

Chapter 2

Facing the Challenges of Nostalgia International Markets

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ABSTRACT

Internationalization is a business strategy that normally aims at expanding the business of the firm outside its domestic market. It may also involve the creation of an integrated network of contacts and partners. The aim of this chapter involves a firm that distributes high-end wines and other alcoholic drinks to the domestic market and is seeking to expand its activities abroad. Taking into account the “nostalgia market,” with many Portuguese living throughout Europe, this chapter seeks to analyze how a Portuguese firm seeks to embrace the internationalization strategy of serving these ex-pats, through local retailers, and afterwards the possibility of serving the market abroad using the contacts so far developed. As such, the firm seeks to serve both the ex-pats and the local market alike. The chapter analyzes the Spanish, French, and German market, and it is possible to conclude that France is the market with the higher likelihood of success, economically and culturally.

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INTRODUCTION

Business internationalization has been subject to extensive research. It can be understood as a strategy aiming at expanding and creating an integrated network of contacts and partners when firms seek to expand to new markets, despite the firms' risk embarking on international ventures (Dominguez, 2016). The firms' internationalization process has to be framed in accordance with the firms' competencies and competitive advantages, which normally are developed in the domestic market, and seen from a wide perspective taking into account a wider market and an extended competition (Moreira, 2004). Internationalization is important for firms to enhance competitive advantage as it involves a dynamic process (Stanisauskaite & Kock, 2016).

In recent years the Portuguese economy has embarked on an export-led strategy whose results surprised analysts. Faced with the downturn in the domestic market, many companies have deployed internationalization strategies to counterbalance the downfall of the domestic balance, where clearly the overseas markets were seen as a means of economic survival.

This chapter presents a case study of a reseller (B2B) firm – named OMEGA for confidentiality reasons – that distributes well known, high-end wines and other alcoholic drinks. It is an active player in the Centro region of Portugal that is considering expanding its business abroad. If the fierce competition felt in Portugal has sparked this risk-taking behavior, the number of Portuguese immigrants across Europe has opened a window of opportunity to explore the 'nostalgia market', which is a latent opportunity that has been traditionally neglected by many firms. Moreover, the agri-food sector has been one of the most dynamic ones among ex-pats, in particular, wine being one of the important products of Portuguese exports. As such, based on its competitive position in the domestic market, OMEGA seeks to exploit foreign markets and explore a calculated risk-taking behavior addressing an old social tradition based on socio-economic hardship during the 1960s, 1970s and 1980s, that has been growing as a result of the recent economic and financial crisis, that led to the emergence of this 'nostalgia market', made up of long-time migrant consumers of Portuguese products. OMEGA's internationalization strategy is to distribute its products, to resellers abroad to satisfy Portuguese ex-pats consumers.

The markets of Spain, Germany and France were analyzed in order to depict market potential and market risk. It was concluded that France is the market with the greatest potential for OMEGA.

The chapter is structured in eight sections. The first section addresses the literature on internationalization. The second section explores literature on motivations for internationalization. The third section addresses literature on modes of entry in international markets. The fourth section explores the importance of culture

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