

Internationalisation
of Territorial Base
Products and Services



IN.AVE X Globaliza





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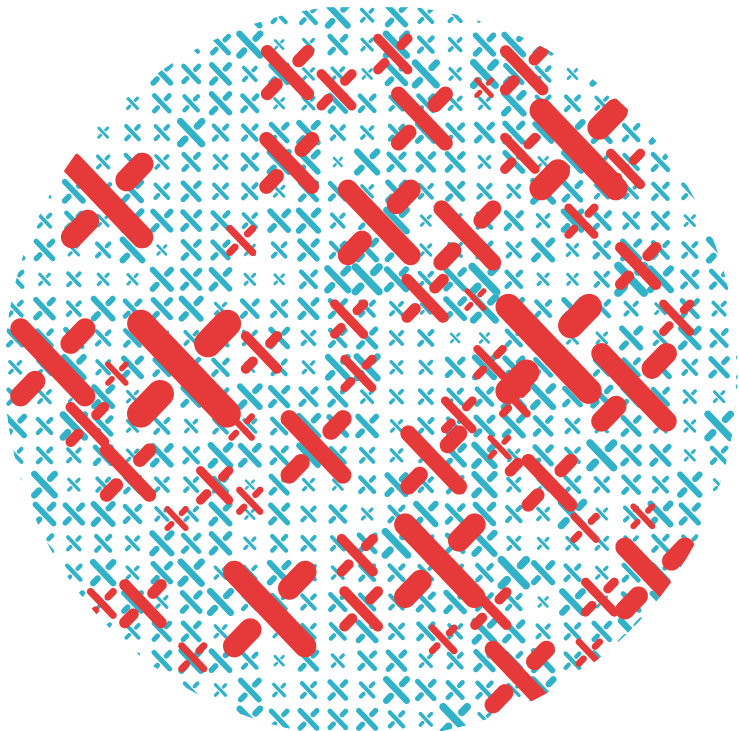
1.

Internacional.AVE

The promotion of territorial base products and services has a relevant role in the cohesion and maintenance of territorial identity structure, allowing for the diversification of income sources and providing a multifunctionality to the rural areas. In this context, entrepreneurs frequently face a dual challenge, since they must recover territorial legacy and re-establish local traditions, and at the same time introduce innovation factors appropriate to current market demands.

The internationalisation of products and services based on local assets is crucial for the general territory and particularly the local products to adopt all the benefits of the globalisation process. However, as a general rule, local products and development agents are not organised in ranks or consortiums, which minimises the scale effect that would be possible if there was a better organisation around critical success factors.

The INternacional.AVE project intends to research and study the internationalisation potential of territorial base products and services, both existing and emergent in the Ave region, and present cross-cutting solutions that contribute to stimulating territorial base production activities.



INTERNACIONAL.AVE is integrated within three RIS3 NORTE 2020 Specialisation Domains: **“Culture, Creation and Fashion”**, **“Agro-Environmental and Food Systems”** and **“Symbolic Capital, Technologies and Tourism Services”**. The choice of these specialisation domains is justified by their relevance in the set of the Ave region’s economic activities, by its comprehensive character and by the know-how and technical expertise capital accumulated within the territory.



The project methodology is based on participation instruments, both individual (through interviews) and collective (sectorial and territorial focus groups). The studies involved local producers, company and business association representatives, as well as public entity representatives, namely from the municipalities included in the Comunidade Intermunicipal do Ave. The strategy and diagnostic preparation process was systematically perfected through periodic feedback cycles.







2.

Territorial Development and Internationalisation

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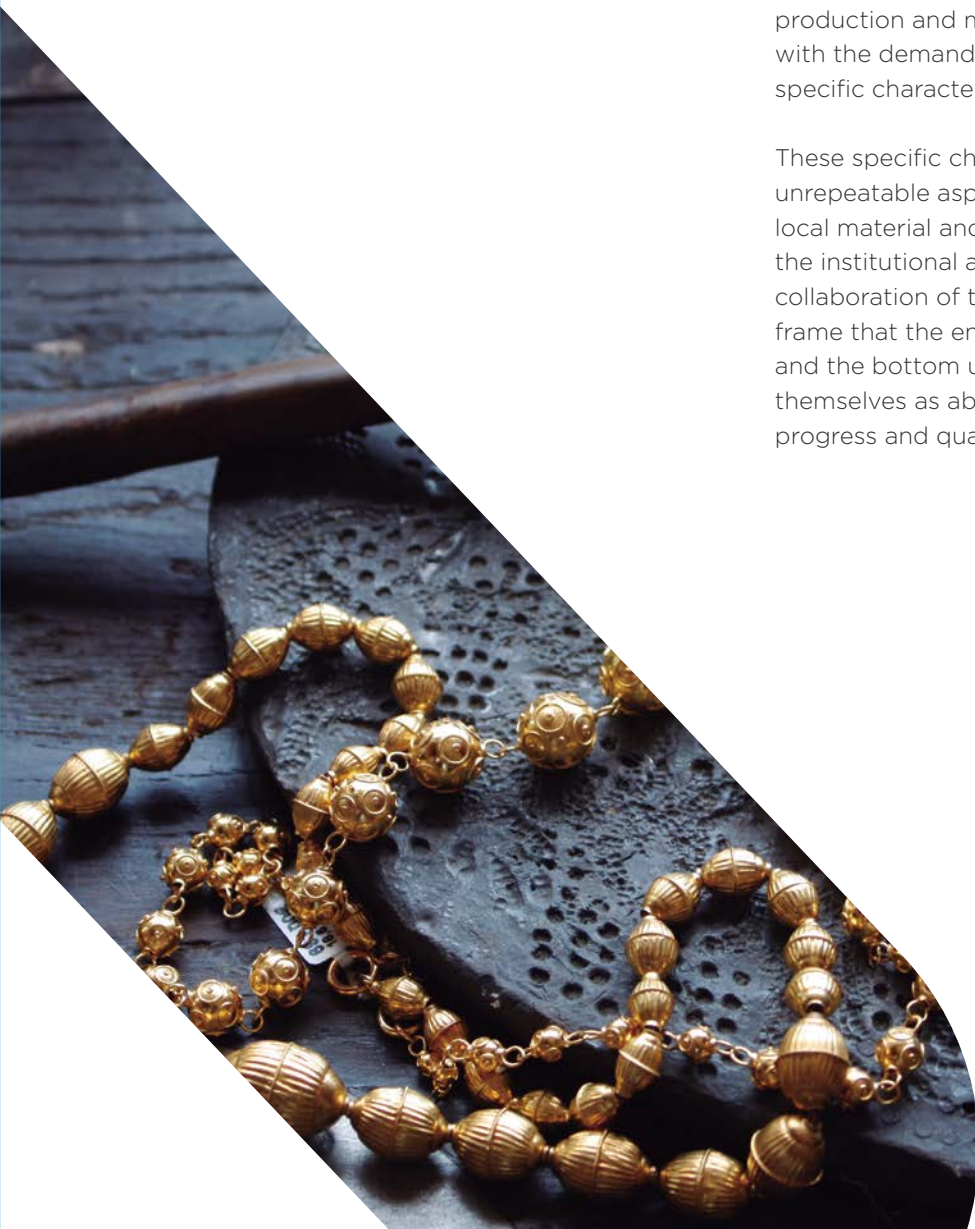
The ultimate purpose for the development is improving the population's quality of life. It assumes the increase of income levels and the improvement of access to goods and services of social or immaterial nature, such as healthcare and education services. These aspects, together with culture and institutional quality and ability, are key variables for inducing long-lasting development processes, capable of leveraging opportunities and facing threats deriving from structural changes in economic, social and technological domains.

In the last few decades, particularly in Europe, development strategies have been incorporating a new element: territory. The integration of this new element forces the consideration of the particularities of spaces, its agents, and the relations between them. This way, local scopes assume a more and more relevant role in understanding economic and social transformation processes.



Paradoxically, the importance of differentiated strategies of territorial scope was stimulated by the globalisation process: the standardisation of production and mass consumption patterns contrasts with the demand of new products and services with specific characteristics that are difficult to reproduce.

These specific characteristics arise from unique and unrepeatable aspects such as identity, history and local material and immaterial resources, as well as the institutional ability and self-organisation and collaboration of territorial agents. It's within this frame that the endogenous development processes and the bottom up organisation logics present themselves as absolutely critical for guaranteeing progress and quality of life.



Economically speaking, the ultimate purpose of the endogenous development is the improvement of territorial competitiveness, understood as a territory's effective ability to sustainably expand its production, based on business investment and the increase in productivity. From a management point of view, the territorial competitiveness increase assumes the development of competitive advantages, based on the leverage and maximisation of local resources and the development and enhancement of skills. From a competition point of view, a territory's competitiveness derives from its ability to sustainably self-develop in an increasingly globalised competition context.

Territorial development is increasingly associated with elements such as natural and man-made landscape, traditions, celebrations and rituals, handicrafts, cuisine and certain ways of living. The added value of territorial productions results from the differentiating factors that grant it certain dimensions like tradition, history or nature. These differentiating elements create productions that integrate niches with potential in global markets. The possible interest in these productions in international markets justifies implementing territorial strategies and creating instruments that support the producer's internationalisation processes. The income originating from these processes shall be leveraged to induce development at a local level and improve the living standards at that scale.









3.

**Grouping Territorial Base
Products and Services:
Diagnosis and Analysis**

3.

Grouping Territorial Base Products and Services: Diagnosis and Analysis

With the purpose of categorising and analysing the array of territorial base products and services from the Ave region, as well as designing a strategy for stimulating the internationalisation of these productions, four large groups of products and services (niches) were identified: i) Food/Organic; ii) Handicrafts; iii) Tourism/Well-being; and, iv) Others. This identification is based on the participative methodology adopted for the project and a benchmarking analysis intended to validate options and proposals. Each group includes several areas, within which the various products are classified into two large segments: traditional and new tendencies.

For each of the main groups (excluding Others), several opportunities for stimulating territorial base business have been identified, as well as the main advantages the Ave region offers to support the endogenous development and growth of such local base productions.

Groups of products and services within the territory

	Drinks	Segment	
		Tradicional	New Trends
Food Agriculture/Organic	Drinks	Wine; LiqueursC	Craft beer
	Fruits/Mushrooms	Chestnuts	Berries; Kiwi; Organic Mushrooms
	Honey/Cheese	Honey; Cheese	
	Smoked products/Meat	Barrosã meat; Maronesa meat; Veal (Fafe); Smoked products (Vieira do Minho)	
	Sweets/Pastries	Bolinhol; Pão-de-ló; Cavacas; Egg yolk sweets; Brown bread; Jams	
	Plants	Herbs	<i>In vitro</i> plants; Cultivation kits
Handicrafts	Jewellery	Jewellery	Signature jewellery
	Textile	Wool; Filigree crochet	
	Others	Stills; Hay products; Wood and wire products; Traditional blacksmiths	
Tourism/ Well-being	Cosmetics		Thermal soaps; Essential oils
	Tourism	Rural accommodation; Local accommodation	Tourist entertainment; Bike paths; Extreme and outdoor sports
Others	Granite	Yellow granite	

3.1

Food Agriculture/ Organic Group

The current market context allows for identifying a set of opportunities that may be explored by the Ave region producers to stimulate their business and increase their international component:

- The existence of consumers who are more knowledgeable and aware of their choices when buying.
- The consolidation of trends for consuming products of local origin that are also organic, sustainable and protected by certifications and designations of origin.
- The interest in quality foreign products in other countries.
- The increasing awareness of large and medium distribution by local productions, with interest in one-time distribution (depending on campaigns) or systematic distribution (when a sufficient offer exists).
- The recognition of the food industry's strategic character and its positive impacts on the rural areas, the occupation of territory and the landscape, etc.
- The existence of sectorial associations with potential to develop shared instruments that stimulate business, namely the marketing dimension.
- The increase of the region's tourist activity and the strengthening of bonds between tourism and cuisine, and between tourism and local experiences.

As part of this, local producers benefit from several advantages connected to endogenous resources and their territorial positioning that must be used to develop their businesses:

- The existence of specific local know-how in certain types of productions.
- In many cases, the fact that it is a vocational activity, linked to family and local traditions.
- In other cases, the fact that it is an alternative activity (second choice), for qualified entrepreneurs that see local productions as a form of income generation and professional achievement, more sustainable, more harmonised and associated with a greater quality of life.
- The untapped production capacity, considering local resources and abilities.
- The good reputation of certain productions, especially when associated with certain types of varieties or species.
- The possibility of using the Minho brand as a grouping and recognition element outside of the territory.
- The proximity to markets with relevant dimension, namely the Metropolitan Area of Porto and the population grouping of Baixo Minho, including the Quadrilateral area (Barcelos, Braga, Vila Nova de Famalicão and Guimarães).
- The availability of financing programmes with community funds to stimulate business projects in key areas for local productions.

3.2

Handicraft Group

The current changes in the scope of handicraft production, concerning both the demand and supply, provide the alignment of a set of opportunities for the handicraft sector in the Ave region that may stimulate the sales of products of a strong endogenous component within the domestic and international markets. The most noteworthy ones include:

- The existence of consumer niches interested in acquiring handicraft products associates with the territory and cultural heritage, with the purpose of preservation and value accumulation.
- The considerable demand potential of certain productions, as they are or with some changes, including the definition of marketing strategies and the adoption of more professionalised marketing approaches, the incorporation of contemporary design elements, the customisation of productions and the creation of limited editions.
- The potential exploration of synergies with sectors such as cultural, culinary, rural, nature- and experience-related tourism.
- The possibilities offered by information technologies to present, promote and sell local productions in digital markets.
- The unexplored potential in terms of collaboration and cooperation between producers.
- The possibilities offered by new technologies in design and production, as well as business management.

In the Ave region, there is a set of elements susceptible to market appreciation that should be explored to boost handicraft activities and generate income through sales in domestic and international markets, namely:

- The existence of knowledge and experience capital that is territorially focused on certain types of productions, namely jewellery and textile, within the sphere of techniques and productions.
- In most cases, the fact that these are vocational activities passed on within families, where predecessors convey their knowledge and know-how to the younger members.
- The possibility for expanding production considering local resources and skills, although the sector's training processes are extremely long, as learning is based on experience and accumulated work hours.
- The recognition of handicrafts as a cultural and heritage activity that must be preserved.
- The good reputation of most handicraft productions, namely those with exclusivity attributes.
- In some cases, the existence of products with deep distinctive features, both in process and in results, that enable them to stand out from potential competitors.
- The increasing presence of productions in qualified sales points, namely within multibrand spaces, where the Ave region's handicraft products are presented next to prestigious international brands.
- In the case of jewellery, the possibility of using the *Portuguese Filigree* reference, which confers quality and recognition status to products outside of the territory, both in Portugal and in certain foreign markets.
- The availability of financing programmes with community funds to develop key aspects for businesses dedicated to handicraft productions.

3.3

Tourism Group

The structural changes in markets related to leisure and hobbies create a set of opportunities for territories with differentiating characteristics, which may induce a demand from the rest of the country and from promising external markets. The most relevant ones include:

- The good performance of the Portuguese and European tourism market, in terms of visitors, overnight stays, income and job creation. Tourism is an increasingly strategic market, both in developing and advanced economies.
- The strong growth of the number of tourists in Portugal, in the last five years, especially in the short-break category..
- The good prospects of sector growth, considering the generalised improvement of the economic situation within relevant markets.
- The untapped tourism potential, namely the cultural, culinary, rural, nature - and experience - related segments (emotional interpretation).
- The good accesses and increasing number of connections of the Sá Carneiro Airport with European cities with promising potential.
- The possibility of establishing cooperation agreements with nearby territories, both in Portugal and Galicia, and with territories of other countries as part of European networks.
- The untapped potential for developing projects that integrate tourism and leisure.
- The political willingness to solve coordination problems among administrations and to link general and rural territorial development policies.

As part of tourism, the Ave territory includes several strong points associated with natural resources, heritage and infrastructures that provide unique advantages in competitive terms to attract tourists and visitors:


- The availability of infrastructures, equipment and quality services.
- The variety of landscape and ecosystems, with unique natural spaces of great tourist interest.
- The availability of well-preserved (restored and rehabilitated) man-made historical and cultural heritage, in requalified contexts, with cultural and tourist interest.
- The unique ethnographic heritage (from Minho), which boosts tourist attractiveness.
- The agricultural, winemaking, industrial and handicraft traditions with multiplying potential on tourist sector competitiveness.
- The increasing, qualified and diversified offer of accommodation, mainly in rural and local segments.
- The legacy of major events celebrated in the region in recent years, namely Guimarães 2012 – European Capital of Culture, mainly in terms of cultural dynamics and the experience of welcoming visitors and tourists.
- The strong attractiveness of rural and nature segments in nearby markets.
- The proximity to markets with relevant dimension, namely the Metropolitan Area of Porto and the population grouping of Baixo Minho, including the Quadrilateral area (Barcelos, Braga, Vila Nova de Famalicão and Guimarães), as well as regions bordering Spain.
- The possibility of using the Minho brand as a grouping and recognition element outside of the territory.
- The availability of funding programmes with community funds to stimulate business projects in key areas for the offer and tourist services.
- The strong improvement of management, marketing and quality systems, the qualification of human resources within accommodation units, and the general tourist offer, in recent years.





4.

Recommendations



Using the adopted aforementioned participative methodology and a benchmarking analysis, an strategic internationalisation matrix is proposed for each of the groups. The various matrices include strategies dependent on sectorial objectives, as well as intervention vectors and specific actions for its achievement.



Although there are well-established sectorial interventions, the performed diagnosis surmises the existence of structural problems requiring cross-cutting solutions in the domain of territorial base productions. The main cross-cutting problems affecting the identified groups are:

- **Dimension deficit and lack of sectorial organisation – productive atomisation and insufficient use of synergistic potential.**
- **The barriers in accessing the final demand, to safeguard margins and learn preferences and tendencies – lack of direct and informed access to end consumers and relevant intermediaries.**



Considering the identified structural problems, as part of the project, the creating and operation of two cross-cutting entities is proposed: an **Export Consortium** and a **Shared Services Centre**.

The Export Consortium for the Ave region territorial base productions

An export consortium is an independent entity comprised of companies and other entities whose intervention is restricted to internationalisation activities, in general, and export activities, in particular. The associates companies keep their legal identity and maintain their operational and management independence.

The companies constituting an export consortium aim to achieve synergies and increase their competitiveness, as well as reducing internationalisation risks and costs. The constitution of a consortium may be promoted by companies that wish to access and grow in international markets, but it can also be a public initiative.

In general, export consortiums are created with the intention of concentrating the atomised and disperse offer and perform export operations in a continuous and organised manner. The scale provided by the consortium optimises the management of resources and abilities and increases the operation and penetration potential in international markets. In the case of the Ave region's territorial base producers, the Consortium should focus on organising export-related functions in a broad sense (including storage and logistics), in analysing markets and potential clients and identifying partners for marketing these productions in international markets.



The Shared Services Centre for the Ave region territorial base productions

A shared services centre is an entity that specialises in providing highly marketable services for different companies and producers, aiming at reducing costs, consolidating administrative and support functions and obtaining synergies. This organisational model contributes to an improvement of process efficiency and control. It also allows each company or producer to focus on their core business and greater added-value operations. This way, producers can stay focused on the business aspects that grant them competitive advantages, while a specialised entity is dedicated to the development of less relevant tasks from a strategic point of view.

In the case of the Ave region, the shared services centre should support territorial base producers by providing functions and skills in the areas of: i) Conventional marketing; ii) Digital marketing (e-Business, digital content and social media management, pricing, business analytics and development of multiproduct virtual stores, among others); iii) Funding (identification of opportunities, presentation of tenders and project follow-ups); and, iv) Training and qualification (in sectorial specialisation areas and cross-cutting business domains).

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