A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

SME COMPETITIVENESS:
INTERNACIONALIZATION OF ÁGUA DAS PEDRAS TO TOKYO (JAPAN)

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Executive Summary

Água das Pedras is a natural carbonated mineral water exploited and sold by Unicer S.A, a 44% Danish and 56% Portuguese company, the largest beverage company in Portugal[1]. The market for bottled water in Portugal has been stabilizing in the past years due to its maturity character. At the same time, the expansion of off-trade distribution channels such as supermarkets and large distribution chains associated with the original limited demand for premium waters have been making the market for sparkling water decrease in value. At the moment, exports in Unicer represent 30% of sales and the company had therefore it had decided to focus its internationalization efforts in the beer and water sectors. The most recent internationalization project designed for the brand was its placement in selected cities in Brazil and the US market, under the 'Projecto Mil Milhões', aimed at increasing Água das Pedras profit through market expansion. As an alternative to diversify its markets, Tokyo appears as a challenging opportunity that may open a door to the Asian market through Japan. Japan has an interesting dynamics on bottled water and premium beverages, and it is extremely dependent on agri-food imports to maintain the food supply for its population. This WP will clarify Unicer as a consulting report.

Key words: Água das Pedras; Unicer; internationalization project; Tokyo; Japan

1. SME Competitiveness: Água das Pedras, Unicer

1.1. Description of the firm

Água das Pedras is formed in a natural underground reserve in Trás-os-Montes, Vila Real district, Vila-Pouca de Aguiar, Pedras Salgadas village. It is a mineral carbonated water which was already known in the Roman times, due to its therapeutic properties. it has started been official explored in 1971, by Companhia Água de Pedras Salgadas owned by Dr. Henrique Botelho and Manuel Saraiva. Its ownership has passed through Jerónimo Martins in 1997 and nowadays is it managed by Unicer.

Unicer – Bebidas de Portugal, SGPS, SA produces and distributes beers, waters, juices, and soft drinks, wines, and coffees and it offers products in Europe, Africa, America, Asia, and

[1] The group shareholder structure is formed by Carlsberg (44%) and Viacer (56%). The Holding Viacer is formed by three Portuguese groups: Violas (46%); Arsopi (28%) and BPI (26%), having a stable financial structure.

Oceania. Besides this sectors, Unicer is present in the production and commercialization of malt and in the tourism business, owning the Thermal Parks of Vidago and Pedras Salgadas.

Unicer wants to make Água das Pedras grow by positioning it as a refreshing drink which offers and emotional experience, bringing people together at the same time it gives personal pleasure[2].

Despite being present in around 27 countries, Unicer has only designed a strategy for água das Pedras in Brasil (the presence of the brand abroad reflects a pull demand from ancient colonies and Portuguese emigrant clusters) where it was placed in two cities, São Paulo and Rio de Janeiro, as premium product, avoiding mass distribution and preserving the natural resource.

1.2. Competitive advantage in the domestic market - Portugal

Regarding the VRIO framework built for Água das Pedras in Portugal, one can conclude that Água das Pedras have a potential sustainable advantage, especially due to its physical and intangible resources (reflecting the rareness and difficulty on imitating the substance and the recent investment that Unicer has been made in its marketing and communication (image renewal in 2008 and large campaign in 2012) (ANNEX I – Água das Pedras). Additionally, The oversizing of the Production Plant also allows Água das Pedras to have room for maneuver, with an available volume for the domestic market of 30 million liters and 40 million liters to export (Grant, 2001).

1.3. Analysis of the product/service: value chain

Despite the confidentiality of the cost structure of Água das Pedras, one may describe qualitatively the main factors that make the brand deliver its final value successfully.

Regarding the support activities, the **firm infrastructure** is very solid, it was changed in 2006, when it stopped being organized per product category, and started having a division for each department function, each one including the several brands that Unicer manages. This allows pulling up synergies through the share of know-how and experience through brands, eliminating the silo effect. Regarding **human resources management**, the high level of formation and service quality is one of the main assets of Unicer. Conversely, **technology** development for Água das Pedras is being low since 2008, when the production plant was remodeled,

[2] The most recent investment in marketing and communication includes a work developed by Euro RSCG and Krypton Photo in which performs Daniela Ruah, the Portuguese international actress (2012).

integrating Vidago waters production. Nevertheless, there has been a constant rate of R&D and **procurement** (introduction of PET bottles in the market, as an alternative to glass, following its advantages regarding energy consumption and the environment – the GHG) following market consciousness and ONGs advice.

Regarding the primary activities, the **inbound logistics** comprises firstly the supply of raw materials, in this case the water from the five springs, the PET bottles supplied by Logoplaste, and the glass bottles, supplied by Barbosa & Almeida. Traditionally, the cost off exploration is very low (due to economies of scale), and packages represent the main share, around 15% of 20% of the product cost (INSEAD, 2012).

Operations in the plant include filtering the water, bottling, labeling and packaging in which one may take economies of scale (generally 47% share of product costs (CRPCIS, 2012)). Label suppliers vary and are not significant to Unicer. Conversely, the PET handling and bottling is made by Logoplaste, through a 'hole in the wall' business model.

The **outbound logistics** include the warehouse management and the distribution. The distribution may be done through Unicer distribution chain, outsourced or provided by the client. In the exports case, Unicer outsources the distribution until the port of Leixões, where the merchandize is unloaded by trucks. Transportation is *apriori* the component of the value chain that more impact has in the internationalization budget (costs vary according to distances and batches sizes).

Sales may occur on-trade (Horeca supply process can be made by pre-sales or by distributors) or off-trade (the company directly negotiates with its clients). **Promotion** is made through subcontracted advertising and trade marketing agencies and represents the major investments.

1.4. Industry mapping

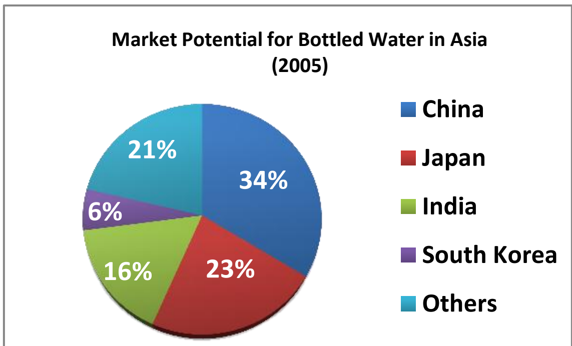
Regarding the industry mapping in Portugal, one may identify: the **owners of the company**, VIACER Group and Carlsberg Group; the **public entities** important for the development of the business: the City Council, the Labor Union, the DGEG (Direcção Geral de Geologia e Energia which gives allowance and monitors the exploration of the natural resource), the DAV (Direcção de Alimentação e Veterinária), the ASAE which monitors the safety, quality and hygiene of the final product, the Competition Authority in Portugal, Sociedade Ponto Verde, responsible for collecting and recycling PET and glass bottles; the **suppliers**, source of resources and raw-materials: Pedras Salgadas' Spring, Logoplaste, Barbosa & Almeida, among others; **marketing and sales players**: special clients, HoReCa industry, retail distributers (e.g. Sonae, Jerónimo Martins), logistic distributors, publicity agencies, trade marketing agencies and international distributors, until the **final client**; and related **associations**: APIAM (Associação Portuguesa dos Industriais de Águas Minerais Naturais e de Nascente), FIPA (Federação das Indústrias Portuguesas Agro-Alimentares), CentroMarca (Associação portuguesa de empresas de produtos de marca), ICAP (Instituto Civil da Autodisciplina da Comunicação Comercial) and APAN.

2. Internationalization process to Tokyo, Japan

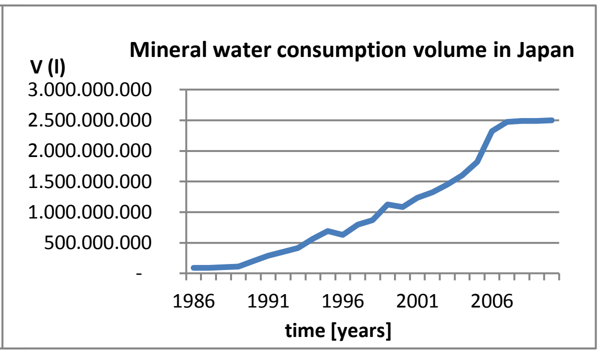
Globally, bottled water is the most dynamic segment of non-alcoholic drinks market, with a share of 38% of total sales. Major companies are looking today for entering developing markets, with a huge demand potential, like Asia and Middle East. Bottled water is the most dynamic segment of non-alcoholic drinks market. Europe is the indisputable leader of carbonated water market, with a 75% market share globally. Western Europe includes, also, countries with largest per capital bottled water consumption, like Germany, France, Spain and Italy. The biggest challenge for most companies is product innovation and differentiation, given the absolutely simple nature of product (Dumitrescu, 2012).

2.1. External scanning: mineral water industry

Japan is one of the most populated countries in the world. It has 127 million people, an urban population annual growth rate of 0.2%, and the fifth highest life expectancy in the world at 82.3 years. At the same time, it is the world's second largest economy (2010) and the leading food importer, namely in agri-food and seafood products, with this dependence growing 7% a year.



Graphic 2 - Bottled water demand distribution in Asia in 2005 (Parker, 2005)



Graphic 1 - Mineral water consumption evolution in Japan from 1986 to 2010 (Foodex Japan 2013, 2012)

This happens because Japan has a small agriculture sector, which is highly subsidized and protected by the Japanese Government. Therefore, the country relies heavily on imports to feed its population: around 40% of food supply is imported.

In Asia, Japan represents the country with the second largest bottled water consumption after China (Graphic 2), a segment that has been growing from 88.368 million liters in 1996 to 2499.552 million liters in 2010 (Graphic 1)[3]. Moreover, since the 2011 March earthquake and the Fukushima disaster, tap water consumption has been substituted by bottled water due to the risk of radioactive contamination (radioactive iodine and caesium).

According to data supplied by the Portuguese office of AICEP in Tokyo, Portugal is the 23th sparkling water exporter to Japan in monetary value and the 22th sparkling water exporter to Japan in volume. In top of the ranking, there is France, the US, Italy, Canada and South Korea (Japan Import Statistics, 2009-2011). Exports of mineral carbonated water from Portugal represent therefore less than 0.03% in average between 2009 and 2011 (Table 1 and Table 2).

Table 1 – Imports of mineral carbonated water in volume [liters] (Japan Import Statistics, 2009-2011)

Countries	2009	2010	2011
Portugal	33912	22032	157716
Total	418 972 155	418 975 354	589 575 242
share	0.008%	0.005%	0.027%

Table 2 – Imports of mineral carbonated water in value [euros] (Japan Import Statistics, 2009-2011)

Countries	2009	2010	2011
Portugal	13568	8894	48648
Total	199 314 243	202 525 891	249 658 371
share	0.007%	0.004%	0.020%

This makes Japan almost a virgin market to explore. The main exports outside the bottled water segment from Portugal to Japan are machinery and equipment (30%), following food products (20.1%), chemical products (18.1%), footwear (6%) and cork and wood (5%), as described in ANNEX II – Tokyo as a target market, whereas the main Portuguese imports from Japan are automobiles (20.6%), auto parts (12.4%) and diesel engine (10.3%) (Source: Trade Statistics of the Ministry of Finance of Japan 2007).

[3] the value of the bottled water market in Europe, the US and Japan is forecast to grow at an annual average rate of 5.3% between 2006 and 2012 and will be worth almost €59.1bn by the end of that period (Business Insights, 2009).

2.2. Market attractiveness

In order to better understand the potential demand for Água das Pedras in Tokyo, it is essential not only to know the industry structure, but also to understand the culture concerning gastronomy, as well as the knowledge about foreign brands, taste preferences and social eating habits. Therefore, it was made a survey to a sample of 33 people with Japanese nationality, having lived at least for the past 2 years in the country[4]. Regarding gender and age, around 40% were male and 60% female, with ages between 18 and 25 (46.43%), 26 and 35 (32.14%), 36 and 45 (17.86%), and 46 and 55 (3.57%). The academic background distribution was: 42.86% Post-Grad, Masters or PhD, 35.71% with undergrad education, 17.86% with a professional course or a technical degree, and only 3.57% with the secondary school (ANNEX III – *Summarized Data Report*: Portuguese gastronomy in Japan). This survey was built using the Survey Methods software (https://www.surveymethods.com/index.aspx).

2.2.1. Survey Results

In fact, domestic spending habits in Japan are resumed in food and beverages, housing, leisure and recreation (Agriculture and Agri-Food Canada, 2011).

The first question made in the survey was which were the most known European food products, with a high quality and gourmet character. The ones more repeated were cheese, wine and olive oil. This suggests that Água ds Pedras may partner with some of these products distributors or integrate them in their promotion strategies (**question 2**).

Regarding the eating habits, the survey revealed that people in its majority go to restaurants less than or one time per week, which indicates that these places are not good places to mass distribute the product but to yes to divulgate (**question 3**). Most of the time Japanese families go to a restaurant is also for taking 'homemade' food, at an average price (**question 4**).

The main restaurants sought for the price were Gyudon-ya, Kaiten-zushi, Soba-ya and Udon-ya, and Ramen-ya. These are cheap restaurants in which gourmet products shouldn't be placed[5].

[4] The sample was built through convenience sampling (a not casual sampling method). This is not representative of the population, participation is voluntary and its elements were found either through the contact with Japanese ERASMUS contacts and their families, friends doing internships in Japan, and the action of the Portuguese Embassy in Japan, which had accepted to help divulgating it. It is not representative of the population, but it allows to have a general idea or to identify critical aspects on the Japanese food and beverage consumption habits.

[5] More expensive restaurants include: Yakitori-ya, Sukiyaki-ya and Shabu Shabu-ya, Tendon, and Teppanyaki-ya. Água das Pedras may be placed in these restaurants, as well in the Okonomiyaki-ya, Yakitori-ya, Sukiyaki-ya and Shabu

Sushi-ya, Ramen-ya, Unagi-ya, Soba-ya and Udon-ya, and Teppanyaki-ya reveal a better food quality and Okonomiyaki-ya, Yakitori-ya, and Sukiyaki-ya and Shabu Shabu-ya a better social environment under the consumer perspective. Physical aspect is not sought during lunch time.

This indicates that Unicer should look for more specialized and gourmet restaurants[6], not necessarily of Japanese cuisine, and place Água das Pedras there to be experienced during dinner. Other places to place Água das Pedras might include tec centers, ciber cafés, cafés, libraries, study spots, and universities, as the brand aims to target the business class, targeting young adults that are going to entering in the business world (**question 6**).

Regarding drinking habits, inside restaurants the first choice of consumers is still water. In what sodas are concerned, people rarely take 7-Up/Sprite, Lemonades, and aerated waters (with oxygen) and prefer Ice Tea, fruit juices, and natural teas. If in a later stage Água das Pedras decides to enter with Pedras Sabores, it should therefore avoid lime taste, and bet on tea or softer fruit flavors. There is no pattern in Coca-Cola and Pepsi consumption (**question 7**).

Spiritual drinks and other alcoholic beverages such as cocktails are rarely drunk. Wine, sake and beer are an exception, as people appreciate them. People don't ask for milk or milkshakes during meals (consistent with the lactose intolerance theory); and coffee is frequently consumed (European brands). One interesting point regarding sparkling water is that it is usually taken accompanying the coffee and never following the wine (**question 9**).

This, in addition to the fact that sparkling water is assumed to be drunk, firstly in gourmet restaurants (60%), secondly at home (35%), and thirdly, when the person wants to refresh himself (25%), indicates that Água das Pedras should be sold in gourmet restaurants as a fine brand with individual value, not for accompanying the wine or other gourmet alcoholic brand.

It can although have that complementing role at home, if suggested to help digesting raw food that has been eaten recently or help recovering mental and metabolic capacity injured during day. In order to keep the status of a gourmet brand, Água das Pedras sold to be consumed at home should be sold in gourmet stores/imported exotic products.

Shabu-ya exceptionally, as they are the ones that offer a better social environment (consistent with Água das Pedras desired projected image). Yakitori-ya is pretty much visited after work. It would be the most popular place in Tokyo.

[6] Answers indicate that 68.97% often choses average price, "homemade" food when visiting a restaurant, 27.59% average price and average quality, 20.69% higher price, gourmet places, and only 17.24% go for cheap fast food, American style.

Regarding the sparkling water brands that are consumed in the country, the sample suggests that the market is a duopoly with competitive fringe, dominated by Perrier (France) and by San Pellegrino (Italy) [7]. The competitive fringe is constituted by the following brands: Crystal Geyser (US), Uliveto (Italy), San Benedetto (Italy), Galvanina (Italy), Mattoni (Czech Republic), Gerolsteiner (Germany), Antipodes (New Zealand), Voss Water (Norway), Chateldon (France), Vichy Catalan (Spain), Água das Pedras (Portugal), Borsec (Romania), and Badoit (France). Gerolsteiner (Germany) shows up in third place, with around half of San Pellegrino market share, which is by its turn half of Perrier market share in this sample[8] (**question 8**).

In Japan, Portugal is mostly known by its football (57.14%), the History – Cultural heritage and "The Discoveries" (53.57%); wine - namely Porto Wine (50%); and sea (46.43%). It is also associated with beach, sun, Cristiano Ronaldo (the three with 39.29%), economic crisis (32.14%) and Spain (28.57%). This might be useful when designing a marketing strategy, if Água das Pedras may be associated with factors of success (such the Portuguese football players and coachers) and tradition and history (**question 11**). The Japanese consumer gives importance not only to the image and functionality, but also to the origin and history of each product they buy (Oficina Económica y Comercial de la Embajada de España en Tokio, 2012)).

2.2.2. Structure of the beverage market: major competitors

According to a Fuji Keizai study, the non-alcoholic beverage market in Japan is stratified into the following categories: energy drinks, carbonated drinks, mineral waters, fruit juices, vegetable juices, among others (Graphic 3); stimulant or energy drinks are in the leading position, with an average 47.2% market share between 2006 and 2010, being followed by carbonated drinks (14.7%), mineral waters (13.1%), and fruit juices (9.4%) almost in parallel. The least preferred are the vegetable juices (3.6%) (JETRO, 2011).

Health-oriented green and black teas have also seen growth, with the recession actually encouraging sales of naturally healthy tea. Fortified/functional tea showed strong growth of

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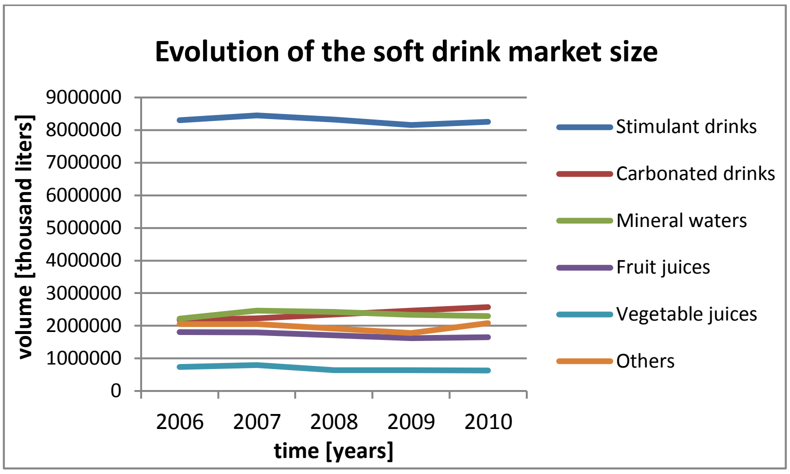
[7] This is also consistent with the fact that the restaurant more sought by the Japanese families after the Japanese, are French and Italian (**question 5**).

[8] This will be matched with the statistics data in the next chapter, revealing that the market is actually a duopoly with competitive fringe, but with Crystal Geyser in the second place.

6.5% in 2009. Demand for fortified/functional tea drinks was stimulated by the introduction of the 'metabolic syndrome' health check system in Japan (JETRO, 2011).



Graphic 3 – Evolution of the soft drink market between 2006 and 2010 (JETRO, 2011)

Regarding the bottle water industry, there are around 450 different brands of Japanese bottled water, however, only around 17 are actually known. The main international players in the mineral water market are multinational companies: Nestlé, Danone, PepsiCo, and Coca-Cola. They use local distributors to deliver their brands.

The Japanese distributors most used as importers are large beverage companies such as Kirin Beverage, Itoen, Santory Beverage & Food Limited, DyDo Drin, Asahi Soft Drink, Otsuka Foods, and Sapporo Beverage Co., Ltd.. Table 8 shows both direct and indirect competitors of Água das Pedras, either national or international, distributed by the main beverage companies in Japan.

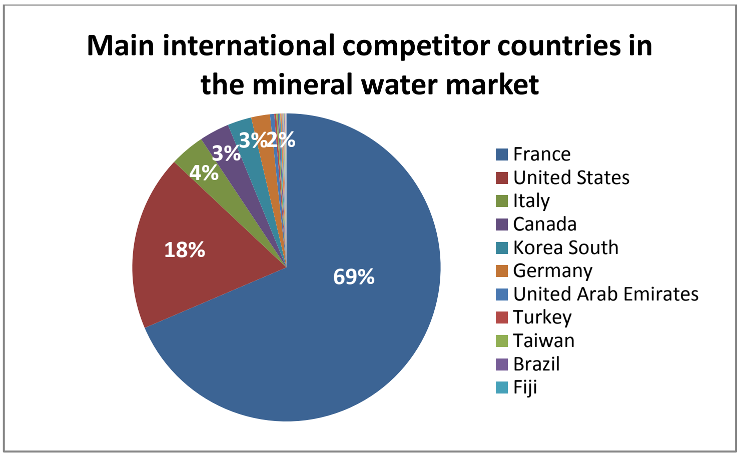
For instance, one may conclude that Água das Pedras runs only with its international competitors because, if one considers that the direct competitors of Água das Pedras are mineral, naturally carbonated, sparkling water, one may notice that all the natural springs in Japan offer but still water[9] (Table 9).

Concerning pricing, one may notice through the analysis of some common brands, that usually sales prices never go above the 4€/l, with the exception of Samurai Spirit (5.364€/l) and Bottle Green (10.173€/l) (Table 10). This average is close to the limit value advised by the Japan

[9] This also may help Japanese not feeling guilty for not being consuming a national product, as it doesn't exist in the country. At the same time, for the western culture, drinking water that isn't from our country feels very strange. For the Japanese consumer, it is the most normal thing in the world, as they are used to import food to survive and generally trust more in the quality and safety of foreign products than their own (European quality, hygiene and safety norms are very demanding and strict – competitive advantage). It may also result in cultural competition.

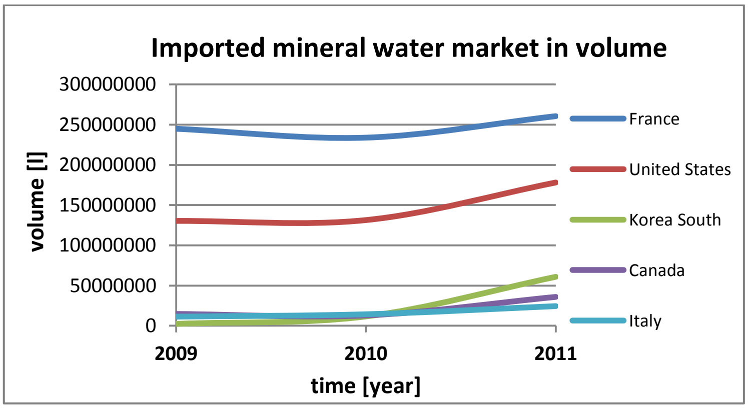
External Trade Organization for mineral water imported products in Japan, around 3.244€/l in order succeed in the market (JETRO, 2011).

Analyzing the imports statistics, the countries that more export mineral water to Japan are France (with 69% market share), the US (with 18% market share), and Italy (with 4% market share), according to information supplied by the Portuguese AICEP headquarters in Tokyo (Japan Import Statistics, 2009-2011)). The main sparkling waters consumed are therefore Perrier from France, San Pellegrino and San Benedetto from Italy, and Crystal Geyser from the US (Graphic 4). According to the sample, Perrier and San Pellegrino were definitely the top-of-mind sparkling water brands in Japan.



Graphic 4 – List of the main countries exporting mineral water to Japan (Japan Import Statistics, 2009-2011)

Moreover, the evolution of exports in the mineral water sector has been being positive, despite the crisis and the economic downturn (Graphic 5). According to DataMonitor data, unflavored mineral carbonated water in Japan represents 3% of bottled water consumption (vs. the 92% consumption of still water, 1% of flavored still water, and 3% of flavored carbonated water) (DataMonitor, 2011).



Graphic 5 – Imports trend of carbonated mineral water (Japan Import Statistics, 2009-2011)

Regarding the type of container, water keeps being sold firstly in PET bottles (55.4%), second in can (35.3%), and thirdly in carton (7.5%) (JETRO, 2011).

2.3. Internationalization hypothesis

There are several actions, tactics and strategies that Água das Pedras could take in order to penetrate the Japanese market. However, it is only after making a **PESTEL** analysis that one may more consciously identify the ones that make more sense in it.

The first proposal is that Água das Pedras enters as a premium brand namely through fine restaurants, gourmet markets (e.g. Tokyo Gourmet Stadium), imported groceries, or even museums bars (e.g. Tokyo National Museum and the National Museum of Western Art) enhancing the History between Japan and the Occident (Where in Tokyo; DiverCity Tokyo Plaza). Partnerships with gastronomy critics, sommeliers, winemakers and other restaurant experts would also be useful.

It is possible to take this strategy because of the strong **economy** of Japan, a high purchase power, and a constant willingness for paying for premium products. Despite the effects of the recent economic downturn and the deflation caused by the 2011 natural disaster, EDC Economics expects growth of 2.2% in 2012 and 1.5% in 2013 for Japan.

In 2011, GDP was around 4227 billion € (26142 €/capita), unemployment was around 5%, and interest rates continued to be very low despite the 200% public debt[10] (Agriculture and Agri-Food Canada, 2011). At the same time, services represent the largest contribution to GDP, contributing approximately with 76%, while industry contributes with 23%, and agriculture around 1%. Água das Pedras could therefore target the service market segment of business executives.

Analyzing the **social** habits of the Japanese worker, matching with the Hofstede Model dimensions, and having into account that the sparkling water market is been taken by the premium strategy, dominated for instance by European and American brands, 'top of mind' to the consumer, Água das Pedras would benefit by specializing in a market niche, promoting itself with a different message from its main competitors, reasoning developed in the following paragraphs (GEERT HOFSTEDE).

[10] This happens because of the continue productivity of Japan and its strong industry.

Japan has a collectivist society (Individualism: 46) but not as collectivist as their Asian neighbors, people put the harmony of the group above the expression of individual opinions, but they have a strong sense of shame for losing face. This fact results in a strong loyalty to the company they aim to work.

At the same time, it is one of the most masculine societies in the world (Masculinity: 95). This reflects severe competition (among groups, due to the collectivism profile), a pressure for achievement and success, with success being defined by the winner/best in field – a value system that starts at home (paternalistic society, with the family responsibility weighing over the eldest son), continues in school and passes throughout organizational behavior.

Moreover, masculinity in Japan is the driver for excellence and perfection in their material production (*monodukuri*) and in material services (hotels and restaurants) and presentation (gift wrapping and food presentation) in every aspect of life.

In its extreme, it has given origin to the Japanese workaholism. Hard and long working hours dictated by masculinity also makes it difficult for women to climb up to the top of organizations. If it is true that Japanese are more private and reserved than most other Asian societies, it is also true that they are extremely competitive and use work to fight the social stigma and the terrible fear to fail (reflection of a paternalistic society which pressure children for perfection).

In addition, it is said that alcohol strengthens the relationship between parties and reinforces loyalty[11]. There is a cultural tradition of going out drinking alcohol in groups after work, both employers and employees, who see these moments as crucial opportunities to socialize, do networking and to achieve personal success. This ritual can be used by Água das Pedras in order to position itself.

Because Asians and Japanese in particularly have a low tolerance to alcohol, which results in a high rate of alcoholism in the country (this is still not seen as a disease for the public health system: from the 2.4 million alcoholics in Japan, only 1% is reportedly having treatment), most people get drunk or sick during the week following these conviviality moments (MOL, 2012; Dave Milne, 2002; Jap@an Inc., 2007).

[11] In bars near the offices where shoshu is daily sold, an alcoholic beverage with 25% alcohol by volume, less than whiskey but more than wine and sake, and usually mixed to be stronger, as a social and professional ritual.

Água das Pedras could therefore appear as solution for a problem. It would be a discrete but sublime product, used as a premium complement for work, suitable for recovering from hangovers (described in its nutritional report), accompanying routine, and being worker friendly.

Moreover, Água das Pedras has the capacity to hydrate and supplement nutrients. As Japanese pass much time in front of the computer, this becomes and important need to keep vision accurate and prevent against tiredness. Magnesium is known for being perfect for mind performance and Água das Pedras is the sparkling water brand with highest content on this mineral[12]. It is good for the environment and biology of people.

In this line of reasoning, it would be clever to position Água das Pedras also near University students, on municipal libraries, data centers, ciber cafés, shoshu bars and near the offices (clusters of intellectuals and service employees). As 99% of the population is Japanese, Água das Pedras would be completely focus on the Japanese consumer to apply this strategy.

Gourmet channels would function as prescribers of this product, and they would transfer glamour and intemporality to this brand, basing it in its Portuguese origins. Both surveys and market intelligence reports indicate that people usually prepare lunch at home or attend the cheapest restaurants in their break during work, but they dine out at least once per month.

One of the preferable consumption occasions would be therefore the evening, in expensive restaurants or gourmet bars, in which the client would try the product and reply the purchase for working time and home consumption. Água das Pedras would therefore be positioned as a spiritual and premium complement to the work life, because of its absolute pure origin, and seen as a mean to achieve peace in the working life, at the same time it helps maintaining the conviviality moments through health recovery.

Associations with the positive aspects of Portugal would also be helpful, if marketing is made with association to football players and trainers[13]. The increasing income and stressed day life,

[12] This matches the concept of function product, a recent trend in Japan, where people seek products due to its nutritional properties, confirming their impact on the organism functioning. According to the statistics, around 85% of the households have a computer, 90% of them with internet available, and 94% have microwaves, contrasting with the 37% of freezers. This is explained by the tradition of mothers going shopping everyday buying fresh products for each meal cooked at home. This is already started slowly changing, a cultural sign of the western influence (Canada International Markets Bureau, 2010). If houses wouldn't have a fridge, that could pose a problem for Água das Pedras.

[13] The stylish bottle would also play its role, and the fact it has been awarded in an international competition. The investment in Daniela Ruah, and the projection she has as a Portuguese actress would not be so likely to be a leverage for Água das Pedras, as the series in which she participates are not currently passing in Japan.

as well as the increasing concern for health, also suggests bottled mineral water as a convenient product to carry out during the day for instance. Another hypothesis, according to the latest tests made to Água das Pedras in international food exhibitions, it was proved that it helps digesting raw fish and seafood, a traditional Japanese preference, despite the shifting towards western sugar, meat and caloric habits and processed foods, in which the product also has an advantage as a low caloric product, rich in calcium (taking leverage from the fact that Japanese, as Asian people in general, have a low tolerance for milk and dairy products).

Additionally, and regarding the **political** frame, one should take into account that the Ministry of Health, Labour and Welfare had introduced compulsory health check-ups (2008) for citizens above 40 years-old, in order to monitor Japanese 'metabolic syndrome', and prevent recent trends on obesity and cholesterol issues[14] (Ministry of Health, Labour and Welfare of Japan, 2012). Additionally, the entrance of food products from abroad is totally incentivized by the political sector, as the agriculture sector is very scarce and protected[15].

Original mineral carbonated waters are also rare and natural reserves are at risk, as well as tap water, due to recent **environmental** disasters (the 2011 earthquake and tsunami, following by the explosion of the nuclear center of Fukushima and release of radiation). This associated with the long-term orientation (Long-term orientation: 80) and precautious character (Uncertainty avoidance: 92) leads the Japanese consumer to have a special care about its heath, especially due to the recent natural and food disasters.

Legally, any food product arriving to the Japanese borders should respect the Food Sanitation Act[16] and the Customs Act[17] (JETRO, 2011). As Europe is already very demanding in what

[14] This represents a point where Água das Pedras has a competitive advantage comparing to other soft drinks in the market, due to its medical properties, its therapeutic minerals, the absence of sugar and absolute natural origin.

[15] It represents an area less than 15% of the country.

[16] Requirements for Água das Pedras: (1) the water is only mineral water, the water is taken directly from the source and automatically bottled or packaged, then capped or sealed, (2) the facilities and equipment used, from extraction to bottling, is kept clean and sanitary to prevent contamination, and (3) environmental protection at the source or place of extraction is given consideration to prevent contamination by pathogenic bacteria and the like. The Food Sanitation Law also sets down labeling requirements. These require labeling of (1) the name of the product, (2) the date of manufacture, processing, or import, (3) the location of the place of manufacture, processing or sale and the name of the manufacturer, processor, or importer, and (4) for products not sterilized or disinfected, the fact that no sterilization or disinfection has been applied.

[17] Japanese Law prohibits only the following goods from being imported: Arms & Sword (Ammunition, Cutlass, Dagger, Firearms, Guns, and Knife; Drugs (Awakening, Stimulants, Marijuana, Narcotic, Opium, Poppy Straw, Psychotropic); Animal Quarantine (Antibody, Bacillus, Bacon, Bacteria, Biological Substance, Blood, Bone, Cell, Coliform, Feathers, Feed, Guts, Horns, Jerky. Per Food, Protein, Raw Wool & Leather, Sausage, Semen, Serum); Plant Quarantine (Barley, Beans, Clay, Flour, Flowers, Green Coffee, Hay, Fresh/Dried Fruits, Grain, Herb, Leaf, Malt, Nuts, Potpourri, Rice, Seeds, Soil,

environmental, health and hygiene is concerned, Água das Pedras would *apriori* has no problem in passing the borders.

Regarding **technology**, there haven't been many advances in the bottled water industry. However, Água das Pedras would be aware that Japanese consumers are very tec aware and valorize everything that is new and advanced for its time, giving credit to innovation.

2.4. Tokyo market framework

Regarding the specific market of Tokyo, once could notice that it has around 13 189 million people, about 10% of Japan's total population (Tokyo Metropolitan Government, 2006-2010). This represents a market of 47 584 093 liters of sparkling water, which is more or less the maximum Água das Pedras production plant export capacity (around 40 million liters). If one assumes that there are other beverage sectors in which Unicer can penetrate, and that Água das Pedras will probably take only one piece of its direct competitors market share, 1% for instance, one may conclude that Tokyo is a small market, but good enough to introduce Água das Pedras in Asia. According to the experience of the Director of Sogrape Vinhos SA, one the largest wine producers in Portugal, the first thing one should take into account when choosing the is the dynamics that exists in this market. Diversification, new products launch and research and development and the base of the daily life of an entrepreneur. The high value of turnover of the brands, and the few that remains, the demanding quality requisites (in the wine market, one product that passes the Japanese quality and safety tests it is said to be good for any other market; barriers are so deep and complex to overcome, namely the choice and control of the distributor loyalty, that it is essential to study and prepare the entrance of this market with as many contacts as possible, and the understanding of the culture reactions to marketing choices). According to his words, 'failure is guaranteed'. English may also be a barrier, so a local importer is essential to link both markets and establish a bridge of continuous exchange of information and trust. The advantages of Água das Pedras in Tokyo as the target market are summarized in the **SWOT analysis** (Table 6); the priority strategies and tactics to have in mind when penetrating this market are summarized in the **TOWS analysis** (Table 7).

Spices, Tea (Tea bag accepted), Tobacco, Walnut, Wheat, Wood, Vegetable); Toxic/Poisonous Substance; Articles that infringe upon rights in patent, utility models, designs, trademarks, or copyrights; Personal Effects; Products made in North Korea; Movie Films (35mm & 70mm); *Human & Mouse Origin Antibody/Blood/Serum/Tissue can be accepted.

3. Analysis of the Mode of Entry: possible strategies and literature review

There are many modes of entry that may be adopted: exports, contractual forms (licensing, franchising, technical agreements, construction or turnkey contracts, contract manufacture, co-production agreements), and foreign direct investment (FDI) (Anderson, 1986; Hill, An ecletic theory of the choice of international entry mode, 1990).

Each mode has repercussions for the company in terms of level of control over operations, resources compromise and risks dissemination. The risks increase progressively from the exports to the contractual forms and to the FDI (Hill, An ecletic theory of the choice of international entry mode, 1990).

Regarding setting modes, there is among others the internationalization theory, In which a company may make a greenfield investment in a country (when there are no incumbents or its competitive advantage comes from its intrinsic characteristics) or an acquisition of an existing company (in case there are well established firms and many entrants) (Hill, 2007).

According to Cyert and March, any decision is dependent on the limitations of the understanding of the company. Physiologic distance plays a crucial role (Cyert, 1963). Conversely, there is the exception of the '*Born Globals*' which have the purpose of following the vision of becoming global from the moment of its existence (technology area). Additionally, the networks theory defends the idea that being connected is essential for gaining competitive advantage.

According to the Uppsala model, the internationalization process follows a progressive and incremental logic. It starts with (i) sporadic exports allowing a first contact with the market without compromising many resources, but low information feedback; (ii) exports through an agent that costs but allows a higher learning of the market; (iii) commercial subsidiary which allows the company to have a direct control over the information channel; (iv) productive subsidiary, demanding the higher allocation of resources and risks (Johanson, 2009).

Most of Portuguese companies follow this model, as it is the most sensitive for companies with little international experience (Simões, 1997). This is also related to its culture of risk avoidance. In the case of Água das Pedras, despite being supported by the largest beverage company in the country, it is reasonable that it chooses to follow an export strategy, with an international agent, familiar with the Japanese market, once it is the first time it is penetrating this market and at the same time it has little or no experience on foreign markets (has the exports done until 2012 were purely spontaneous with no back information). The first time the company used an agent was in Brazil, Rio de Janeiro and São Paulo, following its launch in the most known wine exposition, ExpoVinis. The agent used was Tônica Mix.

Curiously, according to a study made by FEUP regarding the internationalization of SMEs in the North of Portugal, these prefer market dimension and business opportunity to geographic proximity, linguistic and cultural proximity, market research or existing relationship, when choosing a country to internationalize for the first time (Macedo, 2010). This supports the hypothesis of investing in such an apparently distant country such as Japan.

Agua das Pedras source can't be moved geographically: it must be bottled and sealed in the spring perimeter in order to respect the international safety and control standards. Therefore it would not be possible for it to be produced abroad, but it may delegates its transport, maneuver and distribution to a third party, more familiar with the Japanese market, with which one may establish a contract. In fact, inside the exports mode of entry one can find three types of options: Direct Export, Foreign Indirect Export, and Domestic Indirect Export (Figure 1).

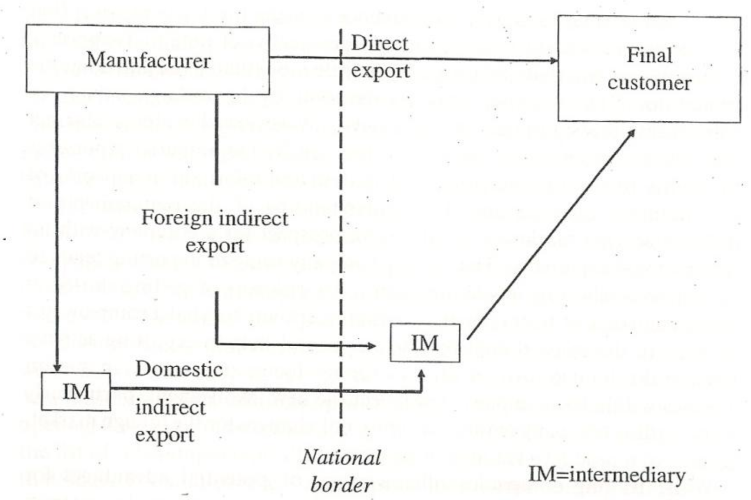


Figure 1 – Export operations options (Lawrence S. Welch, 2007)

The direct export entry mode involves choosing an agent or a distributor, or establishing a branch or subsidiary to represent the firm in the market-place, whereas the indirect export entry mode implies making an agreement whereby the firm delegates varying degrees or foreign sales and/or distribution responsibility to a third party (independent buyer or export management company). These export intermediaries for indirect selling may be export management companies, which operate on a contractual basis, usually as an agent of the exporter; or an export trading company, which operates based on demand rather than supply. The exports intermediaries for direct selling are sales representatives, distributors or retailers, with a stronger contact with the company. They may be foreign retailers or even end-users which contact directly with the company and this connection may be done through the internet (Daniels, 2010).

The direct export mode has the advantage on giving power to the exporter, enlarges the flow of information but doesn't allow growing faster due to lack of economics of know-how and experience. Risk is put over the shoulders of the exporter and, if the product doesn't succeed to sale, it has incurred many costs that are irreversible to repair. This has the counter-side of making the exporter more committed.

The indirect export mode gives the exporter more flexibility on how he wants to operate in the foreign market. Is usually implies a contract in which the terms of business and exchange information are established, allowing him to take advantage of synergies of whom is more entitled of the market and the best distribution channels for the product.

In Água das Pedras case, it would be suitable to delegate this research to a distributor, under a contract in which it could minimize its risks and, as it was simply expanding sales to a foreign client, which it doesn't yet know.

Documents needed for export include a pro forma invoice, a commercial invoice, a bill of lading, a consular invoice, a certificate of origin, a shipper's export declaration, and an export packing list. IAPMEI has in its infrastructure a service that allows Portuguese SMEs go through this bureaucratic process at the same time it makes credit lines available. In Unicer case and body of lawyers, it would probably not need this kind of support.

Another character important in the export process, either it is made by surface (truck and rail), ocean or air, or a mix between these (intermodal transportation), is the freight forwarder, an import or export specialist dealing in the movement of goods from producer to consumer (or distributor). In Água das Pedras case, the transport will be made by truck, from the Production Center in Pedras Salgadas till the port of Leixões, near Oporto, and the route between this port and Tokyo port will be made by sea. Ocean freight has the advantage of being cheaper, safer than surface freight (especially for fragile glass bottles), and more suitable for heavy products (comparing with airfreight) (Daniels, 2010).

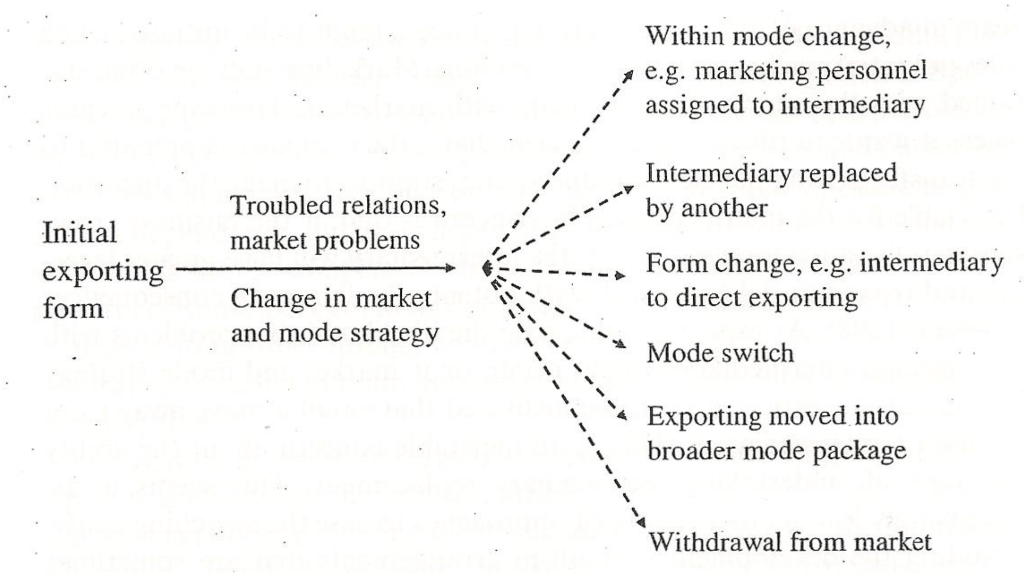


Figure 2 – Contingency plan in face of external perturbations (Lawrence S. Welch, 2007)

In a first stage, previous to the export concretization, Unicer should prepare its brand internally, which it has already been made to the recent and consecutive image improvements and communication development, and to study the Japanese market in order to choose consciously the right partner for having as a distributor. This may be possible by visiting Japan, and the sector professional trade fairs (soft drink faire, consumer goods exhibitions), in which it can make networking and establish trustable connections and relationships, and avoiding future breaks on communication or lack of trust conditions (Figure 2).

According to Czinkota and Ronkainen, a well-established foreign distributor is likely to have relatively settled ways of doing business and, even though initiating contact, will try to ensure accommodation to that pattern by the exporter that has been the target. Negotiations might encompass those changes which the potential intermediary regards as necessary for the foreign market in question, reflecting differences in the cultural and business context. Finding appropriate foreign intermediaries and negotiating acceptable arrangements can be a demanding exercise in certain markets. The Japanese market is often mentioned in this respect, so that some companies see themselves as effectively being forced to look for alternative servicing forms. However, it is worth for Água das Pedras to try this strategy. The seemingly lower cost and financial risk associated with intermediaries compared to the attempt to carry out equivalent activities through one's own staff or by setting up a selling operation in the foreign market are important considerations, especially if there is uncertainty regarding the size and viability of this market. As a perceived lower cost method, using foreign intermediaries is often view as a way of expanding to a wider range of foreign markets. In some cases, intermediaries have international operations themselves, so that an exporter can expand to new foreign markets with the same intermediary with a minimal effort. The intermediary's local market knowledge and marketing infrastructure are a major advantage for a potential exporter with limited experience or knowledge of the market in question. Being a local, the intermediary is usually better equipped to deal with cross-cultural issues, including differences in language and ways of doing business, and government relations. Compared to agencies, distributors must purchase the goods in question, which is a choice that make them up-front committed, creating a stronger incentive to achieve satisfactory sales outcomes. Moreover, the fact that distributors have to shoulder a range of other responsibilities because of their greater liability under local laws, compared to agents, is often viewed by exporters as reducing their own liability in foreign markets, for example, in what warranties are concerned. However, one should keep in mind that many times these goals are not met, and the exporter should keep a parallel source of information even if that represents a huge burden in the accounting (Lawrence S. Welch, 2007). This type of mode of entry is often complement with a contractual forms (licensing) in which both exporter and distributor define the terms of responsibility of each party, as well as the share of information and expenses responsibility distribution.

The main inconvenient on using distributors is that, by placing all the responsibility over him, the consumer or the retailer tend to attach their loyalty in him, which may represent a problem if the exporter decides to change distributor, that may well be running its own business to or shifting to competitors. Relationships are based on trust, and communication is the only bridge considering geographic distances. This is way the choice of the distributor is so important.

Direct export is more suitable for companies with great dimension and financial capacity, used to move in foreign markets. In Japan, this is the strategy taken by the multinationals Nestlé, Coca-Cola and Danone to sell bottled water, for instance. However, Nestlé has established a partnership with Suntory, one of the largest Japanese beverage company, by acquiring some of its shares, and therefore has also the additional informer and support. A similar approach is being tried by Danone, aiming to sell some of its assets either to Kirin, Santory Holdings or Ashary Breweries (Takahiko Hyuga, 2011).

As a summary, exports allow less experience, time and money than other modes of entry, it implies operational control and help companies to expand, achieving economies of scale and diversifying risk. The main pitfalls of export are the need of adjusting financial management, clients management, technology and information, bureaucracy or trade barriers (already greatly reduced due to globalization and free trade initiatives). Unicer SIHRM[18] could therefore rest with an ethnocentric strategy, following an exporter orientation (global integration) and placing responsibility over the domestic Japanese distributor (Noe, 2008).

4. Implementation Plan Proposal

According to John R. Darling and Hannu T. Seristo, when one company decides to internationalize, it must keep conscious of what it is important, what is possible to do and decide with a strong awareness of the market and its options. They define the may key steps for internationalizing successfully: 1) Analyze the market opportunity; 2) Establish market entry mode; 3) Assess product potential 4) Make a firm commitment; 5) Allocate necessary resources; 6) Identify Technical issues; 7) Develop a Strategic Marketing Plan; 8) Organize an operational team; 9) Implement the Marketing Strategy, and 10) Evaluate and control operations (John R. Darling, 2004).

All the logistic process and agents necessary to put Água das Pedras in the Japanese market are described in ANNEX VIII – Supply chain management, in which the route (Rotterdam Waterway), the shipping company (Portmar – Agência de Navegação Lda.), and the freight forward (NIPPON EXPRESS PORTUGAL, S.A.) are chosen, and the functions of the distributor defined. In this annex the costs of export are also estimated (operational and marketing), which allows one to estimate the final retail price of Água das Pedras in Japan, around 1.56 €/L or 0.39 € per bottle of 25 cl (2.34 € a package of six).

[18] SIHRM - Strategic International Human Resource Management

The investment considered includes all the work necessary to be made in order to prepare the export process. In this case it will include mainly the travels and participation in professional fairs in order to arrange partners and choose the distributor. The type of contract that Unicer should sign with him and its conditions is also defined.

Because the analysis is made under an incremental perspective, all the other costs that can be internalized in Unicer body are not considered. Because this investment is in reality a cost, taxes can also be abated in order to decrease its impacts on the company financials.

The cash-flows analysis and the sensitive analysis are presented in ANNEX XIX – Financial Projections and Sensitive Analysis. The detailed implementation plan proposal is described in ANNEX X – Business Plan: Implementation Plan Proposal. The risk analysis is summarized in ANNEX XII - Risk Analysis.

5. Conclusions and recommendations

In fact, the choice of the distributor is the key action to succeed in the Japanese market. This is referred by several companies and studies that had tried enter there. However, after choosing one and consolidate the business relationships, it is said that the Japanese intrinsic loyalty makes it a partner for life. This is why the preparation of the internationalization process was decided to be made in several steps, two years with visits to different fairs and expositions and a continuous research and communication development.

Regarding the sustainable advantage of Água das Pedras in the Japanese market, it relies on the work that Unicer has been made to project Pedras internationally. It has become an essential sparkling water brand, which adds value not for being premium, or representing luxury, but to giving meaning to the moments of superior value, formal meetings of solid friendships. It is a brand that helps you keep sane after all the pressure, work and friction of the day. Additionally, its material composition is a thing that can’t be found in Japan: naturally carbonated mineral water, with exactly the same composition from the source in Trás-os-Montes (characteristic that less than 0.5% of the mineral waters from the world have).

It is also important to take notice that Tokyo has an extremely urban profile, with the majority of its population working in the services sector. Huge skyscrapers are common in the landscape, working business environment is intense, and people tend to orientate their social habits in function of their business life, as the rhythm is tied between obligations and high technologies. Workaholic spirit and lifestyle is many times the only common denominator between colleagues. Therefore, Tokyo would be quantitatively and qualitatively the ideal place to apply the strategy developed in the previous chapter – Internationalization hypothesis.

The key advantage of Água das Pedras in this market would be being loyal to the consumer, as the past that links both countries (since 1543), and helping worker friendly, keeping responsibility, physical strength and mind performance after overworking (nutrients substitution and hydration) or drinking (hangover recovery). in a context where health concerns and productiveness urgency are increasing in the service sector, Água das Pedras would be a resilient water, less aggressive than energy drinks but more rebellious and trendy than still water. Additionally, the reasonably estimated retail price of Água das Pedras, around 1.56 €/L, will decrease the risk of a price war.

Regarding the NPV of 498 265€, the payback time of approximately 3 years and 3 months, and the IRR of 44% obtained for the 8th year-project with the initial investment of 86475 + 85125 = 171600€, it seems that Tokyo is a good place to make a new brand grow and develop. The IRR of 44% is considerably higher than standard applications rates of return or general investment funds (DO's, etc.). This value will however probably decrease during the implementation if other neglected events were considered, such as team formation or unexpected travels to Japan.

The low value of the NPV indicates that the market size is insufficient to Unicer objectives. However, this decision has collateral impacts much more important: development of new markets, risk diversification, use of production capacity, among others, and the IRR (a relative indicator indicates otherwise). Nevertheless, the internationalization project to Tokyo should represent a test to the Japanese market.

As a conclusion, if Água das Pedras succeeded in Tokyo, the internationalization plan could be expanded to other Japanese cosmopolitan cities, such as Osaka or Kyoto. The excellent Japanese infrastructure system would help materializing this first objective. Another option could be reinforcing marketing investment in order to thicken its market share in first place, capturing more than 1% in the second year, and becoming in this way an interesting player in the Japanese capital scenario.

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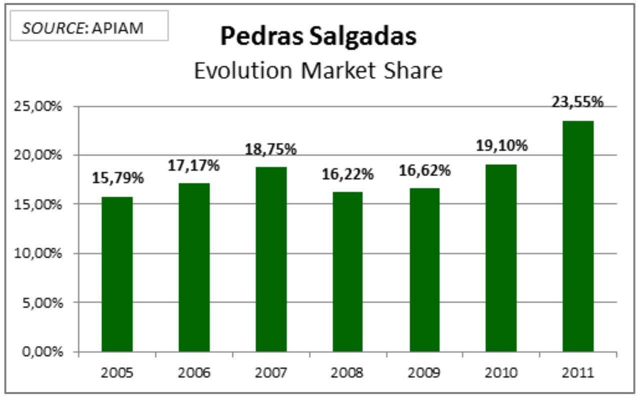
ANNEX I – Água das Pedras in Portugal

Table 3 – Água das Pedras nutritional profile (source: Mineral Waters of the World, 2012)

Property	Value
Acidity / Alkalinity (PH)	6.1
Total Dissolved Solids (TDS)	**2831 mg/l**
Calcium (Ca++)	100 mg/l
Magnesium (Mg++)	24 mg/l
Sodium (Na+)	591 mg/l
Bicarbonate (HCO3-)	1983 mg/l
Chloride (Cl-)	30 mg/l
Nitrate (NO3-)	0.2 mg/l
Silica (SiO2)	64 mg/l

Figure 3 – Água das Pedras Logo



Graphic 6 – Evolution of Água das Pedras market share in Portugal (APIAM)

Table 4 – Água das Pedras product diversification (source: Água das Pedras, 2012)

launch year	Sub-brand name	flavor	physical properties	marketing approach
2005	Água das Pedras Levíssima	no flavor	lower carbon content	still water profile
2006	Água das Pedras Sabores*	Mint & Lime	made with the natural mineral carbonated water, with no flavoring additives nor preservatives, using the fruit sugar	tea profile
		Lemon & Green Tea		tea profile
		Raspberries & Ginseng		fruit juice profile
		Green Apple & Lemongrass		fruit juice profile (sprite)
2006	Água das Pedras Sabores*	Melon & Mint	made with the natural mineral carbonated water, with no flavoring additives nor preservatives, using the fruit sugar	limited edition
2007		Lima & Mint		limited edition
2008		Pineapple & Chili		limited edition
2009		Lima & Mint		limited edition

VRIO Framework – Resources Based View

Physical resources

- **Geographic location**

The five springs that constitute Água das Pedras source, D. Fernando, D. Maria, Penedo/ Grande Alcalina, Preciosa and Pedras Salgadas, are located in Parque de Pedras Salgadas, a 40 ha area at 1263 m height in Pedras Salgadas, a spa town which is located in Vila Pouca de Aguiar municipality, between Vidago, Mirandela and Mondim de Basto, in the district of Vila Real, in the north central Portugal. Therefore, one can consider that this is an intrinsic, traditional Portuguese product (Restos de Colecção, 2010).

- **Access to raw material**

The water is located in an aquifer 120 m deep and it is captured through 4 different tubes, about one kilometer from the production plant. The access to this product was delivered for the first time in October 1983, passing from Saraiva & Botelho to the company Vidago, Melgaço & Pedras Salgadas in September 1924, which was able to explore more than 100 ha after 1937, including the referred springs (UNICER, 2007).

- **Physical technology used in the firm: plant and equipment**

Pedras Salgadas Center of Production was inaugurated on July 1994, eleven years after it has been started to be bottled and distributed, it occupies an area of 60.000 m^2 and it has 3 filling lines (to TR, TP and PET beverage packages of 0.25l, 0.33l, 0.75l and 1l), with an annual filling capacity of 90 million liters. The company is certified since 1999 by the ISO Norm 9002, which guarantees the quality in production, installation and post-sale services.

Regarding technology, the water passes through a process of iron removal, being storage in deposits afterwards. The water is then analyzed in the laboratories of the Production Center, it follows to the filling line where the process is completely automated, where the bottles and grades are de-palletized and dispatched. The center includes a storage house where the final product is kept and a Waste Water Treatment Plant and Water Treatment Plant to treat the coming and going water (Santos, 2012).

The Pedras Sabores Production Center is also gifted with good technology, producing around 5.6 million liters in 2006, passing the initial forecast of 3.6 million liters per year. However, the most important technological process used during its production is the pasteurization, which allows giving Pedras flavors without adding conservative/color additives. This technology is not new and it is used by other companies. However, it strikes the difference from natural or artificially made and products, being important for the flagship hold by Água das Pedras (Santos, 2012).

In 2008 it was inaugurated the Pedras-Vidago Industrial Project, which intended to increase the plant capacity, accumulating Vidago bottling and leaving room for increasing production in the future, aiming at internationalizing these companies (Jorna de Notícias, 2004).

Nowadays, Água das Pedras produces around 35 million liters per year, which corresponds approximately to 40 million euros on sales.

Human resources

The Pedras Salgadas Center of Production has 77 effective employees. Regarding the core management at Unicer, the team that manages Água das Pedras is inserted in a broader department of Beverages and Drinks, which is branched in Água das Pedras and the other brands. Unicer focuses its efforts in the attraction, retention and development of its employees. The company allocates important resources in valorization of human capital once people are considered as the trump of the Unicer structure. The company develops innovative programs to promote talent development, the enterprise culture and technical capability. Company practices such as its management by objectives and Appraisal and Remuneration base on merit constitute an efficient Human Resources policy that keeps the employees motivated and productive. Água das Pedras Company benefits of its 140 years of experience which is crucial in developing and sustaining skills in an organization (LPM, 2011).

Organizational resources

The restructuration of the company of 2006 previously mentioned simplified structure of Unicer and promoted more flexibility. This re-structuration allowed the company to better explore and take advantage of the synergies created by the extensive and diversified portfolio of UNICER. The company is also shaped by a detail-oriented culture. Água das Pedras may benefit from synergies either from R&D developed for other brands, know-how, and procurement and internationalization experience (network) by being part of this organization.

Intangible resources: brand, reputation

Since 1870, when the industrialization process of Água das Pedras began, by initiative of Dr. Henrique Botelho in collaboration with Vila Pouca de Aguiar Town Hall, that Água das Pedras has being flattered by its quality and healthy composition. However, evidence shows it was already known in the Roman times.

This water was analyzed by a doctor named Dr. José Júlio Rodrigues who defined Água das Pedras better than its main international competitors Vichy water (French) and Selters water (German) by that time. It was so good that, even before being bottled, Pedras Salgadas was chosen as the destiny for the holydays of the royal family, including D. Maria Pia, the king D. Fernando and even D. Carlos. Água das Pedras reputation has been so good that for many years it has been only sold in pharmacies due to its mineral and medicinal properties. In 1871 it has begun to win prizes and it never stopped ever since. In Portugal during the 60s, the brand has even become a synonym of mineral carbonated water, being the 'top of mind' brand for this kind of water.

In 2007, the famous taster Michael Mascha wrote in 'Time' magazine an article in which he considered Água das Pedras as one of the best of the world, emphasizing the particularity of it being able to maintain the same concentration in carbon dioxide (gas) from the spring to the bottle and being 100% natural at the same time (seen in less than 0.5% of the bottled waters in the world) (Água das Pedras, 2012).

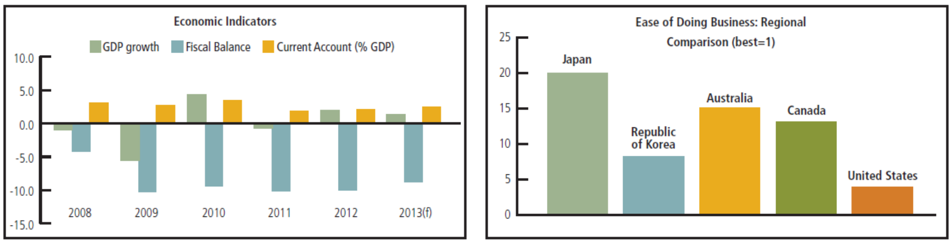
Table 5 – Analysis of Água das Pedras competitive advantage through the use of the VRIO Framework

	Physical resources	Human resources	Organizational resources	Intangible resources: brand, reputation
Valuable	YES	YES	YES	YES
Rare	YES	NO	NO	YES
Costly to Imitate	YES	YES	YES	YES
Organized	YES	YES	YES	YES
Competitive Implications	**Sustainable advantage**	**Parity**	**Parity**	**Sustainable advantage**

ANNEX II – Tokyo as a target market

Importance of Japan in the Portuguese Trade Flows

In ancient times, the trade activities between the two people were called, in Japan, “Nan-ban Bo-eki”, because the Portuguese, such as the Spanish, were the “Nan-ban Jin” (barbarians of the south) for the Japanese. In this commerce, the Portuguese would bring shooting guns, gun powder, and Chinese raw silk, among other products. In its turn, japan exported silver, gold and knifes to Portugal (Embaixada de Portugal no Japão). In recent times, as a client market for Portugal, Japan has been greatly varying its position, from the 13th place in 2007 to the 30th place between 2008 and 2010. As a supplier, Portugal is positioned in 22th in the ranking in 2010. Despite one may verify a break-up during the period 2008-2009, this was essentially due to the global economic recession and its effect on integrated circuits and electronic assemblies, in general overview of the years, one can verify a decrease on imports (Var. % - 4.4%) and an increase in exports (Var. % 32.5%), which translates an increase in demand and openness of the Japanese market, from which Portugal could take advantage. According to the Trade Statistics of the Ministry of Finance of Japan, among the products that Portugal export to Japan, in 2010, in the first place one can find machinery and equipment (30%), following food products (20.1%), chemical products (18.1%), footwear (6%) and cork and wood (5%). Inside the food sector, the subgroup associated with vegetables, namely tomato puree and pastes (except in vinegar or acetic acid) represents, approximately, 75% of the total. Inside the chemical products prevail compounds with amid group of carbonic acid (90%) and in the wood group, cork and derivate products represent 93% of exports. Services exports are little significant with a quote lower than 0.5% between 2006 and 2010. The investment flows between both countries are not significant, beside Japan has been showing a higher willingness to invest in Portugal than the opposite (AICEP Portugal Global, 2011; Ministry of Foreign Affairs of Japan, 2011).



Graphic 7 - Economic indicators for Japan and ease of doing business when comparing with other potential markets

ANNEX III – *Summarized Data Report*: Portuguese gastronomy in Japan

Questionnaire template:

1.Do you appreciate European gastronomy?

2.Which of the following products from Europe do you consume being aware of its high quality?

3.How often do you go to restaurants per month?

4.Which type of restaurant do you prefer?

5.Which type of cuisine do you prefer?

6.If you have chosen Japanese cuisine, refer which type of restaurant you go more often and why.

7.Which beverages do you generally take?

8.Which of these brands of sparkling water (mineral carbonated water) do you know at least the name?

9.When and where do you normally take sparkling water?

10.If you choose to drink sparkling water in other occasion, please specify:

11.What comes to your mind when you think about Portugal?

12.*Country of Origin:

13.*Country of Residence

14.*Gender

15.*Age

16.*Occupation

17.*Education

Main answers: Summarized Data Report - Survey: Portuguese gastronomy in Japan

1. Do you appreciate European gastronomy?

	Responses	Percent
Yes (0 Points):	29	87.88%
No (0 Points):	3	9.09%
Don't know any specific dish (0 Points):	1	3.03%
Total Responded to this question:	33	100%
Total who skipped this question:	0	0%
Total:	33	100%

2. Which of the following products from Europe do you consume being aware of its high quality?

	Responses	Percent
table wines (0 Points):	19	57.58%
Porto or Madeira wine (0 Points):	7	21.21%
Brandies (Cognac, Armagnac, etc.) (0 Points):	8	24.24%
Champagne (0 Points):	13	39.39%
Beer (0 Points):	10	30.3%
olive oil (0 Points):	16	48.48%
green vegetables (0 Points):	3	9.09%
Foi gras, pâtés, caviar (0 Points):	5	15.15%
mineral water (0 Points):	6	18.18%
cheese (Camembert, Roquefort, Gruyère, Brie, Chèvre, Boursin) (0 Points):	25	75.76%
pastery (belgium chocolate, Danish cookies, etc.) (0 Points):	14	42.42%
fruits (grapes, strawberries, apples, cherries, pears, oranges) (0 Points):	6	18.18%
sausages (chorizo, pudding, etc.) (0 Points):	10	30.3%
coffee (0 Points):	9	27.27%
milk (0 Points):	4	12.12%
none (0 Points):	1	3.03%

3.
How often do you go to restaurants per month?

	Responses	Percent
Never, I always eat at home/school or I bring my own food to work (0 Points):	0	0%
Less than once a week (0 Points):	12	41.38%
Once a week (0 Points):	10	34.48%
More than once a week (0 Points):	7	24.14%

4. Which type of restaurant do you prefer?

	Responses	Percent
Fast food, cheap, American style (0 Points):	5	17.24%
Average price, average quality (0 Points):	8	27.59%
Average price, "homemade" food (0 Points):	20	68.97%
Higher price, gourmet (0 Points):	6	20.69%

5.
Which type of food do you prefer?

	Responses	Percent
Italian cuisine (0 Points):	22	75.86%
Portuguese cuisine (0 Points):	3	10.34%
Spanish cuisine (0 Points):	8	27.59%
French cuisine (0 Points):	14	48.28%
Chinese cuisine (0 Points):	15	51.72%
Korean cuisine (0 Points):	15	51.72%
Russian and German cuisine (0 Points):	2	6.9%
Indian and Asian cuisine (0 Points):	13	44.83%
Japanese cuisine (0 Points):	27	93.1%

6. If you have chosen Japanese cuisine, refer which type of restaurant you go more often and why.

	Because of the price	Because of the quality	Because of the social environment	Because of the physical environment	Total
Sushi-ya:	2(10%)	17(85%)	0(0%)	1(5%)	20
Kaiten-zushi:	16(66.67%)	6(25%)	0(0%)	2(8.33%)	24
Soba-ya and Udon-ya:	15(48.39%)	12(38.71%)	2(6.45%)	2(6.45%)	31
Ramen-ya:	10(29.41%)	18(52.94%)	3(8.82%)	3(8.82%)	34
Kare-ya:	3(20%)	8(53.33%)	2(13.33%)	2(13.33%)	15
Gyudon-ya:	16(64%)	5(20%)	1(4%)	3(12%)	25
Yakitori-ya:	5(25%)	7(35%)	7(35%)	1(5%)	20
Okonomiyaki-ya:	3(13.04%)	9(39.13%)	9(39.13%)	2(8.7%)	23
Tonkatsu-ya:	3(18.75%)	9(56.25%)	2(12.5%)	2(12.5%)	16
Tempura-ya:	0(0%)	10(71.43%)	2(14.29%)	2(14.29%)	14
Unagi-ya:	2(11.11%)	13(72.22%)	2(11.11%)	1(5.56%)	18
Sukiyaki-ya and Shabu Shabu-ya:	2(10.53%)	9(47.37%)	7(36.84%)	1(5.26%)	19
Teppanyaki-ya:	2(11.11%)	11(61.11%)	4(22.22%)	1(5.56%)	18

7. Which beverages do you generally take?

	Never	Rarely	Quite often	Most of the time	Always	Total
Still water:	2(6.9%)	2(6.9%)	8(27.59%)	4(13.79%)	13(44.83%)	29
Aerated water (+O2):	14(51.85%)	12(44.44%)	1(3.7%)	0(0%)	0(0%)	27
Sparkling water:	10(37.04%)	10(37.04%)	5(18.52%)	2(7.41%)	0(0%)	27
Coca-cola:	8(29.63%)	10(37.04%)	7(25.93%)	2(7.41%)	0(0%)	27
Sprite/7-Up:	11(40.74%)	14(51.85%)	2(7.41%)	0(0%)	0(0%)	27
Lemonade:	9(33.33%)	14(51.85%)	4(14.81%)	0(0%)	0(0%)	27
Ice-Tea:	5(18.52%)	9(33.33%)	10(37.04%)	0(0%)	3(11.11%)	27
Tea:	2(7.69%)	4(15.38%)	11(42.31%)	5(19.23%)	4(15.38%)	26
Fruit juices:	2(7.41%)	6(22.22%)	15(55.56%)	4(14.81%)	0(0%)	27
Coffee:	1(3.57%)	4(14.29%)	14(50%)	4(14.29%)	5(17.86%)	28
Milk:	8(29.63%)	9(33.33%)	6(22.22%)	1(3.7%)	3(11.11%)	27
Milkshakes:	15(55.56%)	11(40.74%)	0(0%)	1(3.7%)	0(0%)	27
Spiritual drinks:	21(77.78%)	4(14.81%)	1(3.7%)	1(3.7%)	0(0%)	27
Bear:	8(28.57%)	4(14.29%)	8(28.57%)	6(21.43%)	2(7.14%)	28
Wine:	7(25%)	7(25%)	10(35.71%)	3(10.71%)	1(3.57%)	28
Cocktails:	8(29.63%)	9(33.33%)	6(22.22%)	4(14.81%)	0(0%)	27
Sake:	11(42.31%)	7(26.92%)	5(19.23%)	2(7.69%)	1(3.85%)	26
Other alcoholic beverage:	8(29.63%)	12(44.44%)	6(22.22%)	0(0%)	1(3.7%)	27

8. Which of these brands of sparkling water (mineral carbonated water) do you know at least the name?

	Know at least the name	Consume	Total
Perrier (France):	11(45.83%)	13(54.17%)	24
Uliveto (Italy):	2(66.67%)	1(33.33%)	3
San Pellegrino (Italy):	6(46.15%)	7(53.85%)	13
San Benedetto (Italy):	2(40%)	3(60%)	5
Galvanina (Italy):	3(75%)	1(25%)	4
Mattoni (Czech Republic):	2(66.67%)	1(33.33%)	3
Gerolsteiner (Germany):	3(50%)	3(50%)	6
Antipodes (New Zealand):	1(50%)	1(50%)	2
Voss Water (Norway):	2(66.67%)	1(33.33%)	3
Chateldon (France):	1(33.33%)	2(66.67%)	3
Vichy Catalan (Spain):	2(66.67%)	1(33.33%)	3
Água das Pedras (Portugal):	2(50%)	2(50%)	4
Borsec (Romania):	1(50%)	1(50%)	2
Badoit (France):	2(28.57%)	5(71.43%)	7

9. When and where do you normally take sparkling water?

	Responses	Percent
at home (0 Points):	7	35%
in fine restaurantes (0 Points):	12	60%
following the wine (0 Points):	0	0%
after coffee (0 Points):	0	0%
when I am sick (stomach) (0 Points):	2	10%
when I want to wash my mouth (0 Points):	1	5%
in any restaurant (0 Points):	2	10%
at Hotels (0 Points):	0	0%
at work/school (0 Points):	2	10%
when I want to refresh myself (0 Points):	5	25%
anytime (0 Points):	1	5%

11. What comes to your mind when you think about Portugal?

	Responses	Percent
Cristiano Ronaldo (0 Points):	11	39.29%
José Mourinho (0 Points):	3	10.71%
Football (0 Points):	16	57.14%
Beach (0 Points):	11	39.29%
Sun (0 Points):	11	39.29%
Sea (0 Points):	13	46.43%
Gastronomy (0 Points):	3	10.71%
Wine (Porto Wine) (0 Points):	14	50%
Music (Fado) (0 Points):	4	14.29%
Cork (0 Points):	2	7.14%
Ceramics (0 Points):	0	0%
Nature (0 Points):	2	7.14%
Beautiful landscapes (0 Points):	5	17.86%
Clean water (0 Points):	1	3.57%
History - Cultural heritage, "The Discoveries" (0 Points):	15	53.57%
Economic crisis (0 Points):	9	32.14%
Catolicism (0 Points):	4	14.29%
Spain (0 Points):	8	28.57%
anything (0 Points):	3	10.71%

15. *Age

	Responses	Percent
<17 (0 Points):	0	0%
18-25 (0 Points):	13	46.43%
26-35 (0 Points):	9	32.14%
36-45 (0 Points):	5	17.86%
46-55 (0 Points):	1	3.57%
56-65 (0 Points):	0	0%
>65 (0 Points):	0	0%

1. Do you appreciate European gastronomy?

	Responses	Percent
Yes (0 Points):	29	87.88%
No (0 Points):	3	9.09%
Don't know any specific dish (0 Points):	1	3.03%

ANNEX IV - SWOT Analysis – Japan (Tokyo)

Table 6 – Água das Pedras SWOT analysis in Tokyo, Japan

S1. Unicer synergies (procurement and distribution; know-how and experience) **S2.** Unicer willingness to invest in foreign markets (strategic objectives) **S3.** Health benefits – hydration **S4.** Health benefits - sodium **S5.** Safe product – quality control in its production and bottling phase (ISO 9002) **S6.** Health benefits - helps digesting food and helps assimilating alcohol **S7.** Health benefits - it has no sugar **S8.** Health benefits – rich in calcium and magnesium **S9.** Strong brand reputation in its home continent **S10.** Innovative and trendy bottle may capture the attention of customers (curiosity in their nature) **S11.** Unique composition, with no artificial gas **S12.** There are no local natural mineral carbonated water brands produced	**W1.** Low recognition of Portuguese food and bottled water **W2.** Low level of brand awareness **W3.** Lag in relation to its competitors (no first mover advantage) **W4.** Hardness of the water stronger than the Japanese taste is used to[19] **W5.** High price considering the typical low cost Japanese cuisine and the recent economic contraction **W6.** Difficulty on adding value to the product (due to its physical characteristics) **W7.** Glass bottles (heavier than PET's and fragile)
O1. Japan is the world's second largest economy (2010) and the leading food importer **O2.** Despite being stabilizing into a mature market, bottled water consumption had suddenly increased in the past years due to either climate and social phenomenons **O3.** (2011) the population of Tokyo is estimated to be 13.189 million, or about 10% of Japan's total population, and it has the largest population among all the 47 prefectures **O4.** As of October 1, 2005, the population aged 15 years and older was 10.991 million persons **O5.** According to the National Census of 2000, and 4.576 million (77.4%) in the tertiary industry of commerce, transportation, communication, and services, which will be target of the product **O6.** Recent reform of the health legislation: people are obliged to achieve health targets, namely in what obesity, cholesterol, and strength is concerned **O7.** Recent nuclear disaster (March 2011 earthquake and Fukushima disaster) **O8.** Health and aging problems **O9.** Growing concerns about Anzen (safety) and Anshin (peace of mind) due to recent food scandals[20] **O10.** Água das Pedras may take leverage as the Japanese consumer is genuinely very concerned to the details of the composition of the products he eats, namely the ingredients, the properties, the history in the product backgrounds **O11.** A shift towards Western consumption patterns, as the people are exposed to more global culture and media, has caused increased consumption of pork and beef in Japan **O12.** Evidence of success in this market of previous brands (Perrier, San Pellegrino) **O13.** Food exhibitions in Tokyo: *Health Ingredients (HI) Japan*, and *Wine & Gourmet Japan* **O14.** Alcohol is the main beverage associated with work and social life (e.g. shoshu)	**T1.** Japan as a negative growth rate (minus 0.19%) and an aging population, which can generate problems in the long term[21] **T2.** The market for carbonated mineral water is very small (19 l/person/year in 2010) despite being increasing **T3.** Strong premium competitors (especially from Italy and France) and large beverage companies in Japan (Kirin Beverage, Itoen, Santory Beverage & Food Limited, DyDo Drink, Asahi Soft Drink, Pokka, Otsuka Foods) **T4.** There is a very high turnover on beverage brands in the market (about 1,000 new drink products released every year, making Japan's beverage market the most crowded in the world) **T5.** Growth of purchase awareness following the economic downturn and the decreasing purchase power **T6.** Increasing energy costs

[19] Água das Pedras has an average hardness of 2831 mg/l, which is much higher than the average of sparkling waters; for instance, Perrier hardness is 415 mg/l and Japanese are used to soft waters, with less than 100 mg/l (minerals).

[20] Examples include the Snow Brand contaminated milk scandal, the introduction of mad cow disease, Chinese vegetables contaminated with dioxin, and false labeling of beef.

[21] Currently, the nation's large population over 60 years of age holds three fifths of the total household savings in Japan.

ANNEX V - TOWS Analysis – Japan (Tokyo) - Strategies/Tactics/Actions

Table 7 - TOWS analysis for Água das Pedras in Japan (Tokyo) - Strategies/Tactics/Actions

	Internal Strengths	**Internal Weaknesses**
External Opportunities	**S1&2|O3** – Choose only one Japanese city to place the product (Tokyo). **S3&4&5&6&7&8|O4&5&6&7&8 –** Use Água das Pedras properties for the population physical and mental needs. **S9&10&11&12|O9&O10&11 –** Use strategic events to promote and market Água das Pedras as a new and trendy water, suitable for business class and image, and social success. **S6|O14 –** Communicate the ability of Água das Pedras to heal hangovers and its medical properties; partnership with public health entities and alcoholism rehab centers.	**W1&2|08&11 –** Long history and tradition together (1469 years since Portuguese first arrived to Japan) which indicated some bonds that the brand may establish (with Tokyo National Museum, the Embassy of Portugal in Tokyo, and the Portuguese Culture Centre in Tokyo: Camões Institute /IPOR[22], the Japan-Portugal Friendship Parliamentary League, and Luso-Japanese Societies[23], for example); use strategic events such as international gastronomy markets (e.g. Wine & Gourmet Japan). **W3|O2&10 –** Despite having entered in this market sooner, Perrier and San Pellegrino had given proven of success in an already saturated market, overcoming the established barriers (which Água das Pedras would have to pass). Nowadays they dominate the market in a duopoly with competitive fringe. Água das Pedras should approach with a different strategy from the one of 'premium gourmet water' sold in the HORECA market, used by its incumbents. This increasing interest by the Japanese consumer, added to the increasing demand for bottled and safe water, associated with the tap water crisis, may open a door to Água das Pedras. **W4|O6&7&8&9 –** Communicate and pass the message about Água das Pedras composition benefits, its link to nature, and spiritual nature (fineness of its origin, Trás-os-Montes). **W4|TO14 –** Try to position the water next to alcohol consumption (a beverage for work) complementing it as a hangover solution and mineral and water reposition. **W5|O1** – Capitalize on Japanese (and Tokyo) natural welfare.
External Threats	**S1&2|T6 –** Use Unicer financial stability, procurement and experience to minimize operation costs (economies of scale and experience). **S9&10&11|T5 –** Position Água das Pedras as a premium water, worth to pay its price. **S9&10&11&13|T3&4 –** establish partnerships with one of the largest beverage Japanese companies, as Nestlé has made with Santory to promote Perrier and San Pellegrino in Japan; differentiate from these main competitors by targeting the same high class segment but with a different message for a different occasion. Establish a long-term relationship by partnering with health public entities (strong position in the empire domain). Transmit an aspiration for Shinto, and associate Água das Pedras to the Sui and Kū element from the godai Buddhist Philosofy. **S12|T1&2 –** Keep the target limited and the strategy focus on one cosmopolitan city. Tokyo dictates trends for the rest of Asia and may be well a platform for Portuguese products in this part of the world. Keep supply under the 40 million liters.	**W1&2|T3&4 –** Focus on the *European* origin of the brand. Take leverage on the communication built so far about the natural, pure and safe origin of the mineral aerated waters coming from this continent (Perrier, San Pellegrino). **W3|T1&2 –** Focus on market niches, such as the services businesses (which represent the biggest proportion of the population: 64% of the population is between 15 and 64 years old, with 77% working on in the tertiary industry of commerce, transportation, communication, and services)[24]. **W5&6|T5&6 –** Aim at high class success people with large purchase power. Deliver distribution to a trustable partner.

[22] (Ministério dos Negócios Estrangeiros, 2007)
[23] (Ministério dos Negócios Estrangeiros, 2007)
[24] (Tokyo Metropolitan Government, 2006-2010)

ANNEX VI – Beverage market in Japan

Table 8 – Main beverage wholesalers in Japan and respective mineral water portfolio

Sales Agent or Original Producer	mineral water brand	Country of origin	Origin	Type
Kirin Beverage	Volvic	Fr	natural	sparkling
	Aruka	Jp	natural	still
Itoen	Evian	Fr	natural	still
Santory Beverage & Food Limited	Okudaisen	Jp	natural	still
	Minami Alps	Jp	natural	still
	Aso	Jp	natural	still
	Perrier	Fr	natural	sparkling
	San Pellegrino	Fr	natural	sparkling
DyDo Drin	Miu	Jp	artificial	still
	Fuji	Jp	natural	still
Asahi Soft Drink	Mt. Fuji	Jp	natural	still
	Rokko No Oishii Mizu	Jp	natural	still
	Tennen-sui	Jp	natural	still
Otsuka Foods	Crystal Gyser	US	natural	sparkling
	Courmayeur	It	natural	sparkling
	Vichy Catalan	Es	natural	sparkling
	Contrex	Fr	natural	sparkling
	Cristaline	Fr	natural	sparkling
	Chateldon	Fr	natural	sparkling
Sapporo Beverage Co., Ltd.	Gerolsteiner	Gr	natural	sparkling
	Meisan	Jp	natural	still
	Banajiumu	Jp	natural	still
	Fujisan waki	jp	natural	still

Table 9 – Other Japanese mineral water brands sold in Japan (GmbH, 1996-2012)

product owner	brand name	type	Description
Aqua Clara Inc.	Aqua Clara	still	purified tap water with additional minerals
Heiwa CELL-GEN Group	Cell Gen	still	artificially produced
Eau Finé	Eau Finé Natural Artesian Water	still	Shuzenji Spring
Fillico Japan Co., Ltd	Fillico	still	Mount Rokko Spring
Mizuhiroba (Aqua Plaza) EC	Izu Kannon Hot Spring Water	still	Kannon Spring (spa resort region of Izu)
Lawson	Lawson	still	Lawson Mineral Spring (Victorian Mineral Water Springs)
Ako Kasei	Muroto	still	deep-ocean water natural mineral water
Iwaizumi Public Industrial	Ryusendo	still	Ryusendo Spring, one of Japan's three greatest limestone caves

From the main players in the beverage market described in Table 8, Água das Pedras could choose one for being its representative in Japan, the distributor, in order to receive and deliver the product, managing its sales and clients relationships.

According to studies made by Spain regarding the Japanese market, the distributor could be either an independent company from the sector, a specialized company on the product category or a company specialized only in this type of product. Following its recommendations and in the image of its competitors, Pedras could choose a beverage company to distribute its product, with a dimension in accordance to the company size in Portugal, which would reveal compromise and availability to receive and become responsible to the product.

Kirin Beverage is a middle/small company very much recognized in Japan, it sells only a foreign French brand which could give room to Pedras to enter. **Itoen** only sells one mineral water brand, which reveals availability, but perhaps lack of specialization or knowledge in the area; it is a small company, suitable for Água das Pedras size. **DyDo Drin** is very faithful to the Japanese brands, it has a small/medium size (suitable for Pedras); despite being less known, it is also more discrete and may introduce Pedras in the natural pure water logic of its national brands. However, it is likely that it doesn't accept a foreign brand in its portfolio. **Asashi** is similar to DyDo Drin, but more famous (maybe too big for Pedras). **Sapporo** has a regular dimension, it sells 3 Japanese brands and only one German one (one of the market leaders in the sparkling water market); this could represent a leverage for Pedras to team up with this brand and serve under a different logic. **Santory** has too many brands, and is a large company; beside some Japanese brands, it sells Perrier and San Pellegrino, which are also the main players in the market. This and **Otsuka**, another large company which sells but foreign natural carbonated mineral water brands, specialized in international trade, would represent the main competitors for Pedras, if it would opt for another distributor company.

Nevertheless, the ones that seem more appropriated for the Portuguese brand are Kirin Beverage, because it is not yet saturated and it is one of the main beverage company in the Japanese market or Itoen because it is very likely to accept the challenge due to its reduced portfolio or Sapporo, in order to compete side by side with one of the main water player in the market, Gerolsteiner.

Table 10 – Sample of mineral water brands and respective market prices per liter (Rakuten Global Market, 1997-2012)

price/bottle	package price	bottle volume	unit	nº bottles	bottle volume	unit	Price/L [€/l]
Perrier (Suntory Beverage & Food Limited)							
€ 1.03	€ 24.68	330	ml	24	0.33	L	3.116
€ 1.92	€ 23.02	750	ml	12	0.75	L	2.558
San Pellegrino (Suntory Beverage & Food Limited)							
€ 0.58	€ 13.88	500	ml	24	0.5	L	1.157
€ 1.19	€ 14.27	750	ml	12	0.75	L	1.586
Crystal Geyser (Otsuka Foods)							
€ 0.62	€ 14.81	532	ml	24	0.532	L	1.160
€ 0.29	€ 13.95	500	ml	48	0.5	L	0.581
Contrex (Otsuka Foods)							
€ 0.98	€ 11.75	1500	ml	12	1.5	L	0.653
€ 1.01	€ 12.09	1500	ml	12	1.5	L	0.672
€ 1.81	€ 21.71	1500	ml	12	1.5	L	1.206
Volvic (Kirin Beverage)							
€ 1.31	€ 15.76	1500	ml	12	1.5	L	0.876
€ 0.66	€ 15.74	500	ml	24	0.5	L	1.312
aQaizu (aqua is)							
€ 1.48	€ 35.40	330	ml	24	0.33	L	4.470
bottle green (Orange)							
€ 2.80	€ 33.57	275	ml	12	0.275	L	10.173
Canada Dry Club Soda (Coca-Cola Japan)							
€ 1.17	€ 28.04	500	ml	24	0.5	L	2.337
OS-1 (Ohtsuka Pharmaceutical Factory Co.. Ltd.)							
€ 1.58	€ 37.91	500	ml	24	0.5	L	3.159
AQUA PARADISO							
€ 1.17	€ 14.09	330	ml	12	0.33	L	3.558
Samurai Spirit							
1.77	€ 1.77	330	ml	1	0.33	L	5.364

Annex VII – Pricing in Japan

Equation 1 – Equations for the formulation of the retail price of Água das Pedras in Tokyo

Retail Price = Distribution Price * (1 + Retailer markup) * (1+ Consumption tax)

Distribution Price = marginal cost * (1 + Distributor markup)

Marginal cost for the distributor = merchandize price + transportation costs + insurance + customs duties in Tokyo port + freight forwarder service + (marketing memo)*merchandize price

Merchandize price = production costs*(1+overhead)*(1 + Unicer markup) + transportation costs to Leixões port by truck + THC + customs trading costs in Leixões port + co-paid marketing

ANNEX VIII – Supply chain management

The exercise made in this case is a best case scenario, in which it is assumed that Água das Pedras is able to penetrate the Japanese market, conquering 1% of sparkling water market share in Tokyo in the first year (2015), and intensively grows in the following years, achieving a 2% market share in 2022.

Regarding logistics, the only Portuguese shipping agency dealing directly with the transport of goods to Japan is Portmar – Agência de Navegação Lda., which operates through Mitsui O.S.K Lines (supply ships and containers), using the Rotterdam Waterway[25]. In this route, ships make a transshipment in Rotterdam, the largest port in Europe, and then continue through the north of Asia, until they arrive to the port of Tokyo (Figure 4). The trip Europe-Asia takes 25 days and the trip Asia-Europe 25 days, completing a total of approximately 50 days. For Portmar, the cost of the transportation of a 10' container (≅33 m^3) would be 1500$ (1161€) and for a 40' container (≅67m^3), 2300$ (1780€)[26] (Table 7) (MSC, 1996-2012).

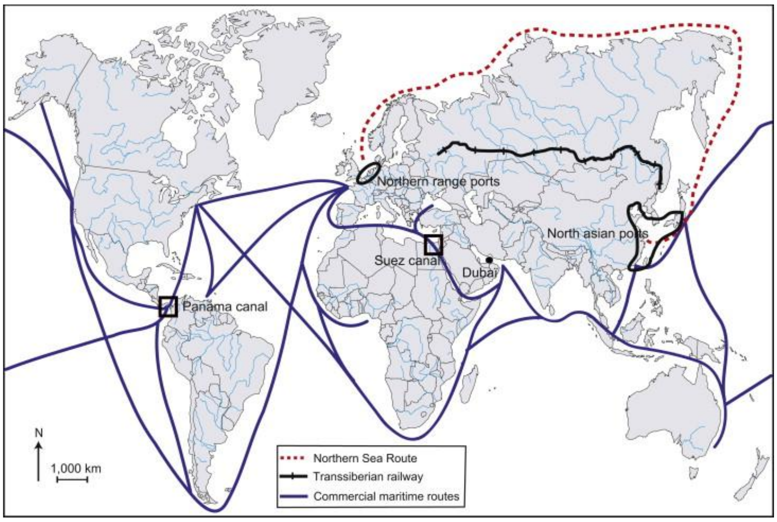


Figure 4 – Shipping routes: red - Rotterdam route used by Portmar – Agência de Navegação, Lda. through Mitsui O.S.K. Lines (Jerome Verny, 2009; Mitsui O.S.K. Lines)

There are some possibilities of ports to discharge goods in Japan. According to AICEP the main ports are Tokyo, Yokohama, Kawasaki, Osaka and Kobe. However, because the target market is the city of Tokyo, it makes sense to use its port to minimize transportation costs inside the country. In order to receive the product in the port it is necessary to use an intermediary. Following the contact with APAT – Associação dos Transitários de Portugal, there are 28 freight forwarders

[25] In Portuguese, 'Via Roterdão'.

[26] Information obtained through phone contact with Portmar.

that operate in Japan in partnership with AICEP Portugal: NIPPON EXPRESS PORTUGAL, S.A. would be a good option as its services are exclusively focused in Japan.

Relatively to the types of contract one may establish with the importer (or distributor), according to the International Chamber of Commerce there are eleven Incoterms 2010[27] (substituting the previous thirteen Incoterms 2000) distributed in two types of categories: Multimodal Incoterms and Maritime or River Incoterms (Table 11).

Analyzing the specificities of each contract, the one that would be more appropriated to Água das Pedras would be the FOB – Free On Board contract, in which the company has only to produce the product and transport it to the port of Leixões, in this case. This port has already been used by Unicer in its exports of Água das Pedras to Brazil (since October 2012).

	description
Multimodal Incoterms	
EXW : Ex Works	The seller takes the minimum risk, bearing the costs of production and packing (cradle to gate);
FCA : Free Carrier	The seller additionally pays the carriage of the product to the named point of delivery, in which passes to the first carrier;
CPT : Carriage Paid To	The seller pays the carriage;
CIP : Carriage and Insurance Paid to	The seller pays the carriage and the insurance;
DAT : Delivered At Terminal	The seller pays everything until the terminal, except for costs related to import clearance;
DAP : Delivered At Place	The seller pays everything until the final destination, except for costs related to import clearance;
DDP : Delivered Duty Paid = **FIS** : Free in Store	The seller takes the maximum risk, paying all the cost including import duties and taxes; the buyer is responsible for unloading;
Maritime or River Incoterms	
FAS : Free Alongside Ship	The seller must place the goods alongside the ship at the named port. This term is typically used for heavy-lift or bulk cargo.
FOB : Free On Board	The seller must load the goods on board the vessel nominated by the buyer.
CFR : Cost and Freight	Seller must pay the costs and freight to bring the goods to the port of destination.
CIF : Cost Insurance and Freight	The seller pays the carriage and the insurance;

Table 11 – Incoterms 2010 according to the International Chamber of Commerce (ICC, 2012)

[27] The Incoterms allow standardizing the commercial terms most used in the contracts important to the international commerce. They were established by the International Chamber of Commerce (ICC) in 1936 and are regularly reviewed. The latest version dates from 1st January 2011.

In case of opting for this strategy, Unicer would have to pay the THC tax (Terminal Handling Charge), around 150€ in the port of Leixões[28], to present the bill of landing, and to pay the customs trading costs, of 250$ in this case (194€)[29]. Finally, the insurance cost, despite being paid by the importer in this type of contract, represents 10% of the product value[30].

Table 12 – Background data for estimating the operational costs of Água das Pedras exportation to Tokyo (UNICER; Mitsui O.S.K. Lines; APAT; AICEP; Japan Tariff Association; JETRO, 2011; Porto de Leixões)

Água das Pedras

production costs	0.25	[€/l]
transportation cost	250	[€/container]

Mitsu OSK Lines	**cost [€]**	**volume_cont [l]/volume_water [l]**
container 20'	1161	33.200 l (33,2 m^3)/9000 l
container 40'	1780	67.700 l (67,7 m^3)/18000 l

other taxes - Port of Leixões	**cost [€]**	**additional info**
Truck parking	45	per hour & container (after 3)
Transport (dock/CP)	120	per container
Transport (dock/weighing)	110	per container
Extra movements on the dock	150	per container
Physical inspection	250	per container
Devolution of mer. to the depot. (extra-moves)	50	per container
Containers washing	45	per container
Reefers washing	50	per container
Reefers energy	75	per container & day
Customs Reefer Formalities	50	per container

THC - Terminal Handling Charge	150 €
Customs trading costs in Leixões port	194 €
insurance	10%

other taxes - Port of Tokyo		**additional info**
freight forwarder service	1%	assumption
custom duty in Tokyo port	3.20%	tabulated for natural mineral water

Unicer markup	100%	assumption based on industry reports
Distributor markup	35%	assumption (decided by the distributor)
Retailer markup	25%	assumption (decided by the retailer)

Consumption tax	5%	tabulated for all food imports in Japan

28 Information obtained in the Mediterranean Shipping Company.
29 Information obtained through phone contact with APAT.
30 Information obtained through phone contact with APAT.

According to study of ICEX concerning the logistics and distributors' network in Japan obtained through Sogrape, one of the largest wine producers and exporters in Portugal, the margins that are usually proposed by the Japanese intermediaries are: between 20 and 25% above the FOB price for the importer, 10 and 15% for the different wholesalers, and 30% and 40% for the retailers (Oficina Económica y Comercial de la Embajada de España en Tokio, 2012).

Every cost, from the transportation, the insurance, the margin promised to the freight forwarder and to the distributor, added to duties and taxes, and other operational costs, till the marketing expenses, will increase Água das Pedras final price.

Calculations:

Having into account that one container of 21 feet carries 1500 of 24 bottles of PEDRAS 25 cl each, it is possible to calculate the volume of water able to export. The weight of this bottle was measured into 0.414 per 25 cl bottle. This means each container is able to transport 36000 bottles, with a total volume of water of 9000 l and a total weight of 14904 Kg.

If one decides to answer to a demand of 475.841 l/year in Tokyo in the first year, it would be necessary to carry 52 containers in that year giving 468.000 liters of Água das Pedras. This could be done in 26 phases during the year, week-in, week-out. Under the FOB contract, the final price will be given by: (Thomas T. Nagle, 2011)

These formulas structured together for an annual supply of 18000 liters and 52 containers, 26 travels, result in the following prices (Equation 1):

- Retail Price = 1.56 €/L
- Distribution Price = 1.06 €/L
- Merchandize Price = 0.61 €/L

The values obtained are suitable for Japanese demand and purchase power, as it is lower than the maximum values recommended by JETRO for cans and PET bottles: "*most soft drinks are sold at about ¥120 for 350 ml cans and ¥150 for 500 ml plastic PET bottles in Japan. If the products to be imported exceed this price, the packaging must have a value-added quality appeal for the consumers in Japan*." (3.24€/L and 2.84€/L respectively) (JETRO, 2011).

Comparing with other mineral water brands sold in Japan (Table 8), one may conclude that this value, retail price = 1.56 €/L, is very close and even below to the other retailer prices, averaging 1.559€/L[31].

On the other hand, if one compares with the values appearing in the JETRO market intelligence report, which states that domestic mineral water in general stores is sold at 150 Y/1.5 liter pet bottle, 200 Y/2 liter pet bottle, 100 Y/500 ml pet bottle; bargain sales at supermarkets shows one package contained six 2 liter pet bottles costs 900 Y; which results in an average of 1.26€/L for domestic mineral water sold in general stores, and 0.71 for water sold in supermarkets. Vittel, for instance, a non-sparkling imported mineral water costs 1.51€/L. The price of imported mineral water is generally slightly higher than the domestically produced one.

Financial projections:

The investment will include all the activities necessary to prepare the entrance of Água das Pedras in Tokyo, Japan. It could include the trademark of the brand for the rest of the world, marketing costs in the year zero, professional fairs, gastronomy fairs, soft drink fairs, and consumer goods fairs, adding the costs of placement of the product in these fairs, bureaucracy costs, exclusivity contracts, IAPMEI and AICEP support, and the Millennium support (internationalization consulting program available for Portuguese companies that want to internationalize). The Câmara do Comércio Portugal-Japão may also give some logistics help[32] (AICEP; CCILJ; IAPMEI; Millennium BCP, 2012).

The trademark of the brand could be considered to be already extended as Unicer had decided to start selling Água das Pedras in Brasil in 2012. Nevertheless it cost would be around 1999€ if applied (INCI, 2012).

Regarding the marketing responsibility, the exporter could consider putting it over the importer, by defining it in the terms of the contract as a credit memo of 5% of the merchandize price, which would be invested by the distributor and then reimbursed.

Because in this exercise it is only considered the incremental cash-flows, costs with personal, bureaucracy and lawyers are not considered as they are already integrated in Unicer structure.

[31] This value was obtained making an average of the retailer prices of international sparkling water brands, such as Perrier (2.837€/L), San Pellegrino (1.371€/L), Crystal Geyser (0,871€/L), Contrex (0.843€/L), and Volvi (1.094€/L), taken from a famous Japanese supermarket chain: Rakuten (Table 8).

[32] This include mainly information on the market, which is the most difficult barrier and more expensive asset to obtain.

As IAPMEI and AICEP support, as well as national banks internationalization programs, are usually free from charge, the only parcel that would constitute the investment would therefore be the presence of Água das Pedras in Japan, previous to its market entrance, in order to study, prepare and choose a distributor in the market. This investment should be multiplied two or three times before the negotiations are completed, once they take traditionally very long due to the Japanese culture. As advised by Lawrence S. Welch, Gabriel R.G. Benito, and Bent Petersen, the most appropriated way of doing it would be by participating in local international gourmet fairs, which would be able to promote Água das Pedras in the high quality market. After researching all the relevant events that happen in Japan in the food and beverage sector, the ones that would be considered more appropriated to Água das Pedras would be **FOODEX Japan**[33] and **Wine & Gourmet Japan**[34] (Alberta - Agriculture and Rural Development Ministry, 1995-2012)**.** Their estimated cost would be around 118900€ each (including a go-and-return flight for three people, the stay in a hotel for one week, other daily costs such as food and transportation, and the cost of the stand in the fair, the space plus decoration (Table 13)).

It is important to notice that Japan was already a mature market in bottled water when the earthquake occurred. This associated with the fact that the adoption of the western culture drinking habits represents a slow change in the consumer lifestyle, it is expected that the consumption of Água das Pedras grows faster in the first years as a new product, and stabilize in the following, until it keeps constant. This may be translated, as a title of example, in a growth of 25% from the 1st to the 2nd year, and 15%, 15%, 10%, 5%, 5%, 0% in the following.

The discount rate used was obtained through the Unicer Annual Report and Accounts from 2006, which was the last year it was listed in Euronext Lisboa: 5.8% for beverage exports (Unicer, 2006).

The estimated NPV for this project from 2013 to 2022 is around 498 265€, the payback time approximately 3 years and 3 months, and the IRR 44% (Table 14).

[33] FOODEX Japan is Asia's largest food and beverage tradeshow and is the third largest exhibition of its kind in the world. This show is an excellent opportunity to gather intelligence and insights into Asian market products and trends, meeting with numerous potential buyers from various Asian countries. The following will take place in Makuhari Messe in March 5-8, 2013.

[34] Wine & Gourmet Japan is an exhibition for wine & spirits, gourmet & fine food, confectionery, food catering and foodservice equipment & supplies for the Japanese market. The following will take place in Tokyo Big Sight in April 3-5, 2013.

Table 13 - Summary of the data for estimating the cost of participating in a professional fair in Japan

3 people	1 week in Japan (6 nights and 7 days)	118900	€
	Go-return flight	2500	€/person
	Hotel	400	€/night/person
	Other stay costs	200	€/day/person
	Cost of the stand + decoration	100000	€

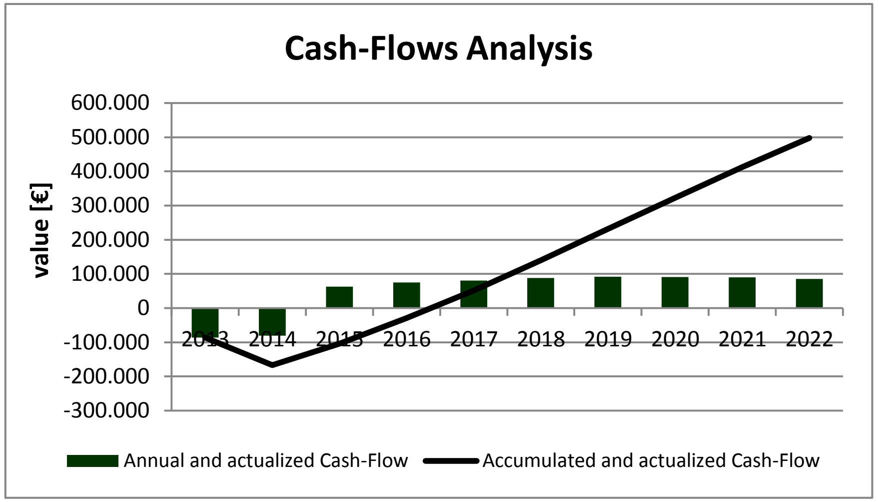
Table 14 – Incremental cash-flows analysis for Água das Pedras entrance in the Tokyo market, from 2013 to 2022

Merchandize Price 0,61 €/l

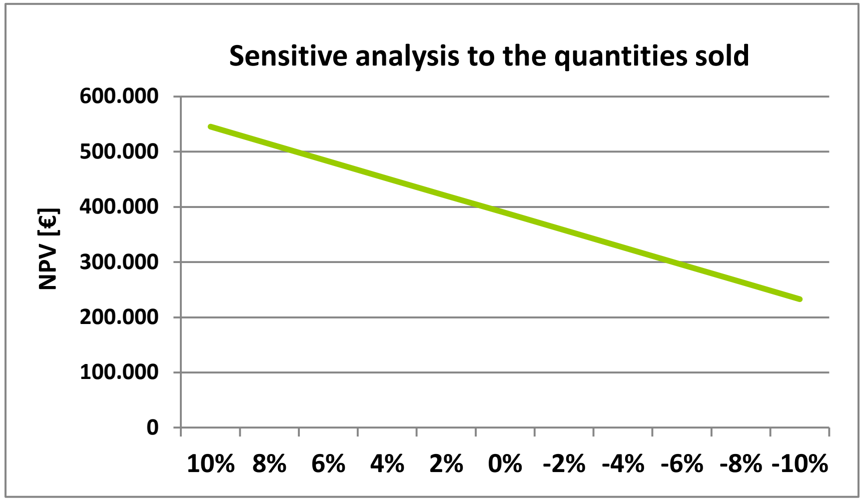
	year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	#year	0	1	2	3	4	5	6	7	8	9
	Investment [€]	-115300	-113500	0							
	Growth rate [%]				25%	15%	15%	10%	5%	5%	0%
	Volume [l]			468000	585000	672750	773663	851029	893580	938259	938259
	Revenue [€]			286000	357500	411125	472794	520073	546077	573381	573381
	Operational costs			177450	221813	255084	293347	322682	338816	355757	355757
	Reimbursed marketing			14300	17875	20556	23640	26004	27304	28669	28669
	COGS			191750	239688	275641	316987	348685	366120	384426	384426
	EBITDA [€]			94250	117813	135484	155807	171388	179957	188955	188955
	Depreciation [€]			0	0	0	0	0	0	0	0
	Gross Results [€]			94250	117813	135484	155807	171388	179957	188955	188955
25%	Tx	-28825*	-28375*	23563	29453	33871	38952	42847	44989	47239	47239
	Net results			70688	88359	101613	116855	128541	134968	141716	141716
	Cash-Flow	-86475	-85125	70688	88359	101613	116855	128541	134968	141716	141716
5.8%	Cash-Flow act	-86475	-80458	63150	74610	81098	88150	91649	90956	90268	85320
	Cash-Flow acum	-86475	-166933	-103784	-29174	51924	140073	231722	322678	412946	498265

- Because the money spent to the preparation of the entrance of Água das Pedras in Japan , called investment, is in reality a cost for the company (trips by airplane and participation in fairs), it can be assumed that its value is going to be abated in the taxes paid. It is represented already in year 0 and 1 because this is an analysis made to the incremental cash-flows of the project.

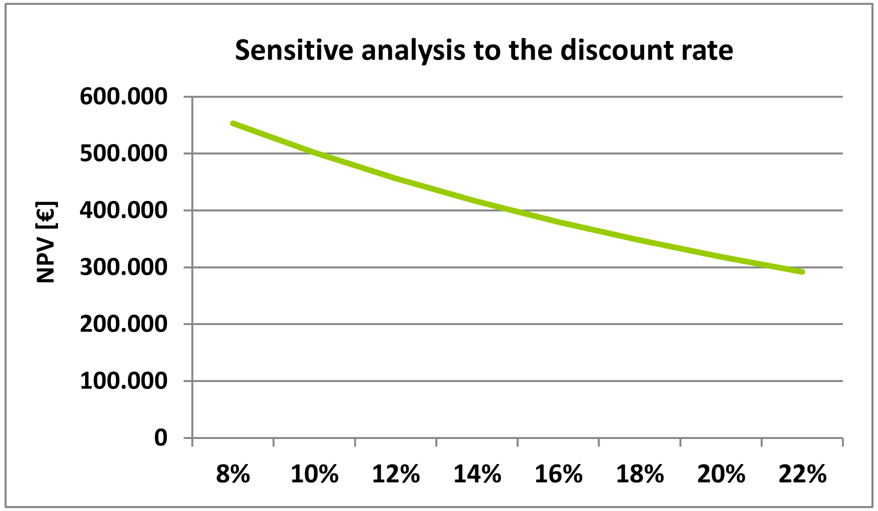
ANNEX XIX – Financial Projections and Sensitive Analysis



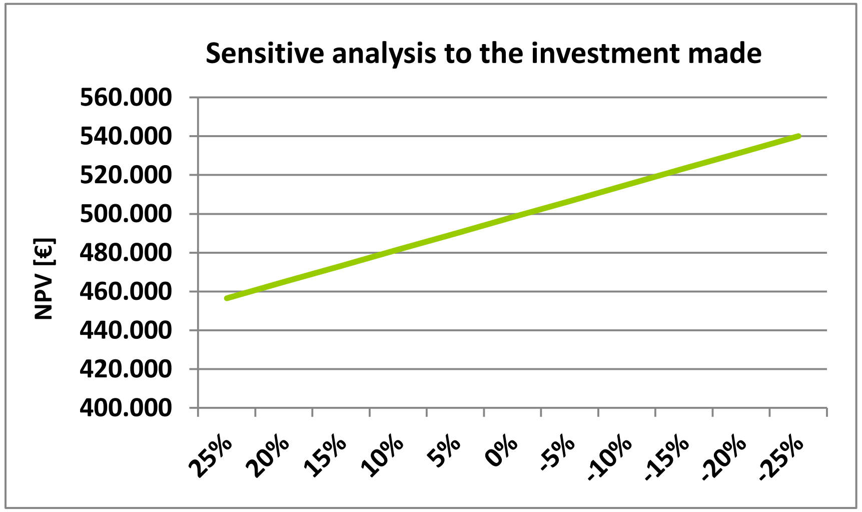
Graphic 9 – Actualized and accumulated cash-flow for the first 8 years of exports of Água das Pedras to Tokyo



Graphic 8 – Sensitive analysis to the qualities of Água das Pedras sold



Graphic 10 - Sensitive analysis to the discount rate used



Graphic 11 – Sensitive analysis to the investment made

ANNEX X – Business Plan: Implementation Plan Proposal

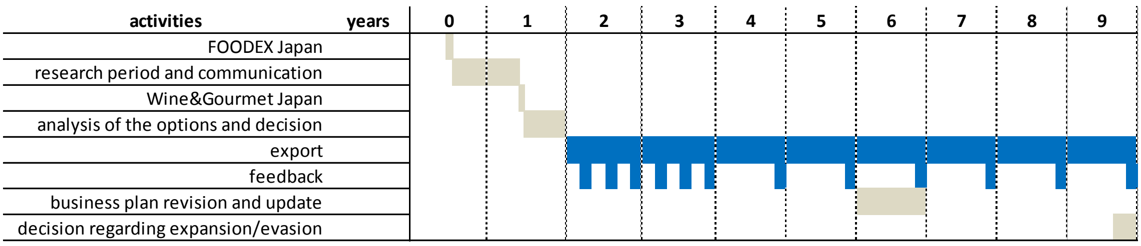
Objectives:

1. Choose a reliable distributor within the two first years of the project
2. Achieve 1% of the sparkling water market in Tokyo in the first year
3. Keep business during 8 years after the implementation of the business in Japan
4. Grow significantly and achieve 2% of the sparkling water market in Tokyo in the 8th year
5. Achieve a positive accumulated cash-flow at least prior the first 4 years of implementation
6. Testing the Asia market in order to infer about the viability of further expansion

Tasks:

Obtain licenses and export documentation – Unicer (Água das Pedras operations manager)
Networking with prospective distributors – Unicer (Água das Pedras Marketing Director)
Secure production and transport to the port – Unicer (Água das Pedras operations manager)
Secure maritime transportation to Japan – distributor (under the FOB contract) (operations manager)
Begin recruiting clients – distributor (relationship manager)
Create marketing collateral – distributor (marketing manager)
Transport the product inside Tokyo – distributor (operations manager)
Deliver the product – retailers (employers)
Solicit referrals from clients – distributor (relationship manager)
Keep relationship with the distributor and manage the flux of information – Unicer (Água das Pedras Marketing Director[35])

Time allocation:



Progress: Água das Pedras Marketing Director and Água das Pedras team would be responsible for monitor the progress of Água das Pedras exports to Japan, as well as receive the feedback from the distributor, and readjust the implementation plan and the Gantt chart accordingly (Table 15).

[35] Bruno Albuquerque, Água das Pedras marketing Director in Unicer, was the contact of the field lab group in the enterprise.

Table 15 - CSF and KPI's necessary to implement Água das Pedras internationalization plan per strategic theme: Financial, Costumer, Internal, Learning (memo)

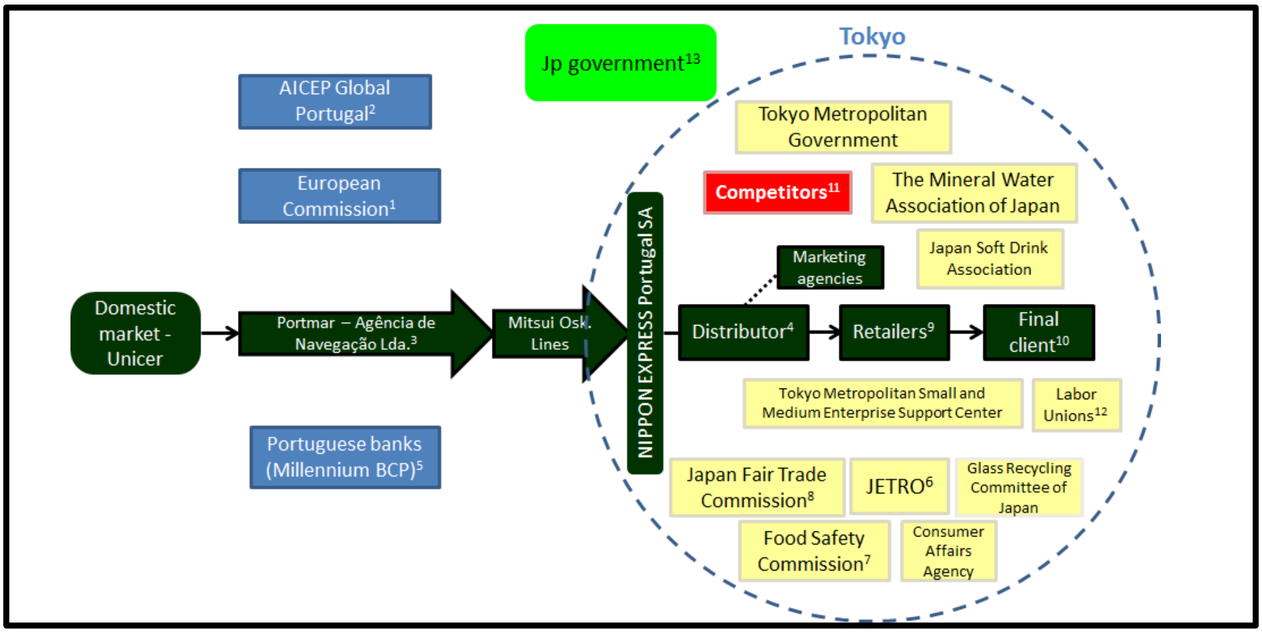
	Objectives	Measurement	Target	Initiative
Financial	Have a high growth rate in sales in the firsts years (increase market share) Improve domestic profit	Volume ordered by the distributor EDITDA % in relation to domestic EDITDA	Equivalent volume of 1% of sparkling water market in the first year, and 2% in the 8th EBITDA >100% domestic EDITDA	Pricing strategies Distribution work, creation of partner relationships with retailers through appealing conditions, marketing strategy B2B.
	Positive profit	Unicer markup	100%	Long term sustainability.
Customer	Brand awareness Loyalty to the brand, consumer satisfaction High perceived quality Lower perceived prices	nº of Gourmet restaurants, stores, libraries coffees, universities and other places where Água das Pedras may be sold nº of companies and business canteens that advice and order Água das Pedras Visits per month to the website Percentage of people who recognize the logo and the bottle Operational costs Level of costumers satisfaction and qualitative perceptions regarding the brand (surveys)	>50% Tokyo gourmet restaurants >= 2 large Japanese companies 90% business workers in the service sector recognize brand name ('Water from the Stones') and 70% know its therapeutic properties and useful benefits for health and mind performance. Associate Água das Pedras with the Japanese philosophy of life: shinto (connection to nature) and at least one of the 5 elements of nature from the godai philosophy - Kū element = spirit and energy; sui element = water. 50% consumer satisfaction Keep the trade price below the value of 2€/L.	Marketing Strategy. Free demonstrations and trials in schools, universities and service companies Água das Pedras could sponsor important business events, targeting a specific company to become its partner (e.g. PwC), or ritual events/cultural initiatives that would take place in Tokyo appealing to the importance of the past and one's ancestors. Maintain cost efficiency; take advantage of increased production to have economies of scale; keep track of alternative transportation means and what the competition is doing. Partner with important universities or research centers, such as the University of Tokyo
Internal	No significative change in the workforce Language & Culture Coherency	Distributor feedback Complaints in Unicer office regarding difficulties on understanding reports information		Relationship with Japanese & Portuguese Delegations and Associations. Constant communication with the distributor. Constant updating of the trade conditions managed by government organizations (JETRO)

Distributor	Updates on marketing message Updates in bottling sizing Control distributor performance Get information and feedback regarding the progress of the plan	Stock turnover nº type of retailers (diversification) nº new partners and distribution contracts nº direct orders to the distributor (pull) % area covered by distributors nº of contacts with the distributor for month and usefulness of the information Proportion of 25cl bottles sold compared with other dimensions Ratio of distribution expenses/volume sales	Be consistent with consumers wants and needs Business workers first choice in their daily life in the office (Unicer vision) as water that supports business activity*. Keep distribution costs low to keep price competitive	-Continuous market research and knowledge retention and efficient communication between distributor-exporter -Use public organizations to get statistical data (high quality in Japan) -Make periodic visits in order to interact directly with retailers and clients (last resource) -Online surveys -Online exchange of information and active participation in foruns from the speciality -Continuing the contest participation and the visits to international expositions and fairs in order to contact with other perspectives and trends -Japanese professional assistance/consulting companies (as a last resource) -Notice advices and articles in trendy magazines

*It should be taken into the office, for example in parties catering and conferences coffee-breaks.

ANNEX XI - Import logistics channels and procedures

Industry Mapping



1 – Through incentive programs such as the EU Gateway Programme; 2 – Both offices in Portugal and Japan (aicep.tokyo@portugalglobal.pt); 3 – Unique shipping agency that makes the route Portugal – Japan in partnership with Mitsui Osk. Lines (http://www.portmar.pt/); 4 – To be chosen by Unicer 5 – Internationalization support programs to Japan; 6 – Japan External Trade Organization (http://www.jetro.go.jp/); 7 – http://www.fsc.go.jp/english/index.html; 8 – http://www.jftc.go.jp/en/; 9 – Gourmet restaurants; Catering companies; Gourmet stores; University restaurants (University of Tokyo); Tokyo Metropolitan Library; Service Companies; HoReCa channel (premium); chosen by the distributor. An important player here might be the **Japan Restaurant Association,** the **Japan Glass Bottle Association** and the **Japan National Tourism Organization**.; 10 – Água das Pedras targets high income business men that work in the service sector at Tokyo.; 11 – large Japanese beverage companies (Kirin Beverage: http://www.beverage.co.jp/en/, Itoen, Santory Beverage & Food Limited: http://www.suntory.com/group/food.html, DyDo Drin: http://www.dydo.co.jp, Asahi Soft Drink : http://www.asahigroup-holdings.com/en/company/soft_drink/index.html, Otsuka Foods: http://www.otsukafoods.co.jp/, Sapporo Beverage Co. Ltd.:); 12 – Labour Unions: National Trade Union Council (Zenrokyo); Japanese Trade Union Confederation (Rengo); National Confederation of Trade Unions (Zenroren); National Union of General Workers; 13 – With emphasis to the Ministry of Health, Labour and Welfare (http://www.mhlw.go.jp/english/), the Ministry of the Environment (http://www.env.go.jp/en/).

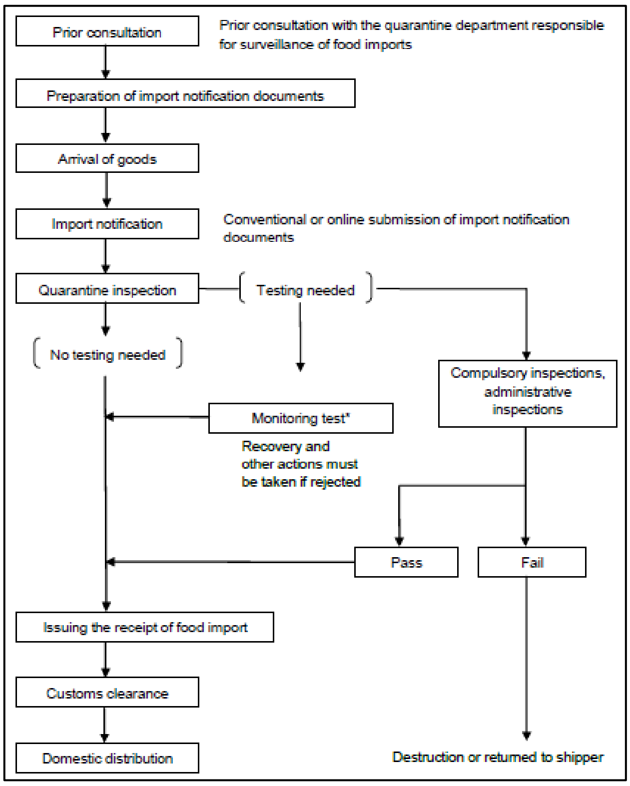


Figure 5: Flowchart of import procedure (Ministry of Health, Labour and Welfare data in (JETRO, 2011))

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

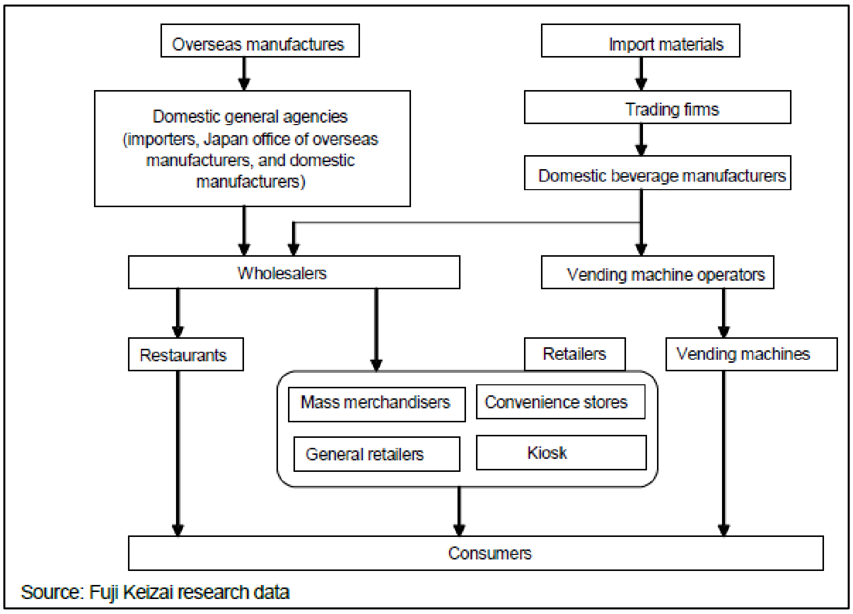


Figure 6 – Distribution channels for soft drinks in Japan (Fuji Keizai research data in (JETRO, 2011))

The choice of the distribution channels will be left to the distributor, according to the business model proposed. Notwithstanding, it is likely that it targets the premium retailers. This means it will study and work the market, according to Unicer designed strategy to Água das Pedras.

ANNEX XII - Risk Analysis

Making a summary of the main risks that are implicit and explicit in the project, one could identify the importance of the advertising rights in order to protect the Água das Pedras concept. This can be protect through the use of patents (for the name, slogan, for instance) or contracts of exclusivity with the marketing agencies. Because this function will be held by the distributor, it is important that Unicer maintains a strict line of reasoning and continuous communication with its importer in order to control and keep the message consistent.

Another risk to have into consideration is the incapacity of creating brand awareness. This may be overcome if Água das Pedras partner with an experienced beverage company, which may sell the product under a product brand strategy[36] or a mix approach between source[37] and endorsing brand strategy[38] architecture, making the distributor name add value to the product.

The high dependency on distributors is the main risk to have into consideration. It may imply substantial margin losses, possible negative impact on brand image, and default on knowledge retention if the relationship exporter-importer is not well managed.

This can be prevented, as already mentioned, with continuous communication (in English) and the adequate use of incentives and key performance indicators as well as the support given by AICEP in Japan, the management of the information supplied by JETRO, the International Chamber of Commerce, the Japanese Association of Mineral Waters and other organizations that may help monitor the success of Água das Pedras in Japan.

Additionally, as the trades in Japan are done in Japanese yens, there is also the exchange risk. The Japanese situation should therefore be monitored (if the yen starts decreasing more than the euro). Finally, transportation costs and taxes may inflate the product price in the long run. This can be overcome with the constant adoption of new technologies more environmental friendly (less consumerist of fossil fuels) and the use of consulting companies help or bank internationalization lines help in the constant updating of taxes and rules to have attention in these new markets.

[36] Advantages: Allows firms to take risks in new markets: The name of the company behind remains unknown to the public. Since each brand is independent of the others, the failure of one of them has no negative impact on the others.

[37] Advantage: The parent brand offers its significance and identity, enriched by the daughter brand in order to attract a specific customer segment with the risk of incongruence between the daughter brand and the parent brand.

[38] Advantages: Division of roles at each stage of the branding hierarchy; the endorsing brand is the guarantor of the “endorsed” brands quality and security (scientific and technical expertise, social responsibility); other brand functions are assumed by “endorsed” brands; greater freedom of movement: the corporate brand has a “back seat” position.