

FROM PERNAMBUCO TO FRANCE: THE INTERNATIONAL MARKETING MIX OF PINGA NORDESTINA

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1 INTRODUCTION

The international arena presents both opportunities and threats to enterprises that seek competitiveness in global markets and international frontiers. Although such enterprises face new problems, different from those encountered within their own market (PALÁCIOS; SOUZA, 2004, p.14), they tend to benefit substantially from global expansion (CZINKOTA; RONKAINEN; DONATH, 2004, p. 3). Cultural differences and geographical distance no longer represent barriers to business and to acceptance within many markets. The choice of appropriate international strategies allows the enterprise to become a global corporation (HITT; IRELAND; HOSKISSON, 2001, p.316).

The increasing opening of national boundaries to international trade and investment has led to higher levels of competitiveness, pressuring domestic enterprises, which have been forced to compete against international ones (CONDO, 2000 p.2). Due to the success achieved by enterprises in recently industrialized countries, emerging economies are adopting outward looking policies for growth, aiming at export growth, instead of maintaining the inward pattern, which aimed at substituting exports. Consequently, there is a noticeable increase in the presence of emerging countries in the global integrated economy, where they seek opportunities in the international market in order to obtain and keep competitive advantage (AULAKH; KOTABE; TEEGEN, 2000, p.342).

Pernambuco has been consolidating its prominence in the production and exportation of cachaça. Despite the importance of Pernambuco's cachaça exports when compared to the rest of Brazil, there is need to diversify the destination countries in order to minimize the impact of the concentration on a few buyers. The State of Pernambuco produces only half of its established capacity of 140 million liters per year and it exported only 2.7% of this

production in 2003, meaning there is room for international expansion. However, most of the exported volume is exported in bulk and bottled upon arrival in Germany.

The purpose of the Cachaça de Pernambuco PSI (*Projeto Setorial Integrado* - Integrated Sector Project), which was interrupted at the end of 2005, was to double the US\$670 million annual cachaça exports of the Pernambuco state and to create 150 more jobs before the end of 2005, by adding 13 micro, small and medium sized enterprises to the international PSI scenario. The Cachaça de Pernambuco PSI, supported by APEX-Brasil (Investment and Exportation Promotion Agency), an Autonomous Social Service connected to the Ministry of Development, Industry and Foreign Trade, was a sector-based project or that covered one or more productive chains and was not necessarily limited by regions. It is important to note that the internationalization process of the enterprise has been closely followed, since one of the researchers was a consultant to Cachaça de Pernambuco PSI. Pinga Nordestina was one of the participant enterprises, which was successful in its international insertion, exporting about 70 thousand liters of cachaça to France.

Nevertheless, the global panorama for alcoholic beverages is not very positive due to governmental restrictions imposed on advertising and sales incentives, causing the consumption of distilled liquor to decline. However, white distilled spirits, including cachaça, have been able to increase foreign trade share because they are more versatile for consumption (MARTINELLI, SPERS, COSTA, 2001 p. 291). The Brazilian government chose cachaça as one of the priority products for research investment and qualification, with the purpose of improving product quality and competitiveness and consequently the amount exported. The main objective of this article is to analyze the internationalization process of Pinga Nordestina, an enterprise that produces and markets cachaça, located in the semi-arid hinterland in Pernambuco, in terms of its global marketing mix. Therefore, an analysis will be made of the decisions related to price, product, promotion and placement that led the company to export cachaça to France, with the support of the government represented by APEX (Investment and Exportation Promotion Agency).

2 International Opportunities and the Brazilian Scenario

The world economy has changed greatly since the Second World War (LOUREIRO; SANTOS, 1991, p.24). The most significant change in terms of business has been the emergence of global markets (KEEGAN, 2005, p. 24), thanks, in large part, to the development of communication systems (GIDDENS, 2005 p.21) that have resulted in the

globalization of competition, considered one of the most powerful forces that affect companies hence (PORTER, 1999 p.326).

Identifying opportunities anywhere in the world, global competitors have replaced local competitors (KEEGAN, 2005). The increasing number of countries adopting the free market ideology, the shifting of the process of change from the center of economic gravity towards developing countries, improvement in communication and new market opportunities, created by the opening of borders to trade, investment and technology transference are the factors that have pushed companies to globalization and internationalization. Given this trend, executives in specific companies make decisions that result in more international capital flow (GOVINDARAJAN; GUPTA, 2001), including decisions about products, markets, entry strategies and speed of expansion, caused by the imperious adoption of a global strategy in contrast to domestic strategy (PORTER, 1999, p. 326).

However, in emerging countries, the protectionist environment, together with the presence of state owned enterprises led to low levels of competition and, consequently, to repressed demand for various kinds of products (GILLESPIE; ALDEN, 1989, p. 93). This gives tremendous opportunity to foreign products, once the market has been opened (AULAKH; KOTABE; TEEGEN, 2000, p. 346). In the last two decades, trade and market opening policies around the world have widened opportunities for new markets, investment and sources of supply for multinational companies.

Exportation is the first stage of the process of company internationalization. The international expansion of privately owned companies from emerging economies usually occurs with manufacturing in the country of origin and later exportation of the product to foreign markets (VERNON-WORTZEL; WORTZEL, 1988). Although the organizational features of management its perception of risk influence the internationalization behavior (the decision to start exporting), the present global competitive environment demands specific pro-active exportation strategies in order to be successful in foreign markets (AULAKH; KOTABE; TEEGEN, 2000, p. 344). The Brazilian share in world exports remains insignificant, reaching less than 1.5% of the total in 2005, Brazilian exports corresponded to US\$ 118.3 billion, while world exports was US\$ 10,153 billion (MINISTRY OF DEVELOPMENT, 2006). Furthermore, the country's relative share is less than half of what it was in the 1950's (approximately 1.1% to 2.4%), showing lower growth when compared to the growth of exports in the world as a whole. The scenario, however, is a little more positive when agricultural exports are considered, the country being responsible for 4% of world exports (WTO, 2006).

Pernambuco's share of Brazilian exports is also insignificant, representing less than 1% of the amount exported by the country in the last 5 years; it also presents a deficit in balance (MINISTRY OF DEVELOPMENT, 2006). Furthermore, the agenda is focused on the export of a few products, such as sugarcane, which represented 30% of the amount exported in 2004, 10% of mangos and grapes and, 5% of onboard sale of goods. Cachaça represented 0.18% and 0.16% of the total amount exported by the state in 2004 and 2005 respectively, ranking 69 in the 2005 list. Even though the share of cachaça in Brazilian exports is small, only 0.3% of the production (MARTINELLI, SPERS, COSTA, 2001 p.292) we can see a 50% growth in the exported amount when comparing 1997 to 2005, when 12 million liters were exported. The goal is to make the volume of exports reach 40 million by 2010 (BRAZILIAN CACHAÇA DEVELOPMENT PROGRAM – PBDAC, 2006). Pernambuco is second only to São Paulo as major exporter of cachaça in Brazil, and the main importers of the Brazilian beverage were Germany, Portugal and the United States in 2004, representing 17%, 11% and 9% of the total amount exported respectively (MINISTRY OF DEVELOPMENT, 2006).

Given this situation, the theme of this study is significant in both academic and managerial terms. Theoretical-empirical knowledge of the internationalization process of genuinely Brazilian enterprises is valuable when making decisions regarding resource allocation and as a stimulating factor for exports, providing both academics and organizations with a better understanding of international operations originating in Brazil, emphasizing elements of the marketing mix to be discussed in the next section.

3 Marketing Mix in the Global Context

3.1 Product related Decisions

A product may be defined as a collection of physical, psychological, usage and symbolic features that together provide satisfaction and/or benefits to a consumer or user (KEEGAN, 2005 p.249) and may be considered the most important element in marketing. Professionals in global marketing face the challenge of formulating coherent international strategy for the products of their corporations. There are two possible extreme attitudes concerning options about the product and service to be marketed internationally (PALÁCIOS; SOUSA 2004 p. 108): thorough standardizing for cost reduction and quality improvement, as envisaged by Levitt (1983), which is more likely to happen in countries with the same level of economic development (WILD, WILD, HAN, 2006 p. 403) or thorough adjustment to respond to demands from the target market. However, these two extremes may be considered

dots along a *continuum*, with the possibility of adopting local, national, international and global categories (KEEGAN, 2005 p. 250) or they may even be used concomitantly by the same company (VRONTIS, KITCHEN, 2005). The local product is available only in a part of the national market. The national is offered in a unified national market in the context of a specific company. The international products and global brands are offered in multinational and regional markets and the global products are offered in all regions of the world. However, deciding on a brand requires careful analysis, since names from the original market might be offensive if not carefully selected after research (WILD, WILD, HAN, 2006 p. 405).

The decision whether to change the product/service or not depends on the mix of products of the company and the market, as well as the age of the consumption pattern (WHITELOCK, 2001 p.32), therefore it can not be generalized. Furthermore, the author suggests that more recent products tend to be more “standardizable” than older products, which are rooted in the national culture. In the internationalization process, consumer goods tend to require more adjustment than manufactured products, where client needs and the competition are the main influences behind the adoption of change. Such modifications are related to the way the product will be used, labeling, quality, packaging and style, in decreasing order of importance (WARD, 1973 p. 83-85). Different consumer preference factors, such as taste and color, cost, laws and regulations of the target region and compatibility of the product to the environment are part of the product adjustment decision making process (KEEGAN, 2005 p. 258-259). We can also see the change in placement of products in international markets (e.g. KOVACS, OLIVEIRA, MORAES, 2006), be they general: by attribute or benefit, quality / price, use and application and use / user, or those considered additional: *high-tech* or *high-touch* (KEEGAN, 2005) as well as the influence of the country of origin on values perceived by the consumer of the product (WILD, WILD, HAN, 2006 p. 406).

3.2 Distribution related Decisions

Marketing distribution channels may be defined as an organized network of institutions, agencies, corporations, people and other resources, which combined, are able to perform the numerous activities required in order to connect the producer and the user and when exchanging value with the market (KEEGAN, 2005, p. 300; URDAN; URDAN, 2006, p. 127), within the target country (GABRIELSON; KIRPALANI; LUOSTARINEN, 2002). The main purpose of the marketing channel is associated with the creation of client convenience related to time and location. Among the main categories of channel convenience

related to the client are (KEEGAN, 2005, p. 301): 1) location: availability of the product in an easily accessible place; 2) time: availability of the product when desired; 3) form: the product has been processed, prepared and ready for use in adequate conditions; 4) information: general communication about features and benefits of the product.

Decisions related to distribution are multidimensional in that they have to simultaneously take into consideration environmental, broker, client and product features, such as level of standardization, expiration, size and price. Issues such the location of potential clients, their needs and preferences in terms of access and what information they demand (KEEGAN, 2005, p. 301) must be continuously monitored. Social demographic features, such as geographic distribution, income, consumer habits may vary from country to country, therefore requiring different channel focuses. These focuses are related to the company's own philosophy, in standardizing or adjusting value offer in order to win new markets.

Regarding the property of the channel, the company must decide whether it will its own sales force and stores, characterizing direct involvement, or work together with independent agents, commercial representatives, wholesalers and distributors (URDAN; URDAN, 2006). On the other hand, the intensity of the distribution, or the number of agents at each channel level in proportion to the geographical area served, defines the way the distribution takes place: intensive (maximizing the number of producers responsible for ensuring the flow of the product); selective (in which the producer works with a limited number of points of sale); and exclusive (the members of the channel work only with goods from a specific producer).

The internationalization process model recognizes two main groups of marketing operations, which form the base for channel strategies used in new markets: 1) direct, indirect and in-house export operations; and 2) sales and marketing subsidiaries (GABRIELSON; KIRPALANI; LUOSTARINEN, 2002). Similarly, Johanson and Vahlne (1977) state that between the stages of the process we can sporadically find export activities, the use of representatives and agents, the establishment of sales subsidiaries and even the implementation of manufacturing units in the host country. As the internationalization process evolves through different stages, companies show greater commitment towards international activity, by effectively allocating resources and increasing the level of specialization. According to the proposition put forward by Gabrielson, Kirpalani and Luostarinen (2002), a low level of internationalization means a greater probability of the use of a strategy involving the use of an indirect channel.

In this context, it is worth mentioning that such alliances with brokers and the organizational learning are points of particular note in studies on international trade (WANG; NICHOLAS, 2005), be they focused on internal knowledge creation or independent company learning by means of mergers or acquisitions, joint-ventures and alliances without equity participation. The current literature on this type of learning focuses efforts on knowledge transference and replication in different perspectives, including the flow between partners in a mutual cooperation system. In competitive markets, alliances are strategies in international operations in which companies appropriate above average returns with heterogeneous and irreplaceable resources, derived from the rarity and competitive superiority offered by the distribution strategy (BARNEY, 1986, 2002; PRAHALAD; HAMEL, 1990). It is particularly useful when the company has insufficient competence to market or produce in foreign markets, in addition to a lack of familiarity with aspects of a cultural, legal-political nature little knowledge of specific expectations and demand values (BARNEY, 2002; HITT; IRELAND; HOSKISSON, 2002; WILD; WILD; HAN, 2006).

In order to become a real competitor in global economy, an organization needs to be a trusted cooperator (MORGAN; HUNT, 1994). Many multinational companies are learning that it is necessary to collaborate in order to compete. Strengthening the relationship in this sense refers to activities towards the establishment, development and maintenance of successful exchanges with partners (SETHURAMAN; ANDERSON; NARUS, 1988; MORIARTY; MORAN, 1990). Trust and commitment are of key importance because they encourage organizations to (MORGAN; HUNT, 1994): (1) work on the preservation of investments made in relationships through cooperation with partners; and (2) resist attractive short term alternatives in favor of the long term expected benefits of remaining with existing partners.

3.3 Price related Decisions

In marketing, the concept of price is associated to the concept of perceived value or the sum of benefits over the sum of costs, from the client's viewpoint: everything the consumer perceives as having given or sacrificed in order to obtain the product (SIMONSON, I.; NOWLIS, S.; LEMON, 1993; URDAN; URDAN, 2006, p. 184), be that sacrifice financial or otherwise, or related to time, energy or psychological factors. The classical theories of consumer behavior assume that each purchase alternative is related to a specific value and the consumer chooses the best option according to the level of aggregate value. In marketing mix, the price has a different nature from the other elements; while the other P's create value for

the client, implying expenses for the company, price allows part of the propitiated value to be obtained as monetary reward, within the exchange relationship. In other words, it is the counterpart that the company charges its customer for what it offers him. In the process of pricing products, companies consider not only manufacturing costs, but also the competition, demand and consumer (URDAN; URDAN, 2006). In the global context, it is possible to affirm that local adjustments can influence consumer preference and, therefore the value perceived and the product price (SIMONSON, I.; NOWLIS, S.; LEMON, 1993). Such preferences, essentially linked to non-financial elements, is strongly influenced by national values such as culture, education, income, geographical concentration, level of education, risk tolerance, economic and legal environment, distribution infra-structure, and consumer behavior and characteristics (THEODOSIOU; KATSIKEAS, 2001). Maxwell (2001) tested global consumer homogeneity versus heterogeneity in a cross-cultural study of the price/brand model. Patterns from the USA, a developed country with fully established consumer characteristics, were compared to those from India, an emerging market still building patterns. According to the findings, when compared to Americans, Indians in fact have low perception of brand quality. Moreover, they are prone to saving and experience feelings of guilt over the act of consumption.

The price strategy of a company must be broadly combined with its international strategy (WILD; WILD; HAN, 2006, p. 417-419). Authors argue that a typical cost-leading product in domestic industry hardly ever adopts a premium price in new markets, due to the lack of special features and the emphasis on product functionality. On the other hand, a company that follows a strategy of differentiation, in a global context tends to adopt the same behavior. Among pricing policies, the company may follow the so called worldwide policy, in which a unified sales price is established for all international markets, also called extension/ethnocentric, or dual policy, or adjustment/polycentric, in which different prices are charged in different countries, usually higher in host countries (KEEGAN, 2005; WILD; WILD; HAN, 2006). The problems in the worldwide policy refer to cost difference among the countries. In addition, even when exporting, fees and taxes on imported products are different, causing the final price to be different. On the other hand, applying the dual policy requires that companies have the features and needs inherent to domestic and international consumers clearly defined.

There are many environmental sources that influence decisions when determining price (KEEGAN, 2005). Variables such as currency fluctuation, exchange rate clauses, inflation, governmental controls and subsidies, competitive behavior and the expected

relationship between price and quality must be considered. At times, companies make use of origin as strategic instrument in determining price, this is particularly true in the case of products related to specific countries, such as Swiss Chocolate, French Champagne, Columbian Coffee, or the Brazilian production of wine in the Serra Gaúcha area (EMBRAPA, 2006).

3.4 Promotion related Decisions

The company's efforts at reaching distribution channels and target consumers by means of communication, such as personal sales, advertising, public relations and direct marketing are called the promotional mix (WILD, WILD, HAN, 2006 p.408) and the use of elements from the mix depends on the strategy the company proposes (PALACIOS, SOUSA, 2004 p 175).

Sales promotion refers to is any program targeted at consumers or commerce, of limited duration, that aggregates tangible value to a product or brand and which may consist of: promotional price tactics, competitions, contests and games, special and premium editions, retailer presentations, in-store displays, special offers, packaging, fairs and commercial events and sponsorship, and their purpose is to stimulate customers to try a product or increase the demand for it (KEEGAN, 2005 p. 347). Sales promotion provides a tangible incentive for consumers and the reduction of the risk that might be associated with the purchase of a product. International sales promotion and advertising require adjustment to the specific conditions of the country, just as the use of direct marketing requires analysis of the infrastructure available in order for it to work effectively. Fairs, events and exhibitions are increasingly important in the international market and have received little attention in academic studies. The reasons for participation (selling or purchasing) and the forms of participation (exhibitor and visitor) lead to a new perspective for sales and purchase behavior (HANSEN, 1996 p. 42). The international activity most strongly tied to the increase in export competitiveness of a company is the frequent participation in international fairs, where executives meet their competitors and clients, so reflecting a wider view of the global market (BRITTO, 2004 p. 143).

The importance of sector-specific fairs has been associated not only with commercial and promotional purposes, but also as a privileged context in which to obtain specialized information on clients, technology and markets. It also plays an especially relevant role in the development and internationalization of small and medium sized businesses through the learning process (SETUBAL; SOUZA 2004 p.129).

The main governmental organization supporting commercial promotion is APEX-Brasil (Investment and Export Promotion Agency), which gives technical and financial support for international fairs and missions: periodic events, involving one or more sectors, with the purpose of taking Brazilian companies to exhibit and market products and services in an appropriate space, where they can also engage in other promotional activities at the same time. Created in November 1997, APEX worked as a Special Management of National Sebrae until February 6, 2003. From this date came to be named APEX-Brasil, becoming an Autonomous Social Service connected to the Ministry of Development, Industry and International Trade. In 2003, the Agency supported the participation of 8,196 micro, small and medium sized companies in 410 national and international events, generating business worth over US\$ 2 billion. In 2004, there were 500 events and 13,500 participant companies and approximately US\$ 12 billion worth of deals done (APEX, 2006). Among the wide range of export promotion strategies developed by the Brazilian government, are the sector-based initiatives, such as the Brazilian Aguardente de Cana, Caninha or Cachaça Development Program (PBCAC), launched in 1997, which has been working to counter the existing prejudice against the beverage.

4 Methodological Aspects

The core purpose of this article is to analyze the internationalization process of Pinga Nordestina, a company that manufactures and markets cachaça in the semi-arid hinterland of Pernambuco, from the global marketing mix perspective. It is an *ex-post facto* type of research in which variables that occur spontaneously, in a certain historic context, without the intervention of the researcher were investigated (MATOS; VIEIRA, 2001, p. 44).

A qualitative case study was developed, based on the belief that this is the way to obtain the essence of the social phenomenon with the least possible interruption of the natural environment (MERRIAM, 1998, p. 5). By means of a qualitative case study it is possible to make an intensive analysis, undertaken in only one or a few real organizations (BRUYNE; HERMAN; SCHOUTHEETE, 1977, p.224), which represent the unit to be analyzed or the object of study (STAKE, 1994). This is an intense investigation, with holistic description and its analysis is based on a single instance of the phenomenon or social unit (MERRIAM, 1998, p. 27).

A case study on Pinga Nordestina, located in the city of Garanhuns, in the semi-arid hinterland of the Pernambuco State, was carried out in an attempt to obtain a deep understanding of the situation and the meanings for those involved. According to Stake

(1995), the first criterion in choosing cases is the maximization of what can be learned by choosing cases that can lead us to the understanding, assertion or even changing of generalizations. In addition, it was decided to look for a Brazilian company with a successful track record in internationalization that could be easily accessed by the researchers. Within these criteria, the study has attempted to answer to the following question: **How did Pinga Nordeste make use of its marketing mix as a tool in internationalization?** It is noteworthy that, when seeking answers to questions such as “how” and “why”, the case study method has become the most widely used strategy among researchers (YIN, 1981; MERRIAM, 1998).

Data was collected using semi-structured interviews and document analysis. An intentional non-probabilistic convenience sample of interviewees was selected. Only people who are or have been involved in the internationalization process of Pinga Nordeste were chosen, using information availability, accessibility and time availability of the executives as criteria.

Eight interviews were carried out (lasting approximately 45 minutes each), two with owners of the business, and one with others. The interviews were divided into the following categories; business information, decisions related to product, price, placement and promotion in the international market. With regard to the documents, even those that had not been developed for research purposes (MERRIAM, 1998), were very useful for data analysis. The types of document analyzed were personal (diaries, pictures and e-mails) and physical (the internationalized product itself). The personal documents are a reliable source of data on the attitudes, beliefs and world view of the person being researched and reflect the perspective of the participant (MERRIAM, 1998).

Data were collected in April and May 2006. The content analysis technique was adopted. Bardin (1977) defines this technique as a group of communication analysis techniques, which make use of message content description through a systematic and objective procedure. Reports have been categorized and grouped according to patterns that emerged among the interviewees.

5 Analysis and Discussion of the Results

Pinga Nordeste had no previous knowledge of the international market until joining the project, although it had 16 years of experience in the local market. The company joined the project at its very beginning in 2002. The company was chosen for this study due to the results achieved until September 2005. It was the first company in PSI to export. The

company, whose corporate name is Indústria e Representações de Bebidas Veloso Ltda., located in Garanhuns, in the semi-arid hinterland of Pernambuco has two bottling lines for glass or pet bottles, and its own fleet that distributes products to the North and Northeast regions. Among its manufactured goods we can find Pinga Nordestina, Coquetéis Nordestina (passion fruit, lime, pineapple and coconut cocktail mix), aguardente Pipa Dourada, Coquinho licoroso Nordestino, Catuaba Donzela, Vinho de Gengibre Ipiranga, Vinho de mesa Boa Páscoa, Millenium ginger cognac, rum and vodka. The installed capacity is up to 300 thousand liters/month but the company is currently using less than half of that capacity, so it has the capacity to necessary to enter new markets.

In its internationalization process, the company decided to reduce its product portfolio, investing firstly in the international insertion of passion fruit, lime cocktail mix and pure cachaça, with the purpose of focusing on product and market. As the below shows, the company had to adapt the products for the French market, as follows:

We had several products but we chose to enter the international market with the passion fruit and lime cocktail mix, in addition to cachaça. Later we made the pineapple and coconut cocktail mix, but they were not exported. Erica traveled to France in search of buyers to come to the Cachaça Fair in 2004 and she was introduced to Paulo and Maria, from Agribéria by SECOM from the Brazilian embassy in Paris. (Owner 1, 2006).

I met Agribéria partners in September 2004 and they liked the product, but we had discussed modifications that would be necessary to meet the French market demands beforehand. I came back in October for the Sial, the largest food fair in the world, where we met again and I was introduced to the Casino group purchaser. In November they came here and we discussed the changes to the packaging with the design department in Senai. Something that was subtle and innovative and that made one think of the concept of Brazil was necessary. Senai developed the packaging with a methodology that allowed our participation and Agribéria approved it. Then we traveled to São Paulo for a meeting with Pão de Açúcar, who also liked the packaging and placed the first orders. It was jointly developed [...] We contacted the design department in Senai and they developed the packaging according to the market needs, the product features and the history of the company. We changed the bottle, the label, back label and the cap. Everything, even the outer box. In Brazil, beverages come in 1-liter bottles. In Europe, they prefer 750 ml. (Consultant at Sebrae, 2006).

It was necessary to change the packaging. In the Cachaça Fair we could see that the cachaça packages in Brazil were very pretty but they didn't say anything to the French consumers. They have sugarcane mills, sugarcane, etc. French consumers want to see Brazil, especially in the year of Brazil in France. It was necessary to show it all in the packaging in order to sell ... (Client France, 2006).

The findings are in accordance with those of Levitt (1983) and corroborate the findings by Ward (1973), which suggest that consumer goods tend to require more adjustment, specially related to the product usage, labeling, quality, packaging and style, influenced by clients and the competition. It can be noted that the client directly influenced these changes, besides making legal demands.

In job of adjusting the packaging in order to meet foreign market demands work was based on the experience of the entrepreneur and PSI consultant, who reported the needs of the international clients to SENAI in PE, which has a specific packaging design department. The result can be seen in figures 1 and 2.



Figure 1: Products before modification



Figure 2: Products for export

In the *continuum* extolled by Keegan (2005), the company operates locally in Brazil, only in the Northeast, and internationally only in France, and can not be considered global, concomitantly according to Vrontis and Kitchen (2005). Regarding the decision on the brand, the company discussed with buyers to check if it could be used in the foreign market, as is recommended by Wild, Wild and Han (2006). Mr. Owner 2 states that: “In the beginning we considered changing the brand to a more Brazilian name, such as samba, carnaval, etc. but we gave it up. The client agreed to keep the Pinga Nordestina name, it was good for him.” The consumer preference for different factors, such as taste and color, cost factors, laws and regulations of the region to be explored and the compatibility of the product with the environment in which it will be used are part of the decision making process of product adjustment (KEEGAN, 2005 p. 258-259) and can be empirically observed:

The product sold here in Brazil has more sugar and the French prefer less sweet beverages. We had to alter the formula to avoid the formation of solids in the bottom of the bottle. It looks bad on the shelf. We also had to develop the traceability of the product, as Casino demands EAN 128, which controls all the supply. (Owner 1, 2006).

These product changes are complicated with Brazilian exporters. They think there is no need to change. We currently have serious problems with Brazilian exporters, including judiciary ones. One jam manufacturer was informed that a certain preservative could not be used. He took it off the label but didn't take it out of the product. And with wine, the label stated a certain alcohol percentage and the actual product had a higher percentage. Another judicial problem. The importers of Brazilian products are looking bad in France. (Client France, 2006)

I can see that the Brazilian exporters have the will but not the experience in exporting. They need qualified professionals. (Employee at SECOM, 2006).

[...] The French legislation also demands that the name of the importer and the ingredients are printed in French (Manager at PSI, 2006).

It can be noted that different product placement is adopted when comparing local and international markets. In the local market, the company adopts quality and price strategies, where it is placed as an “ordinary” product (KEEGAN, 2005 p. 265). In the French market, its placement is related to its attribute or benefit, because the fact that it is imported from Brazil itself is a differential, even if the strategy in both markets is basically Cost Leadership, as will be seen in the price analysis.

Brazil is trendy and 2004 was the year of Brazil in France. Everything that was from Brazil sold very well....over there in France, it sells mostly for being an exotic product, from Brazil. Here in Brazil, we sell at a low price to a low-income public. (Owner 1, 2006).

Pinga Nordestina uses indirect exportation in its international expansion mode, in accordance with the proposition of Gabrielson, Kirpalani and Luostarinen (2002), for emerging markets, with initial levels of internationalization. Among the companies involved in the company’s distribution channel, in order to connect producers and users and exchange values, Agribéria plays a major role. Contacts started in October 2004 and the first consignment was exported in February 2005 to participate in the week of Brazil in France, reaching 70 thousand Euros by September 2005. The choice of partnership is in line with Keegan’s (2005) argument about the importance of convenience in location, time and form. In relation to the information criterion, the role of international fairs is particularly important in disseminating the general features and benefits of the product, since the company responsible for the distribution, mentioned in the promotion category was participating in one of them. As stated by Mr. Client from France,

Agribéria directly imports the products and distributes them to big retail chains, such as Casino, in a total of approximately 2000 sales points. There are small and big retailers. [...] Special boxes were ordered to pack the bottles and they are sent in pallets. Each pallet contains 90 boxes with 12 units and we can fit 10 pallets in a 20 container.

Mr. Owner 1 and Mr. Owner 2 emphasize the importance of the international learning and of the relationships in making decisions related to distribution. From the moment of channel selection and the first mistakes, we perceived the flow of information and activity between partners as a mutual cooperation system, in accordance with the arguments of Wang and Nicholas (2005), Barney (2002) and Prahalad and Hamel (1990), the channel of distribution itself constitutes a competitive differential for Pinga Nordestina. This point is in line with the arguments of Barney (2002), Hitt, Ireland and Hoskisson (2002) and Wild, Wild

and Han (2006), has insufficient competence to market their goods in foreign markets or is unfamiliar with the attributes and features of local demand. Furthermore, the findings corroborate with what Morgan and Hunt (1994), Sethuraman, Anderson and Narus (1998) and Moriarty and Moran (1990) assert about the importance of trust and commitment between partners.

There was a delay in the first shipment and we had to ship it by air, which was very expensive. After this experience, we didn't have any more problems. Information was always sent immediately to Agribéria (Owner 2, 2006).

The relationship with Agribéria is fundamental. They came to Brazil for the 2004 Cachaça Fair where we were able to develop a closer relationship. We told them the costs and established an open relationship based on trust. (Owner 1, 2006).

As mentioned in the theoretical reference, many authors argue about pricing policies for the international market, whether it is focused on the extension of price in the domestic market or that in which there are adjustments. It can be stated that local adjustment influenced consumer preference, according to what Simonson, Nowlis and Lemon (1993) assert and, therefore, the perceived value of goods, due to the need to adapt the product itself. As expressed by Mr. Owner 2,

There are price differences. In sales points the bottle of cocktail mix costs 6 or 7 euros on average and the cachaça costs 12 euros. This is due to the fact that taxes on sugar and alcohol in Europe are very high. The price we sell the products to Agribéria can be up to 30% higher than the price in Brazil, but this is because the label is different, the boxes, and we have a fixed cost of exportation.

Keegan (2005) states that variables such as currency fluctuations, exchange rates, inflation, governmental controls and subsidies must be taken into consideration in the pricing process, corroborating the findings in this research. About this, Mr. Owner 1 states that,

They are very important. When exporting, we do not pay **IPI or the ICMS (?)**, which is an incentive the government gives. However, there are some fees such as customs broker and port and airport fees. In the beginning, we didn't know about these fees and we thought we would make more money. The highest fees are paid at the destination. For each 750-ml bottle of cachaça we pay 5 euros worth of tax because of the alcohol. All of this influences the pricing and I see that many people do not know how to do it right. It also depends on the terms the importer wants the quotation in. FOB in Brazil is different from the international market FOB. It must include freight to the port and all expenses.

Some authors such as Wild, Wild and Han (2006) claim that international strategies follow the same cost or differentiation leadership characteristics practiced in domestic markets and of latent influence on the final price to consumer. The findings of the present research corroborate this argument; when asked about this aspect, interviewees unanimously agreed, as expressed by Mr. Owner 2: "In both markets we make use of cost leadership. We would like to use differentiation in the international market but the prices practiced and sales point prices do not allow us to do so".

No evidence of the Brazil brand influence on sales price to consumer of Pinga Nordeste in the international market was found. About this aspect, Mr. Paulo Pereira remarks that “The Brazil brand helped us sell but it did not directly influence pricing. Since it was the year of Brazil in France, everything that came from Brazil was in fashion”.

Considering the components of the promotional mix, the company participated in two international fairs, two international missions and three national fairs with prospective international buyers, besides advertising in magazines. The main events were Alimentaria (in Barcelona, March, 2004), Sial (in Paris, October, 2004 – with a representative due to health problems), according to figure 3, Fiesp Mission to Tokyo (June, 2004), APEX Mission to Shanghai (June, 2004) and International Cachaça Fair in Recife (November, 2004), with business rounds with buyers from France, the United Kingdom, Spain and Germany. Participating of these events led the entrepreneur to consider the competitiveness of the company and its products in the international market, which has led to the improvement of the product, as it can be understood from the following passage:

We participated in some fairs and missions: Barcelona, Shanghai, Tokyo, Paris, Brazil and also in some buyer projects in Recife. We also advertised in the special edition of Paris Match on Brazil. We were also included in the institutional brochures prepared by Sebrae with all the participating companies in PSI... participating in missions and fairs was the most effective. This way we could see who our competitors were, their products, besides meeting some clients and understanding what they wanted. [...] Participating in fairs opens businessmen's minds and we encourage their participation. It is different when we come back and tell them. They need to be there and see it at first hand. (Consultant at Sebrae, 2006).

Sebrae and APEX helped with the stands at the fair and Erica helped us sell. We only had to pay for the air fare and accommodation. They encouraged us. (Owner 2, 2006).

A direct learning process by the company executive enhanced its internationalization, which corroborates the findings of Britto (2004), according to which fairs and missions are the main propellers in entering the international market. Conversations with clients and competitors from around the world led to an exchange of knowledge, leading to reflection by the executives and consequently to learning, corroborating the propositions of Setúbal and Souza (2004). Equally, institutions that promote trade, such as APEX-BRASIL, with exclusive stands for Brazilian products, and PBDAC, bring benefits to small and medium sized companies and this is recognized by entrepreneurs:

PBDAC is trying to promote cachaça in the world, establishing standards, for there are many manufacturers in Brazil, about 5 thousand brands. APEX helps a lot in

participating in fairs and missions [...] They support several fairs and missions and the cost is lower for the entrepreneur. There was also the PSI, which had funds for promotion, but now that is over. (Owner 1, 2006).

Table 1(5) shows the main elements of the marketing mix components that were used as tools in the internationalization of Pinga Nordestina

	Product	Distribution	Price	Promotion
Main elements	Packaging alteration (label, language, bottle, cap) Alcoholic and sugar percentage change in product Portfolio reduction of different products product placement	Indirect exportation Establishment of partnership with Agribéria Involvement / relationship with importer	1. Different pricing for foreign market 2. Analyses of variables such as currency fluctuation, exchange rate, inflation, governmental control and subsidy 3. Cost leadership in both markets	Participation in national and international fairs and missions Government support through APEX and PBCAC Magazine advertisement learning in international events client and competitor information

Table 1(5) Elements of the marketing mix as tools in the internationalization of Pinga Nordestina

6 Conclusion

According to the results, it can be said that the internationalization process of Pinga Nordestina has taken place in a non-entrepreneurial manner, through learning and the relationship with partners. The choice of distribution channels was strongly influenced by the professional contacts the president of the company and Sebrae consultants had. The discussion on the internationalization process of a genuinely Brazilian company, with the marketing mix in the global context as the theoretical framework, is one of the contributions of this article. Studies of this nature are not frequently found in national literature. The results might contribute towards the identification of behavior pattern in companies coming from emerging countries, corroborating the findings by Kovacs, Oliveira and Moraes (2006), who also have shown efforts in studying companies from Pernambuco state. Furthermore, the results of this article are in agreement with those of Johanson and Vahlne (1977) and Gabrielson, Kirpalani and Luostarinen (2002), in that, countries with initial levels of internationalization choose gradual, unplanned and opportunistic processes. Considering Brazil has low insertion in the world trade, we need to strengthen theoretical support and to get closer to businesses in order to help in the internationalization process of small and medium sized Brazilian companies.

Governmental support and incentive policies for exports were proven essential and the importance of the role played by APEX in promotion and SENAI in product development was also crucial. It is also worth mentioning that these P's were the major concern of company executives: this could be noted specially by the level of information they had. Even though

the literature claims that the 4 P's are each of equal important, product and promotion were the most pronounced in the search for the European market.

Another high point of this study is the need for adjustment in all marketing mix elements, due to non-homogeneous needs in different markets.

It is important to note the exploratory nature of this study. For future research, deeper study of the separate elements, as well as the analysis of other Brazilian cachaça exporters is suggested in order to verify if the pattern of behavior is constant. This might go some way to strengthen the endogenous features of Brazil as an emerging country competing in the international market.

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