bebidas, acho que as empresas devem antes de tudo identificar os seus mercados naturais. É mais fácil para empresas com marcas como a Sumol e Compal, que têm um legado e são líderes de mercado nos seus países de origem, porque muitas vezes são relevantes para a diáspora ou lusofonia devido à afinidade que se cria ao longo do tempo. Se tu lançares agora novo, os teus mercados naturais se calhar não serão a diáspora, nem a lusofonia, mas a tua marca ao ser portuguesa terá relevância. A tua origem poderá ser valorizada. Se tiveres uma categoria que seja relevante, para um país relevante, por exemplo um vinho ou um azeite português, se calhar consegues destacar-te mais em relação aos demais. O primeiro desafio é saber quais são os mercados naturais, que se calhar são diferentes de uma marca que já estabelecida no mercado. Em segundo, não abrir tudo de uma vez – escolher um mercado e tentar criar um conjunto de consumidores que consuma a tua marca de uma forma regular. Quem conseguir isso tanto em Portugal como noutra parte do mundo, consegue criar uma marca. Deve-se ir aos mercados de cada vez, priorizando aqueles que são mais fáceis, mas que têm dimensão relevantes para o negócio. Os fatores que definem os mercados naturais variam. Por exemplo, para uma marca francesa são os mercados francófonos, sejam em África, seja na Europa, onde existem franceses expatriados. Eles têm mais países vizinhos que nós e possuem territórios ultramarinos.

LS: Portanto, ao fim e ao cabo, trata-se de um processo incremental.

LM: Sim, evidentemente. O tempo que se demora a construir-se uma marca em Portugal será o tempo em que se leva a construí-la noutro país. Se uma empresa demorou 10 anos em Portugal a ganhar reputação no seu setor, por que haveria de ser mais fácil no estrangeiro? O processo até poderá ser mais lento. Há que entender quais são os mercados mais fáceis e em que se possa ter uma vantagem no que toca ao valor diferenciado. Se oferecermos a mesma coisa sem escala e sem valor na marca, não vamos ser bem-sucedidos.

Appendix B - Interview data (English transcript)

LS: Why did Sumolis and Compal decide to involve in international markets?

LM: I will give you my opinion because I do not know the official reason. I would say that Portuguese companies began to export their products, not by proactive initiatives, like "we have an opportunity here, let's go to these markets", but rather in a reactive way - "I am in France, I like Portuguese brands, how can I find a way to bring Portuguese products". In other words, it was not so much a decision by companies to start exporting, but rather for overseas distributors to start wanting to sell Portuguese products to Portuguese people living abroad. With the Portuguese diaspora, companies were formed of Lusodescents who wanted to bring products from Portugal to sell to their countrymen, particularly in Africa where consumer habits were created and remained after decolonisation. So, it was a decision that came from customers, and then the brand owners saw that there was international interest and began to organise routes to market. But always reactive, never proactive. And that can happen to a brand that is born today. To internationalise their value proposition, they have to search for a market that makes sense. Brands that work based on diasporas or cultural connections are always much more reactive than proactive. I would say this was the main reason and it could apply to most Portuguese companies.

LS: Do you consider, therefore, that the political factor or geographical proximity is of little relevance?

LM: Geographical proximity is one of the export factors, but Portugal exports few brands to Spain, which is our only neighbouring country. Spaniards are somewhat patriotic and value their brands. We have the case of Delta, though, which is interesting. Delta is very well integrated in Spain, but they are an exception. Even though Spain accounts for a third of our exports, these are semi-finished, non-branded perishables. We are talking about fish, or fish category, olive oil, fruit, and vegetables that have no brand. In other words, there is a large export of commodities. Some companies sell, for example, bulk olive oil to Spain, but without a brand, to Spanish brands. There is no tradition of exporting brands there, unlike what happens to the diaspora or Portuguese-speaking countries where Portuguese brands are more valued. Sumol+Compal's matrix is more linked to branded products, so we are much more rooted in the Portuguese-speaking markets, which account for two-thirds of our sales, and then in the markets with Portuguese diaspora, which account for one-third. And then we have around 10% concerning the rest of the world. We have three entry modes. We export finished products produced in Portugal. We also have a factory in Mozambique. And we have franchising projects in Angola, Gabon, and Cameroon. Franchising is us selling the raw material, which is filled by our distributor before they sell our product. It is the same as Sumol+Compal is in Portugal for PepsiCo. We are their distributors, and we fill our factories with Pepsi and Seven UP.

LS: I find it interesting that Compal started exporting to Spain first.

LM: It is an interesting fact, but also a regrettable one (laughs). We felt it was our most obvious market, but in reality, in the juice and nectar category, it was very complicated, and we could not succeed.

LS: I think it also had a bit to do with the year it was made because by the end of the 90s Spain became Portugal's biggest trading partner. However, that was not the case in the 70s. At the time, it seemed that geographical proximity was not enough as both countries, let’s say, had their backs to each other.

LM: Yes, before both countries joined the European Economic Community.

LS: Yes, exactly.

LM: Amid EEC, regarding raw materials in food and beverages, they have become our main export country. Even when we had a big increase in trade with Angola, it never overtook Spain. Angola's weight has decreased in the meantime, due to the crisis, but Spain has been our main market, at least over the past 20 years.

LS: Why have you selected the countries or regions where you currently export?

LM: I would say that each company has its natural markets, and they keep trying to optimise them. The natural markets for Sumol+Compal are the markets where there is a relevant Portuguese minority, that is, the Portuguese diaspora around the world, and the Portuguese-speaking countries, mainly in Africa. In Angola, we first exported, then with the quota law and tariff increases we decided to produce locally, but with the crisis, we ended up losing scale, and we end up closing the factory and changing our model to franchising. This is an example of how we are always trying to optimise our natural markets. The same applies in France, where we have been reorganising distribution. When we search for new markets, we look for opportunities within the product category, to understand how we can differentiate ourselves in the target markets. It can be, for example, a value proposition intrinsic to the product, as is the case in Gabon where we saw that there was an opportunity to have a more qualitative soft drink. We launched Sumol with a 6ml bottle. We saw there was that opportunity. We made a slight adaptation in terms of the amount of sugar in the product to cater to the local taste and we signed a very successful franchising agreement for that country. We also tried to launch another distinctive bottle in Ivory Coast, but we did not have much success. In the United States, we have a project for the Hispanic community. As Hispanics are very fond of nectars, and we are experts in nectars with Compal, we decided to launch a new product range. So, we try to find our ideal consumer and then we adapt our proposal according to local specificities. We follow the stage-gate model. First, we look at volumes in the categories we operate and the competition to see if there is an opportunity. Then, if necessary, we do a market study - a business case - where we put a partner on board to see how we can set up the business, and we follow the rest of the model until launch. If things do not go well, we stop halfway through. So, we have the stage-gate model to go forward and try to go to markets. The markets that we look for are markets where our value proposition can be differentiated, and we are not just another one. A fortnight ago, I attended a congress in Vilnius, Lithuania, and I visited a shop. In that shop, in the juice section, there were sixteen brands. It is unattractive to be a seventeenth competitor. This is an example of criteria that leads us to choose markets. They have to be markets of sufficient size for us to have a relevant niche. The choice has to be very well made. Then, the rest are opportunistic sales. We are open to one-off sales to international markets where we are not present.

LS: What are the challenges and benefits of exporting to different countries?

LM: Food products are perishable. You cannot have a fresh product when its production is limited. Large-scale distributors in Portugal, as elsewhere in the world, want to receive products with two-thirds of their shelf life, so the challenge is to have enough scale to produce every month. The more countries share packaging, the more interesting scale is for the business. That is the benefit. Then, the regulatory part depends from country to country, but the European one is similar. I would say that, in our product category, we do not have major challenges in terms of certifications, although we have to comply with the rules regarding packaging. Consumer habits, on the other hand, differ from country to country. We are what we eat. We form our palate over time. For instance, if you drink juices regularly, you will tend to like sweeter things. Sometimes, our juices are considered sweet in Northern Europe, normal in Portugal, and a little bitter in North Africa. This is the kind of adaptation we have to be prepared to do when expanding brands to other countries. Even within a country, there can be some regional differences. For example, in Portugal pears sell better in the south, and peaches sell better in the north. That is our major challenge – being able to adapt the product to consumer preferences. It means we have to do market research to understand where we can improve our products.

LS: Does not this adaptation end up being a barrier to scale and cost optimisation?

LM: You only make this kind of adaptation in very specific projects. One thing is having a product that serves entire Europe. It may please Spaniards more than Germans, but there is scale. Another thing is to prioritise a market where we can have a relevant position through adaptation. The packaging is adapted for that country, but it can be used for others. And then we have opportunistic sales. For those, there are no adaptations. We may have to put labels for legal compliance, but we do not want to create a continuous sales stream. There is a difference between creating brands and selling products. We do both. When I want to create a brand, to adapt to a market, I have to build value across the marketing mix. That is one thing. Another thing is opportunistic or tiny sales, for which I am not going to adapt because there is no scale for that.

LS: Understood. How important is it to enter new markets with a partner?

LM: In terms of route-to-market, apart from Portugal and Mozambique, where we sell directly to consumers, we have decided that all internationalisation projects have to involve a partner. We do not consider ourselves specialists in destination markets, so we prefer to have a partner that helps us work in the route-to-market. We are not a global company. We consider ourselves a regional firm as we do not have enough scale to enter every market directly, nor do we have that ambition. Our idea is to find partners to help us work the markets and for each party to do what they know best. They know the markets; we know the products. Regarding the entry model, it may be different. We bet on several entry models, but never without a partner.

LS: Are your subsidiaries very autonomous, or is there high coordination with the headquarters?

LM: We only have one subsidiary. They are autonomous in commercial functions. When it comes to brand management, they are less autonomous. This means that the brand is managed by our strategic marketing. The aim is to maintain brand consistency and the values it upholds. Naturally, the brands are then adapted according to the destination markets, often in terms of flavours or formulas. We have products that have never been launched in Portugal. For example, we have launched special editions for certain markets with local flavours, flavours that are very typical of Mozambique, Cabo Verde, or Angola. We want to be locals, but brand control is centralised.

LS: How the climate change and the ongoing pandemic changing your business?

LM: Climate change is a big problem because we work with food products and an unsuitable climate affects the crops. We have been experiencing more and more problems with the quality of harvests. Regarding the pandemic, we did not feel a major commercial impact on international markets because we are more present in retail than in HoReCa. In Portugal is the opposite, so the impact was greater.

However, in some food products, especially those that can be consumed at home, there was growth recorded.

LS: Do you think there will be any permanent change in terms of consumption habits after the pandemic?

LM: I think we may have more accelerated development of e-commerce. Otherwise, I would say the tendency is to return to a certain normality.

LS: How your business is being affected by the armed conflict in Europe?

LM: The effect that already came from the pandemic and that is now being aggravated by the armed conflict is inflation. What the company feels is a disruption of supply chains, which has created a worldwide transportation problem and less product availability. This was already a problem before the war, but now it has worsened. The escalating energy prices affect food supplies, as energy is needed to produce, affects the transportation of those same products, and of course, this rising inflation affects consumption. Although we are not yet experiencing drops in production volume, we are losing some profitability, because we are not being able to negotiate prices. We believe that the next two years will be very complicated because, as you can imagine, inflation of about 15% in Portugal in food products retracts consumption, and business consequently suffers.

LS: Do you think Portugal can build global brands?

LM: In the drinks sector, there are no Portuguese global brands. Outside of our industry, there are few. I believe that we have conditions to create more international brands, but not global ones. I do not believe that global brands are very necessary. I believe we need more international brands. What we lack is the first step, which is to internationalise our gastronomy. Unlike Portugal, some countries have been successful in internationalising their cuisine. The Italian, French and Spanish gastronomies are examples of this. You can also see Chinese and Japanese restaurants all over the world, but not Portuguese. If we manage to work on the internationalisation of Portuguese gastronomy, which is dependent on every stakeholder, including support from the Government, we will be able to internationalise more food and drinks brands. Sumol+Compal does not have the ambition of creating a global brand. Our ambition is to be a global reference in our product category. Being in every country sounds interesting, but in truth, it is not possible to be successful in all of them. It is not worth going to countries where it does not make sense. It is worth doing well in those where we can serve a significant range of consumers. Cabo Verde is where we have the highest per capita consumption of Compal. We have a very relevant brand there. Sao Tome and Principe is where we have the highest per capita consumption of Sumol. In France, which is a niche market, we are relevant for the Portuguese community living there. There are not many global brands in the juice and nectar sector. Tropicana and Minute Maid have some relevance, but both are not relevant in more than 50 countries. In coke, the competition is between Pepsi and Coca-Cola and there is little room for others. The others are very regional. So, I would say that being global may not be interesting.

LS: What are your suggestions and ideas for companies that have not entered international markets?

LM: In the food and beverage industry, I think companies should, first of all, identify their natural markets. It is easier for companies with brands like Sumol and Compal which have a legacy and are market leaders in their domestic countries because they are often relevant to the diaspora or Lusophone because of the affinity that has been created over time. If you launch a new product now, your natural markets may not be the Diaspora or Lusophony, but your brand, being Portuguese, will be relevant. Your origin may be valued. If you have a relevant category, for a relevant country, for example, Portuguese wine or olive oil, you may be able to stand out more than others. The first challenge is to know which are the natural markets, which may be different from a brand that is already established in the market. Secondly, not opening everything at once - choosing a market and trying to create a group of consumers that consumes your brand regularly. Whoever manages this in Portugal or elsewhere in the world manages to create a brand. You have to go to markets each time, prioritising those that are easier and have relevant dimensions for the business. The factors that define natural markets vary. For example, for a French brand, it is the French-speaking markets, whether in Africa or in Europe, where there are French expatriates. They have more neighbouring countries than us and they have overseas territories.

LS: So, at the end of the day, it is an incremental process.

LM: Yes, of course. The time it takes to build a brand in Portugal will be the time it takes to build it in another country. If a company takes 10 years in Portugal to build a reputation in its sector, why should it be easier abroad? The process could even be slower. You have to figure out which markets are easier and where you can have an advantage in terms of differentiated value. If we offer the same thing without scale and brand value, we will not be successful.

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Annexes

Annex A - Selected stage model theories

Source: Daszkiewicz and Wach (2012)

Johanson and Wiedersheim (1975)	1. No regular export activity; no import activity. 2. Export via agents to neighbouring countries. 3. Establishment of a sales subsidiary, export to more distant countries. 4. Production/manufacturing in a foreign market.
Bilkey and Tesar (1977)	1. Management is not interested in exporting. 2. Firm fills unsolicited orders but does not actively pursue export markets. 3. Management actively explores exporting (passive exporter). 4. Firm begins experiment with exporting. 5. Firm becomes an active exporter. 6. Firm becomes a committed exporter.
Moini (1995)	1. Non-exporters. 2. Partially interested exporters. 3. Growing exporters. 4. Regular exporters
Leonidou and Katsikeas (1996)	1. Pre-engagement - preceding firm's involvement in international activity. 2. Initial. 3. Advanced
Cavusgil (1984)	1. No engagement in export activity; sales in domestic market only, firm is not interested in exporting. 2. Reactive engagement in export. Firm is seeking information about export opportunities. 3. Limited export to neighbouring countries. Limited experience and engagement. 4. Active engagement - systematic export to new countries. 5. Engagement - resource allocation between domestic and foreign markets.
Czinkota (1982)	1. Firm is not interested in exporting - firm is not analysing export opportunities. 2. Firm is partially interested in exporting. Export in uncertain activity. 3. Firm is planning export activity and analyses opportunities of exporting. 4. Firm is experimenting with exporting. 5. Medium experienced exporters. 6. Big, experienced exporters.

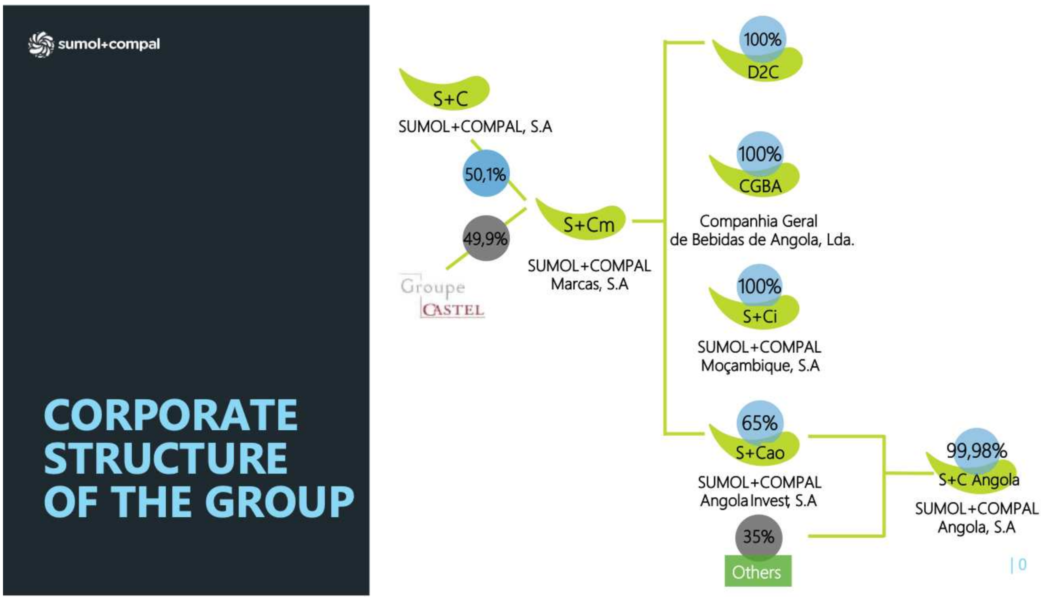
Annex B - Selected typologies of internationalisation strategies

Source: Daszkiewicz and Wach (2012)

Author	Typology
I. Ayal and J. Zif (1978)	1) market diversification strategy 2) market concentration strategy
M.E. Porter (1980)	1) cost leadership strategy 2) differentiation strategy 3) focus strategy
H.J. Ansoff (1965)	1) market penetration strategy 2) market development strategy 3) product development strategy 4) diversification strategy
A. Heenan and H.V. Perimutter (1979)	1) ethnocentric strategy 2) polycentric strategy 3) geocentric strategy 4) regiocentric strategy
M.E. Porter (1985)	1) offensive strategy 2) defensive strategy

Annex C - Corporate Structure of Sumol+Compal

Source: Sumol+Compal (2021)



Annex D - Consolidated income statement of Groupe Castel, 2014-2019

Source: Blamangi (2014)

En millions d'€	2019	2018	2017	2016	2015	2014
Chiffre d'affaires consolidé	6420,8	6213,9	6796,2	6771,7	6721,4	5671,6
Droits d'accise	-771,7	-706,3	-684,2	-723,3	-777,9	-453,3
Chiffre d'affaires net (a)	**5649,1**	**5507,6**	**6112,1**	**6048,4**	**5943,5**	**5218,3**
Charges de personnel	-723,2	-699,5	-756,4	-720,3	-735,2	-629,4
Autres produits et charges	-3428,5	-3394,1	-3608,7	-3318,4	-3358,0	-2923,7
Taxes et contributions similaires	-117,5	-101,7	-90,1	-118,2	-92,9	-80,9
EBITDA	**1379,9**	**1312,4**	**1656,9**	**1891,5**	**1757,4**	**1584,3**
Résultat opérationnel (b)	800,5	800,3	1081,6	1399,8	1206,5	1133,4
Bénéfice avant impôts	811,1	933,5	1114,1	1183,5	935,6	1254,1
Impôts sur les bénéfices	-229,3	-246,9	-272,6	-283,1	-252,8	-253,3
Bénéfice net (c)	**581,8**	**686,6**	**841,4**	**900,3**	**682,8**	**1000,7**
Bénéfice net part du groupe	377,0	492,6	541,4	641,9	491,6	690,1
Dividendes	441,3	575,9	376,9	502,2	614,3	647,1
Marge opérationnelle (b/a)	*14,2 %*	*14,5 %*	*17,7 %*	*23,1 %*	*20,3 %*	*21,7 %*
Marge nette (c/a)	*10,3 %*	*12,5 %*	*13,8 %*	*14,9 %*	*11,5 %*	*19,2 %*

Annex E - International sales of Sumol+Compal

Source: Sumol+Compal (2021)

Annex F - Mozambican and Angolan Compal da Terra

Source: Sumol+Compal (2022)

Annex G - Compal products in the United States for the Hispanic consumers

Source: Sumol+Compal (2022)

Annex H - Compal Essencial distributed in Spain by Solán de Cabras

Source: Sumol+Compal (2022)

Annex I - New Sumol package for Gabon (2021)

Source: Sumol+Compal (2022)

Annex J - Poster campaign in Paris, France (2021)

Source: Sumol+Compal (2022)

Annex K - In-store campaign in Seabra Foods, a US-based Portuguese chain (2021)

Source: Sumol+Compal (2022)