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Internationalization of Portuguese companies – geographic diversification vs. concentration: the case study of a Portuguese multinational firm.

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Abstract

This study aims to explain the strategic motivation underlying the decision of expanding to a new market versus intensifying its presence in a previously explored market.
With this goal, this study investigates the case of a Portuguese multinational company with fifteen years of international experience.
Thus, we propose to study the motivations behind the question of geographic concentration vs. geographic diversification of the firm, by using the Strategy Tripod framework presented by Peng, Sun, Pinkham, and Chen (2009), which argues that the way a firm behaves depends on three perspectives: the industry-based, resource-based and institution-based views.
This study can be relevant in two aspects. First, it studies the firm's internationalization through geographical diversification or geographic concentration of its presence, a subject that has not been much studied in the context of international strategic management. Second, it explores the key factors that influence the company's decision to either consolidate its business in the geographies where it is already present or to enter new foreign markets at a given time. The focus is not on the internationalization and its impacts on firm performance – as most studies do – but instead, on the motivations behind internationalization.

Keywords: internationalization; geographic concentration; geographic diversification; strategy tripod; international strategic management

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1. Introduction

International Strategic Management is a relatively new and increasingly growing area of interest in the field of international business (White, Guldiken, Hemphill, He, & Sharifi Khoobdeh, 2016), mainly due to globalization and its impact on the necessity of companies to manage their operations outside their home market (Martinez, Priesmeyer, Menger, & Persellin, 1999). The analysis undertaken by (White et al., 2016) identifies ten subfields within International Strategic Management, such as international diversification, and business strategy formulation and implementation, among others. The subfield of international diversification, the one that takes center stage in this research, aims to investigate how firms internationalize into different geographic locations or markets (White et al., 2016). The theoretical research has gone through various phases, thus having focused on diverse perspectives such as the industrial organizational view, the resource-based view, and the institutional theory (White et al., 2016).

The Strategy Tripod framework, introduced by Peng et al. (2009), offers a broad understanding and thorough approach of every factor that shapes and influences the behaviour of a firm in its internationalization process strategy. According to the authors, the way a firm behaves depends on three perspectives:

1. The industry-based view: which says that a company behaves according to the five competitive forces that affect the industry it belongs to. These forces are "interfirm rivalry, threat of potential entry, bargaining power of suppliers, bargaining power of buyers, and threat of substitutes" (Peng et al., 2009, p. 15).

2. The resource-based view: according to which the firm's actions depend on its internal resources and characteristics, its own strengths, and weaknesses.

3. The institution-based view: which argues that the behaviour of the company is influenced by the rules – either formal or informal – of the market in which it operates.

Besides explaining the behaviour of a firm, these three perspectives that compose the Strategy Tripod also intend to answer the question of what determines the success or failure of a company on its international expansion.

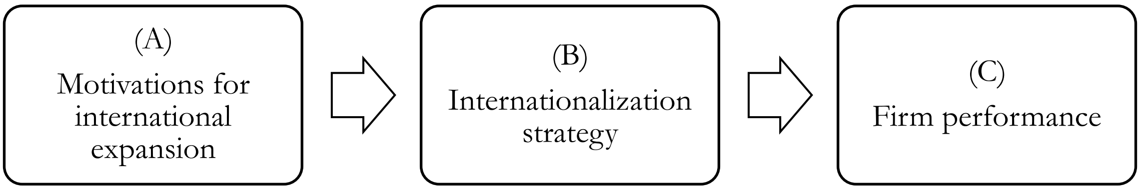
According to Peng (2009), the performance of a firm increases as its geographic diversification goes from limited to intermediate. However, when the international diversification becomes too extensive, the performance suffers a decrease. Thus, this study aims to explain the strategic motivation underlying a company's decision of continuing to expand to new different markets – diversifying – versus intensifying its presence in a single previously explored market. The contrast between these two strategies is illustrated in figure 1. For this aim, we intend to use the Strategy Tripod framework presented by Peng et al. (2009).

Figure 1 - Geographic diversification vs. geographic concentration

Legend: geographic diversification; geographic concentration
Source: Own elaboration.

This study is relevant in the sense that, while most studies focus on the relation between internationalization (B) and the impacts it has on firm performance (C) Hitt, Tihanyi, Miller, and Connelly (2006); Wiersema and Bowen (2011), this investigation will target the connection between the motivations (A) of internationalization and the internationalization itself (B), as shown in figure 2:

Figure 2 - Antecedents and Results of Internationalization



Source: Own elaboration.

Also, the question of internationalization through geographic diversification versus concentration of its presence in explored markets has not been much studied in a context of International Strategic Management. This study is therefore also relevant in trying to find the key factor that influences the decision of a company to either consolidate its presence or enter a new market: is it the industry that it belongs to? Is it its own resources? Or is it the institutions that rule the society and markets?

This study's structure is the following: section two presents the theoretical framework, the key concepts and theories necessary to a full comprehension of this research, as well as the review of relevant studies. Section three exhibits the methodology implemented in order to fulfil the aims of this study. Finally, section four undertakes the analysis of the data and results of this case study, and the final section presents the main conclusions.

2. Theoretical Framework

In this chapter we intend to introduce the terms and concepts, as well as the theories and frameworks, we consider to be key to have a full understanding of this study. In addition, we will also be displaying the conclusions achieved by similar studies. Thus, in the first place, we will shed some light on the field of International Strategic Management, as well as present its subfields and most influential theories. Secondly, we will introduce the theories underlying the formation of the Strategy Tripod framework. Lastly, an elucidation of the terms of geographic diversification and geographic concentration will be undertaken.

2.1. International Strategic Management

The emergence of Strategic Management dates to the 1960s, and the interest on its research and the diversity of topics it studies has been growing ever since (Herrmann, 2005; Hoskisson, Hitt, Wan, & Yiu, 1999) .

According to Hoskisson et al. (1999), this is an eclectic and multidisciplinary field that studies concepts that influence the performance of the firm. It tries to understand how external and internal factors to the firm influence its ability to outrun its competitors, and thus implements strategies that will help the firm achieve its goals (White et al., 2016). Strategy itself is described by Herrmann (2005) and Hoskisson et al. (1999) as the definition of the "basic long-term" objectives of the firm and the steps that must be taken to carry out those goals.

Hoskisson et al. (1999) argue that there were various periods of evolution in the field of strategic management. During the early stage of the field, there was an evident focus on the firm and its strengths and capabilities. Later on, the research took a turn to the economics field, being specifically influenced by the industrial organization economics (Hoskisson et al., 1999). This new view defended that the performance of a firm was influenced by the industrial environment it competed in (Yadav Ph.D, Sushil, & Sagar, 2014), and presented the generic strategies: cost leadership, differentiation, and focus (Herrmann, 2005), which will be presented in more detail ahead in this study. However, it was not long before the attention of the research aimed again at the resources of a firm, thus recognizing the importance of the resource-based view (Hoskisson et al., 1999). This view proposed that a firm could only be successful if its resources and capabilities gathered a combination of attributes such as value, rareness, inimitability and organization embeddedness, which would thus provide the firm a sustaining competitive advantage (White et al., 2016). Other theories that emerged throughout the development of the field are transaction costs economics, knowledge-based view, and institutional theory, among many others (Hoskisson et al, 1999, White et al, 2016, Yadav et al, 2014).

With the rise of globalization, it was required of multinational enterprises to adapt to the changes in the environment (Yadav Ph.D et al., 2014) and to develop a broader understanding of the institutional context, taking into account the cultural, social, political, legal and economic variables (Martinez et al., 1999). This phenomenon led to strategic challenges which can only be surpassed by the firms through efficiency enhancement, namely, by achieving a sustained competitive advantage (Martinez et al., 1999).

In order to understand how firms achieve a sustained competitive advantage, International Strategic Management has presented theories and developed subfields of research. According to White et al. (2016), there are ten subfields of the International Strategic Management research, such as business strategy formulation and implementation, corporate strategy formulation and implementation, political risk, strategic alliances, internal coordination, and finally, international diversification. This last subfield has been the one whose research interest has grown progressively over the years, and it studies how enterprises internationalize their operations into new markets.

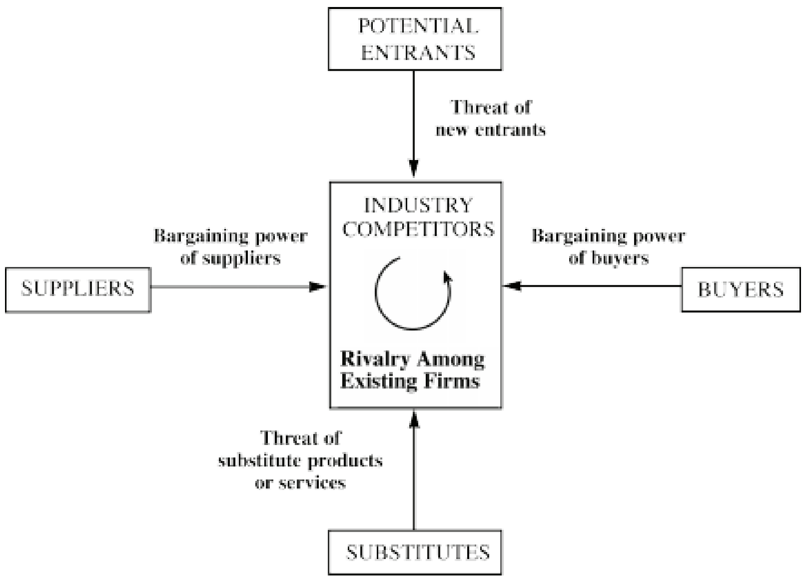
2.2. The Strategy Tripod

In the last thirty years, the discipline of strategic management has adapted itself to the changes that occurred in the international business environment through a constant search for new perspectives (Peng et al., 2009). According to Peng et al. (2009), Strategy has gone through three periods of growth, which are described below.

2.2.1. Industry-based view

The first period of growth started in 1980, with Michael Porter defending the need to create a framework that would "understand industry structure and the behaviour of competitors, and to translate these into operational strategic recommendations" (Porter, 1983) (p. 175). Thus, considering the lack of answers left by previous researches, and the absence of "in-depth treatments of competitors" (Porter, 1983, p. 175), Porter presented the Competitive Strategy Framework. This framework proposes the existence of five competitive forces within an industry, which, together, determine, not only the industry attractiveness, but also the "potential for firms to earn returns on investment in excess of the opportunity cost of capital" (Porter, 1983, p. 177). These forces, as depicted in figure 3, are the rivalry among competing firms, the threat of new entrants, the threat of substitute products or services, the bargaining power of suppliers, and the bargaining power of buyers.

Figure 3 - Competitive Strategy Framework



Source: Porter (1983), p. 172.

Thus, this perspective argued that the strategy endeavoured by a firm in its international expansion process is mainly influenced by the industry it competes in and, consequently, it is the relationship that the firm has with its environment that will determine its behaviour and, ultimately, its performance (Gao, Murray, Kotabe, & Lu, 2010).

In the past decades, the phenomenon of globalization has led to the appearance of more and better equipped competitors within an industry, hence forcing firms – those who aim success – to adopt strategies that would help them gain a competitive advantage, and thus achieve a higher performance (Akçagün & Dal, 2014). Porter (1985) argued that a firm can only gain a competitive advantage if it follows a generic competitive strategy: cost leadership, differentiation, or focus. The first one relates to companies whose strategy is to have lower production costs, in order to offer products or services at a more attractive price than its competitors. These firms pursuit economies of scale and, by following the cost leadership strategy, are more likely to have a rigid control over costs and pricing activities and to achieve "cost minimization in areas like R&D, (…) sales force, advertising" (Akçagün & Dal, 2014, p. 152). The differentiation strategy refers to firms that pay attention to one or some of the attributes that potential clients perceive as valuable and offer a product or service that responds to the exact needs of these customers, hence positioning themselves as exclusive in their industry. By offering unique products or services, firms guarantee that clients are loyal and not sensitive to price oscillations. Accordingly, due to the possibility of charging more for their unique products, these firms may experience high profit margins (Akçagün & Dal, 2014). Lastly, the focus strategy relates to firms that focus either on a specific "group of costumers, geographic markets, or product line segments" (Akçagün & Dal, 2014, p. 152).

Therefore, by pursuing one of these strategies, the firm will gain and retain a competitive advantage that will make it stand out from its competition. If the company does not adopt one of these strategies and stays "stuck in the middle", it won´t achieve a higher firm performance (Akçagün & Dal, 2014).

2.2.2. Resource-based view

According to Barney (1991), most of the research available at the time that targeted the opportunities and threats of the environment, as well as frameworks such as the "Competitive Strategy Framework" by Porter, wrongfully made two assumptions about firms. The first one was to consider that all firms of a particular industry were similar on the resources they controlled and on the strategies they undertook. The second was to presume that even if there was heterogeneity in the resources firms of an industry possess, it would not last long, due to the fact that those resources were mobile. As an alternative, Barney presented the resource-based view, which presumed that firms in a determined industry can be heterogeneous (resource heterogeneity) and that this heterogeneity can last for a long period of time (resource immobility). By arguing that the strategy undertaken by a firm is driven by the firm's specific resources and capabilities (Yamakawa, Peng, & Deeds, 2008), Barney initiated the second growth period in strategy literature.

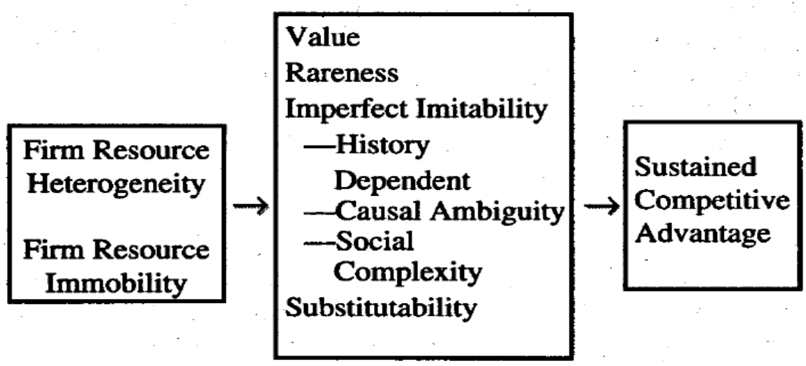
Barney (1991) argued that firm resources can be identified as the combination of assets, capabilities, attributes and knowledge that a firm possesses and that allow it to improve its performance. Resources can be aggregated into three different groups (Barney, 1991). The first one is "physical capital resources", which relate to a firm's geographic location and its access to raw materials. The second one is "human capital resources" and pertains to "training, experience, (…) relationships, and insight of individual managers and workers in a firm" (Barney, 1991, p. 101). The last one is "organizational capital resources" that comprise the firm's reporting structure, and its systems of coordination, control and planning.

Whenever a strategy implemented by a firm is not undertaken at the same time by any of its competitors and can not be imitated by them, the firm is considered to have a sustained competitive advantage (Barney, 1991). The strategy that could potentially lead to the creation of a sustained competitive advantage is influenced, as mentioned previously, by the resources and capabilities of the firm; however, not all firms gather the resources needed to create it (Barney, 1991). According to Barney (1991), for resources to originate a sustained competitive advantage, they must have all the following four attributes. Firstly, they must be *valuable*, as in, the strategy influenced by this resource must enhance the firm's efficiency and effectiveness. Secondly, they must be *rare*, which means that they should not be possessed by an extensive number of competitors. Once a significant number of the firm's competitors gain access to the same resource, even if it is valuable, they all attain the capacity to follow the same strategy. Consequently, resources must also be *inimitable*, hard to be acquired by the firm's competitors. Whether this is due to path dependency (only obtainable through particular historical conditions, in a specific place in time and space) or there is no obvious relation of causality, it is arduous for competitors to discover what resources led to a sustained competitive advantage strategy. The same applies when the resources are socially complex, as for example, when they are referent to the relations among individuals, a firm's culture, or the customers' and suppliers' opinion towards the firm. Lastly, the resource *cannot be replaceable;* the latter could be, in this context, valuable, but not rare or inimitable.

In the field of international business, the knowledge of top management is regarded as one of the most valuable, rare and inimitable resources. With each market entry, the top manager will gain international experience that represents knowledge that is hard to obtain by the remaining firms, which may lead, in turn, to a successful international experience (Peng, 2001).

In summary, the resource-based view advanced by Barney (1991) argues that the heterogeneity and immobility of a firm's resources can be perceived through their value, rareness, inimitability and substitutability, and that they are responsible for the sustained competitive advantage of the company . This relationship can be seen in figure 4.

Figure 4 - Relationship between resource heterogeneity, resource immobility, resource attributes and sustained competitive advantage



Source: Barney (1991), p. 112.

In fact, internationalization is characterized by its inherent "liability of foreignness", which embodies the risks associated with the expansion into new unexplored markets. To overcome the liability, and, therefore, be successful, the firm must gather a set of specific capabilities and resources (Peng, 2001). Also, the international expansion of a company requires knowledge that might not be available to every firm, such as small and medium enterprises. Thus, firms that do not have the access to the resource of knowledge may resort to specialists, i. e. export intermediaries (Peng, 2001).

Finally, according to Peng (2001), the role of strategic alliances has been a primary topic in the field of the resource-based view, being these regarded as a "mechanism for actually acquiring a partner's skills" (Hamel, 1991) (p. 84). Peng (2001) argues that the knowledge acquired from the counterpart of the alliance might be a source for the firm's competitive advantage. In fact, the prospect of attaining the capabilities and expertise from a partner, as well as the lack of necessary skills in internationalization, have been one of the main catalysts and goals for a firm to embark on an alliance (Hamel, 1991; Peng, 2001)

As already mentioned, entering a new market might be challenging due to the liability of foreignness. Both Hamel (1991) and Peng (2001) vindicate that "learning from local partners facilitate local knowledge acquisition and strengthen firm performance in host countries" (Peng, 2001, p. 812), since the cultural context and capabilities that emerge from it can only be acquired by "upclose observation" (Hamel, 1991, p. 99). Hence, strategic alliances might minimize the risks underlying the international expansion of a firm.

2.2.3. Institution-based view

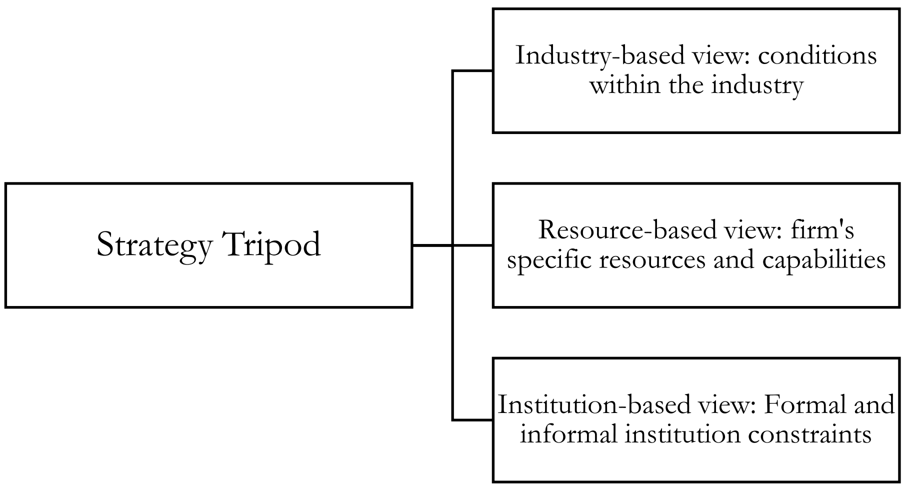
The third period of growth was introduced by the increasing attention researchers were giving to the institution-based view and the questions that, with it, came to light (Peng et al., 2009). The advent of this perspective was propelled, firstly, by the extensive "institutionalism movement" in social sciences. According to Peng et al. (2009), the existence of formal and informal institutions is interdependent with the importance of the three pillars: the regulative, which relates to laws, rules, and regulations; the normative, that refers to norms; and the cognitive one, pertaining to cultures and ethics.

Secondly, the rise of emergent economies, such as China, Brazil, and Singapore, as important players in international trade has also thrusted the emergence of the institution-based view (Thomé & Medeiros, 2016; Yamakawa et al., 2008) . According to Peng et al. (2009), these countries have significant institutional differences compared to the existing developed economies, which caught the attention of investigators towards the role of institutions in strategic management and towards the influence of these countries' differences in international business. Lastly, the rise of this perspective, informally known as "the rules of the game" (Peng et al., 2009, p. 64), can be attributed to the criticism directed to the industry- and resource-based views, claiming that these perspectives overlooked the formal and informal institutions (Peng et al., 2009), and therefore ignored "the context of competition among industries and firms" (Peng, Wang, & Jiang, 2008) (p. 920).

Two core propositions arise from the institution-based view. The first one defends that managers and firms make boundedly rational choices within the restraints of formal and informal institutions when adopting a strategy and following their interests. The second proposition supports that, even though both formal and informal institutions control firm behaviour, if formal institutions, such as laws, rules and regulations, fail in its role, informal constraints, as cultures, norms and values, will compensate for the absence of the formal ones (Peng & Khoury, 2009; Peng et al., 2009).

The growth in the preponderance of the institution-based view, and its consideration alongside the industry- and resource-based views, has led to the creation of the Strategy Tripod (Peng et al., 2009) – presented in Figure 5. The combination of all three perspectives is crucial to "paint a more complete picture" (Yamakawa et al., 2008, p. 64). In fact, the strategy undertaken by a firm is motivated by not only "industry conditions and firm capabilities, but it is also a reflection of the formal and informal constraints of a particular institutional framework" (Yamakawa et al., 2008, p.64).

Figure 5 - The Strategy Tripod



Source: adapted from Peng (2009, p. 15).

In studies where the strategy of international expansion of a firm was analysed using the Strategy Tripod model, it was found that the motivation behind a firm's strategy varied according to a specific moment in time. These studies concluded that the conditions of the industry, the firm's specific resources and capabilities, and the institutional framework, "all are important, sometimes individually, sometimes in conjunction, and that none can be ignored or neglected" (Thomé and Medeiros, 2016, p. 106-107). However, Krull, Smith, and Ge (2012) argued that, even though industry and institutions were key factors for the international expansion of a firm, the individual has a crucial role on the decision to internationalize. The details of the research undertaken by these studies can be found in the table below (Table 1).

The papers in Table 1 revealed that the most common research methods among them were the longitudinal analysis, present in four out of seven studies, the qualitative research, the case-study methodology, and interviews, being all the latter observed in three out of the seven papers. There are two points of focus in each of these studies. On one hand, it focuses on either all or just one of the Strategy Tripod perspectives. This analysis concluded that the majority of the interpreted studies focused on only one of the perspectives (four out of the seven papers.). On the other hand, these studies select either one or more case studies to be a part of their analysis. Most of the studied papers (five out of the seven) chose more than one case study as their investigation basis. As for the conclusions of each paper, these are diverse and vary between all and just one of the Strategy Tripod being crucial for the internationalization process. While most studies gave credit to the role of the industry based-view in international expansion, one of the studies concluded that the resource-based view was key to the internationalization of the firm. In addition, three of the studies agreed that all of the Strategy Tripod perspectives were important for the international expansion process.

Thus, in the empirical studies analysed in Table 1, the most relevant key results from a general point of view, are convergent and show that the strategy undertaken by a firm over time is motivated sometimes by a specific perspective of the Strategy Tripod, and sometimes by all of them, and it varies over time. From an industry-based view, the papers analysed disclose that the cost leadership strategy is the most commonly adopted by the internationalized firms. As for the resource-based view, we can observe an emphasises on the individual and on the importance of the firm capabilities to the international expansion process. Lastly, the institution-based view is very influential of the decision to internationalize and of the performance of the firm in foreign markets. The lack of attention given to this perspective could overthrow the potential gain in foreign markets.

Table 1 - Strategy Tripod application: empirical studies

Author	Research method	Focus/sample	Main results
Krull et al. (2012)	• Longitudinal perspective; • Single case-study strategy; • Qualitative research method; • Real-time data; • Observation of the participants; • Semi-structured interviews; • Data analysis through NVivo[1].	• New Zealand -based engineering consulting firm; • All three perspectives of the Strategy Tripod were observed.	• Different strategies were dominant in different phases of internationalization; • Key role of individuals in the international expansion process.
Thomé & Medeiros (2016)	• Explorative and descriptive approach; • Longitudinal perspective; • Single case-study strategy; • Qualitative research method; • Document analysis; • Non-participant observation; • In depth interviews, and second-round interviews; • Triangulation of all the data collected.	• Trading company from the Netherlands; • All three perspectives of the Strategy Tripod were observed.	• Motivation behind a strategy varied over time; • Use of diversified strategies over time; • All perspectives of the Strategy Tripod are important, sometimes individually, sometimes altogether, and none should be overlooked.

[1] NVivo – software which organizes and effectively analysis qualitative data.

Durand and Coeurderoy (2001)	• Qualitative database; • Interviews; • Multiple regression analysis.	• Sample of 582 French manufacturing firms from the clothing and leather, pulp and paper, pharmaceutical, and home equipment industries; • Focus on the industry-based view.	• Young firms have a better performance than older firms; • First movers do have an advantage that may result on a higher performance; • Cost leadership strategy is significant both to pioneers and late entrants; • Differentiation strategy favours early followers; • For late movers, the environmental uncertainty is higher.
Akçagün & Dal (2014)	• Survey; • Interviews; • Factor analysis; • Reliability analysis.	• Sample of 35 Turkish apparel companies; • Focus on the industry-based view.	• Cost leadership strategy is the most common one among the firms of the sample; • Any of the companies in the sample followed focus strategy.
Gao et al. (2009)	• Longitudinal analysis; • Cross-sectional data.	• Sample of 18 644 domestic firms and foreign subsidiaries based in China; • All three perspectives of the Strategy Tripod were observed.	1) Domestic firms: • Only industry export orientation influences the export behaviour of the firm; • Institution-based-view is highly related to export intensity and propensity; • Firms with cost-leadership

			and differentiation strategies are more likely to export. 2) Foreign subsidiaries: • Only firms with cost-leadership strategies have high levels of export intensity and propensity.
Mariz-Perez and García-Álvarez (2009)	• Discriminant analysis; • Aggregated data.	• Sample of 316 Spanish franchised chains; • Focus on the resource-based view.	• Lower growth rates in the domestic market and higher saturation of national market increases the possibility of the firm to expand internationally; • Trademark and brand reputation (measured by the number of outlets it has) have a positive effect on the decision of internationalization.
Frynas, Mellahi, and Pigman (2006)	• Case-study methodology; • Qualitative approach; • Longitudinal analysis; • Collection of primary data through archives, interviews and publications; • In-depth interviews.	• Sample of 3 case-studies: Shell-BP in Nigeria, Volkswagen in China, and Lockheed Martin in Russia; • Focus on resource-based view.	• Political resources can lead to early market entry, but can also be obtained by firms by being first to market; • Having first mover advantages depends on the pioneer firm's capabilities.

Source: Own elaboration.

2.3. Geographic diversification vs. geographic concentration

According to Hitt et al. (2006), international diversification has been one of the most researched areas in the field of international strategic management, thus being considered a "core aspect of corporate strategy" (Wiersema & Bowen, 2011). However, in our search for other relevant studies, none explored the relationship between geographic diversification and geographic concentration. For that reason, before going further in this study, we consider it is crucial to define and identify the terms mentioned above as we intend to use them.

2.3.1. Geographic diversification

Based on the literature review the term "geographic diversification" has been used as a synonym of geographic scope (Cadogan, Diamantopoulos, & Siguaw, 2002; Clarke, Tamaschke, & Liesch, 2013; Hultman, Katsikeas, & Robson, 2011), geographical extensity (Chen, Ong, & Hsu, 2016) or international diversification (Hitt et al., 2006). In other words, in the mentioned studies, geographic diversification refers to the number of foreign markets in which a firm operates.

Table 2 - Measurements of geographic diversification

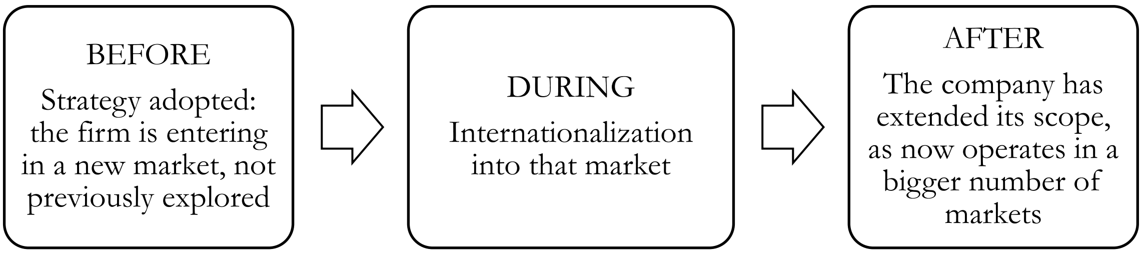
Authors	Measurement unit
Delgado-Gómez, Ramı□ rez-Alesón, and Espitia-Escuer (2004)	Number of foreign subsidiaries;
Delios and Beamish (1999)	Number of countries to which the company has expanded through FDI/subsidiaries;
Sanders and Carpenter (1998)	
Wiersema & Bowen (2011)	Foreign sales over total sales ratio.

Source: Own elaboration.

According to the mentioned literature, most studies measure geographic diversification as the number of foreign markets in which the firm has operations. However, Table 2 describes alternative measurements that other studied authors have also attributed to geographic diversification.

This line of thinking that regards the quantity of foreign countries in which a firm operates, and all the measurements used in Table 2 differ from ours. In the pool of studied papers, geographic diversification is identified as the number of countries the company operates in, represented in Figure 6 as the "after" of the action of expansion. Our view is related to the entry decision into a new market instead of opening a new store in a previously explored one, related to the "before" of the action itself. Peng et al. (2009, p. 315, 318), also clarify this difference by distinguishing the terms "geographic diversification" and "international diversification". The first one relates to the "entries into new geographic markets", while the second one is identified as "the number and diversity of countries in which a firm competes". Thus, in this study, geographic diversification is seen as a strategy adopted by a firm instead of a result of the internationalization itself. Our measurement of international diversification will be the entrance on a previously unexplored market.

Figure 6 - Geographic diversification



Source: Own elaboration.

Hence, this study adopts a combination of the definition of geographic diversification proposed by Hitt et al. (2006), seen as the expansion of sales of the goods or services a company has to offer, into different geographic locations other than its home market, and Peng et al. (2009), that regards geographic diversification, specifically as an entrance into an unexplored market.

2.3.2. *Geographic concentration*

The concept of geographic concentration of a firm as we identify it in this paper is unexplored in other studies. Chen et. al., (2016, p. 211), do mention geographic concentration, and identify it as "the degree to which activities are concentrated within the foreign countries". In this study, the definition does not concern the concentration of a firm's operations in its foreign markets as a total. Instead, it refers to the geographic concentration of a firm's activities within a specific foreign country among all the foreign markets that the firm operates in.

In Peng and Pleggenkuhle-Miles (2009), the debate of global vs. regional geographic diversification is addressed, and the authors stress that most firms considered to be global, are, in reality, regional, because the majority of their operations are concentrated on the same region of its home market. Thus, these firms' business is mostly intra-regional (continental), instead of inter-regional. Despite differing in its practical meanings, considering that in this study we investigate the concentration of a firm's operations within a single country, somehow these two dimensions could be relatable. Thus, we consider these to be two types of international concentration. Concerning the reasons why firms would choose to concentrate their activities, according to Peng and Pleggenkuhle-Miles (2009), who address regional concentration, it might be a result of the liability of foreignness – which is lower intra-regionally –, and due to the institutional differences among regions. Also, in an institution-based view perspective, the different institutional constraints outside the home region can lead to higher risks that multinational enterprises are not always willing to take. Furthermore, "firms that are regionally focused are more likely to maximize their performance" (Peng & Pleggenkuhle-Miles, 2009, p. 56).

As for Cui, Walsh, and Zou (2014), the authors argue that to reduce uncertainty and costs, firms should expand into foreign markets that are geographically, socially, culturally and economically close to its home country. However, following this "rule" does not mean that the firm will inevitably succeed. This idea of internationalizing into "closer" countries leads to the concept of "psychic distance", which, according to Håkanson (2014), makes international business easier since the proximity between laws, cultures, languages, habits is higher, and facilitates comprehension among business partners. Psychic distance is measured through statistical indicators related to that specific country, such as "level of development and the education of its workforce" (Hakason, 2014, p. 214).

2.3.3. Geographic diversification and geographic concentration

Regarding the relationship of geographic diversification vs. geographic concentration, as already mentioned, not many other studies approach both these dimensions in the manner we propose to. However, some may give significant contributions, as it will be further explained.

March (1991), He and Wong (2004), Gupta, Smith, and Shalley (2006), Lavie and Rosenkopf (2006) and Cui et al. (2014) focus on exploration vs. exploitation strategies when choosing a new market entry. This debate between exploration and exploitation has been studied in the strategic management field (He & Wong, 2004). Even though we consider all these papers to be quite relevant, their focal point lays on either organizational learning or home-host country similarity, thus deviating from our study.

Exploration is defined as the search for new opportunities, innovation and taking risks (Cui et al., 2014; Gupta et al., 2006; He & Wong, 2004; Lavie & Rosenkopf, 2006; March, 1991). According to March (1991), "the essence of exploration is experimentation with new alternatives" (p. 85). The risks that are associated with exploration strategy are intrinsically connected to the fact that its returns are not only long-term, but also ambivalent (He & Wong, 2004; March, 1991). Regarding exploitation, it includes development of current knowledge and efficiency, the improvement of products and services offered, the enhancement of something already known or acquired (Cui et al., 2014; Gupta et al., 2006; He & Wong, 2004; Lavie & Rosenkopf, 2006; March, 1991), and its core is "the refinement and extension of existing competences, technologies, and paradigms" (March, 1991, p. 85). Opposite to exploration's, exploitation's returns are not only possible to be foreseen and positive, but also visible in short-term (He & Wong, 2004; March, 1991).

He and Wong (2004) argue that while exploration affiliates with improvisation and emerging economies, exploitation is related to routines and well-established markets. Also, both strategies involve different firm resources and structures, and might have divergent consequences in firm performance (He & Wong, 2004).

Thus, it is possible to draw a parallel between exploration vs. exploitation strategies and geographic diversification vs. concentration. On the one hand, geographic diversification is associated with taking risks by entering into unknown markets, with institutionally different constraints, being thus correlated with the exploration strategy. On the other hand, geographic concentration is related to taking advantage of the existing knowledge about an already explored market, which associates it with the exploitation strategy. Cui et al. (2014) also mention that, even though their study focuses on exploration/exploitation as mediators between country similarity and firm performance, these strategies could be studied as antecedents to internationalization. The study of these strategies as the antecedents of internationalization is the main goal of this paper.

The details of the research undertaken by the previously mentioned studies are described on Table 3. All the papers in the table below identified as a goal the study of the balance between exploitation and exploration in a firm's internationalization strategy and how it impacts its performance. However, all had different contexts, namely host-home country similarity (Cui et al., 2014), alliance formation (Lavie & Rosenkopf, 2006), and technical innovation (He & Wong, 2004). Both Lavie and Rosenkopf (2006) and He and Wong (2004) have adopted a quantitative research method and analysed a large sample of firms. In both cases, the findings argued for a balance between the implementation of both exploration and exploitation strategies. In Cui et al. (2014), the authors adopted the qualitative research method by doing a survey, questionnaires and cross-sectional data analysis. Their results show that on one hand, exploration, which we correlate to geographic diversification, will have better outcomes in markets with higher psychic distance. On the other hand, it concludes that exploitation, related to geographic concentration will more likely succeed in countries that are culturally, geographically, economically and politically close to the home country.

In this research, the qualitative method as well as interviews are also used to analyse the collected data about the international firm adopted as case study. The applied methods, analysis and results are explained in the next sections.

Table 3 - Geographic diversification vs. geographic concentration application: relevant studies

Author	Research method	Focus/sample	Main results
Cui et al (2014)	• Development of a survey; • Application of a qualitative study; • Cross-sectional data; • Online questionnaire.	• Sample of three international SMEs.	• Exploration strategy are likely to have a positive outcome in countries with low home-host country similarity; • Exploitation strategies are more likely to succeed in countries with high home-host country similarity
Lavie and Rosenkopf (2006)	• Longitudinal analysis; • Application of the quantitative method; • GLS estimators; • Linear regression model; • Cross-sectional data.	• Sample of between 252 and 337 US software firms.	• Most firms balance the application of exploration and exploitation strategies.
He and Wong (2004)	• Analysis of surveys; • Application of the quantitative research; • Regression, path and ANOVA analysis.	• Sample of 206 manufacturing firms from Singapore and Penang.	• There are benefits in ambidexterity – high levels of both exploration and exploitation strategies; • The balance between both strategies is positively related to sales growth rate; • There are limits to ambidexterity, as well as low firm performance in case of very low levels of ambidexterity.

Source: Own elaboration.

3. Methodology

This study aims to explore and describe, through a longitudinal perspective, the motivations underpinning the company's international expansion strategy, thus, assuming itself as a descriptive and exploratory research.

According to Saxena (2017), the choice for a methodology should vary accordingly to the aim of the investigation and the nature of its questions: "why?", "how?", "what is?". Being this an exploratory study that intends to answer to the question "What are the motivations behind the decision of internationalization through concentration vs. diversification?", methodologists advocate for the use of the qualitative research method (Saxena, 2017). Within the qualitative research, the case study method – which includes documental analysis, the conduction of interviews, observation, among other techniques – is one of the most frequently used approaches in the international business field (Sinkovics, Penz, & Ghauri, 2008).

Some authors argue that the qualitative research method, contrary to the quantitative research, involves high subjectivity and low trustworthiness. In order to overcome the criticism, a few researchers present a framework that introduces four criteria to provide transparency and substance to the process (Sinkovics et al., 2008). The criteria, as credibility, dependability, transferability and confirmability, whose significance and relation to quantitative terms can be analysed in Table 4, worked as an alternative for the terms used by quantitative research.

Table 4 - Four criteria of qualitative research

Criteria for qualitative research' quality	**Quantitative research' related terms**	**Definition**
Credibility	Validity	To create a relation between the reality of the respondent and the one of the researcher.
Dependability	Reliability	It is related to the coherence of the results presented over time.
Transferability	Generalisability	The degree to which relevant conditions concur.
Confirmability	Objectivity	The interpretation of the collected data must be coherent and logical. That is, it cannot a result of the investigator's imagination.

Source: own elaboration, based on Sinkovics et al. (2008).

Hence, for the elaboration of this study, the method of qualitative research was adopted.

Firstly, we initiated the process through an analysis of the firm's relevant information about its overall strategy, all the teams involved on the process, operation, and finally, its internationalization.

After this step of analysis, we engaged on an interview with the manager of international expansion of the company. In the first place, we conducted an informal, non-structured interview (Appendix 1) that took place at the Head Office and lasted about three hours. During the interview we addressed the business strategy undertaken by the company, its main internationalization strategy, and the overall expansion process.

Subsequently, it was important not only to analyse all the information gathered during the first interview, but also to do an extensive investigation of the company's internationalization overtime. To that end, we reviewed all data available about new store openings from 2002 to 2017[2] by geographical region – Asia, Africa, Central and Eastern Europe, Southern and Western Europe, Latin America, and Middle East (Appendix 3 and 4). Thus, it was possible to acknowledge for each year if the firm opted for a strategy of geographic diversification or concentration. The measurement unit we used to quantify each strategy was the unit "new market" for geographic diversification (the number of new markets), and "new store" for geographic concentration (new store openings in previously explored markets). This extensive analysis allowed us to identify three stages of internationalization, but also to understand to which extent each geographical region has been a focus of the firm's internationalization strategy (results will be presented and analysed in detail in section 4). We have also analysed indicators such as operating profit, operating revenue, and net profit between 2002 and 2017 (Appendix 5, Appendix 6 and Appendix 7).

Even though we were able to identify different measurements of geographic diversification used by other authors, we did not find any measurements of geographic concentration in the literature. Therefore, in an attempt to answer the question of how geographic concentration should be measured to complement the firm's conspicuous concentration strategy, we came up with various possible geographic concentration measurements. The first one was the accounting of stores per capita in each market between 2010 and 2017[3], followed by the calculation of stores by square kilometre of each market, also from 2010 and 2017. Both these measurements were not found relevant. Indeed, the results achieved showed that the higher rate of concentration took place in geographically small or less populated countries, even if the company had only two stores operating there (as Malta, Bahrain or Andorra). The total of sales of each market from 2012 to 2017[4] were also used as a measurement of geographic concentration. In fact, the sales indicator served as multiple possible measurements – total sales per market, average sales per store in each market, percentage of sales by geographic region, and lastly the percentage of sales by market - which are detailed and described in Table 5.

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[2] 2002 was the year of the first store opening in an international market, and 2017 the last year of for which there is complete information.

[3] This timeline is due to 2010 being the year in which geographic concentration became evident, while 2017 is the last year for which there is complete information.

[4] These were the years for which we were able to find complete information of the sales per market.

Table 5 - Geographic concentration measures based on sales

Measurement	Description	Result (2017)
Total sales per market	Amount of sales per operating market from 2012 to 2017.	In compliance with the firm's concentration strategy.
Average sales per store	Average of sales per store of each market between 2012 and 2017.	Not in compliance with the firm's concentration strategy.
Percentage of sales per region (Appendix 8)	The impact of each geographical region in the total of the world sales from 2012 to 2017.	In compliance with the firm's concentration strategy.
Percentage of sales per market (Appendix 9)	The impact of each operating market in the total of the world sales from 2012 to 2017.	In compliance with the firm's concentration strategy.

Source: Own elaboration.

After analysing the collected data about the expansion strategy of the company during its fifteen years of international experience, the second interview with the expansion manager was carried out (Appendix 2). This interview was structured according to the three stages of international expansion previously identified. With this interview, we intended to understand the firm's motivations behind every decision of internationalization, correlating its decisions with each one of the legs of the Strategy Tripod.

Afterwards, it was crucial to gather all the content collected from the interviews and the relevant information for analysis in order to achieve the needed conclusions.

4. Analysis and discussion

In this chapter, we present, analyse and discuss all the data and information gathered about the firm's international expansion, including a thorough examination of its internationalization strategy and market entries[5].

4.1. Company background

The company was founded in the early 1990's in Porto. Back then, the owner's vision was to have a company that would be recognized as the best, most affordable and irresistible brand of its sector in each of the markets it operates in. Its internationalization started in 2002 in Middle East, and has over seven hundred stores around the world (data regarding the year of 2017). The current strategy is to appeal to the type of buyer that goes to the store at least two times per month, and to fulfil that goal, new products are sent to stores every week. Hence, the company has built the needed tools that enable it to achieve the mentioned objective.

The head office is located in Porto district, and the firm has currently three logistics centres, two of them in Portugal and one in China. The main logistics operation takes place in the biggest centre, in Porto surroundings, where the merchandise is daily received and dispatched to the plus seven hundred stores (own stores, franchised stores, multi-brand and outlet stores) located all over the world. However, the other logistics centre – at the head office and China – have critical roles in the company. The former is responsible for receiving all the merchandise returned by the stores and the furniture delivered by the furniture suppliers. It is also this logistics centre that separates and dispatches all the construction materials and furniture needed for store openings. The latter is quite relevant due to its strategic location. The products offered by the firm are manufactured in Portugal, China, India and Cambodja. Thus, for some store destinations, it wasn't financially and operationally efficient to move the merchandise from China to Portugal, to have it sent back to stores located in Asia, for example. Bearing operational productivity

[5] All the information presented in section four only applies and refers to all the operation of the studied firm until and including the year of 2017.

and cost reduction in mind, the firm opened a small logistics centre in China from where the merchandise is dispatched to the stores in Asia and Middle East. In order to assure the products sent directly from China to these locations responded to the company's quality standards, the company also has quality control teams based in India and China, along with the one operating in Portugal.

Furthermore, the company has design teams in Portugal and Spain, and offices located in Madrid, Barcelona and Sevilla. Until 2018, the company had also a small office in Hong Kong.

4.1.1. Expansion strategy

The firm opened its first international store in 2002, in Middle East. The internationalization to the Middle East emerged from an opportunity to franchise due to the interest and proactivity of the partner, whom came into contact with the brand while visiting Portugal. Since 2002, the company has gone through an incredible international growth, and now is present in over sixty countries, with more than seven hundred stores all over the world. The firm's expansion follows two different modes: having its own stores, mostly located in Europe, specifically in European Union (EU) markets; and using franchising to open stores, mostly located in extra-EU countries.

Regarding the company internationalization strategy, when entering a new market, it performs a deep market analysis on culture, fashion, customer profile and forecast. The expansion team is responsible for the elaboration of the business plan and negotiation with partners.

The company considers online sales as a meaningful complementary tool to the physical expansion of the brand. According to the international expansion team, when studying the potential of a smaller city, not as crowded and recognized as the capital city, online sales on that area indicate if that is a worthy location.

4.2. Stages of internationalization

Based on a longitudinal analysis of the firm's market entries and store openings, it was possible to identify that until now, there were three stages of its internationalization process. The first stage is characterized by its moderate geographic diversification, while the second stage is defined by an extensive geographic diversification and high geographic concentration. In the third one, it is noticeable that the company follows a strong geographic concentration strategy. In this analysis, we will identify geographic diversification as new market entries and geographic concentration as new store openings.

4.2.1. First stage (2002 - 2009): moderate geographic diversification

During the first years of its international expansion, from 2002 to 2009, the company was mainly focused on gradually discovering new markets, this is a period of moderate geographic diversification. Throughout these eight years, the firm entered overall in seventeen new markets, which were located mostly in Middle East (41%), and in Central and Eastern Europe (35%). During this period, it opened forty-two new stores in markets where it was already operating, most of these also in Middle East (48%) and Southern and Western Europe (28%) – results depicted in Table 6. Middle East was the geographic area that deserved the most focus from the firm, both in geographic concentration and geographic diversification, registering 46% of new market entries and new store openings combined.

Regarding the industry-based view, the Middle East was a strategic market since it was not as developed as western countries and was still building its first shopping centers. It meant that there were few competitors, which allowed the firm to introduce a new concept in these countries. Hence, we can assume that the industry conditions introduced by Porter (1983), specifically the low rivalry between competing firms, along with the knowledge and capital potential of this partner, were crucial to the diversification in this specific area. Also, the company followed a strategy of focus in this specific market, which, according to Akçagün and Dal (2014), could lead to a higher firm performance abroad.

As already mentioned, the first steps of international expansion were encouraged by a partner whom had an immense knowledge, not only about internationalization itself, but also about the most strategic market for the company to grow at this stage: Middle East. According to the resource-based view and its mentioned authors, firms establish partnerships to access the knowledge and skills necessary to internationalize successfully. As confirmed by the interviewee, the firm was unexperienced in international expansion, thus making this franchising opportunity promising for the firm. On the one hand, the partner was willing to share his knowledge about internationalization and local expertise. On the other hand, as mentioned by the expansion manager, this entry mode minimized the risks assumed by the firm, and it did not require human or financial resources of the company.

Based on the literature, it can be asserted that the liability of foreignness might be intimidating, especially in the beginning of a firm's international expansion process. This partner assured a consistent gain to the company, that did not have to assume any fixed costs in this market, such as rent or salaries. According to the manager of international expansion, these advantages increased the rentability of these stores and created a financial safety for the firm that allowed it to take risks in other markets. For the brand, and only considering the liability of foreignness, could have made more sense to expand into culturally and geographically closer countries, such as market 1[6], market 2 or market 3. However, in 2002, the firm did not have the financial resources to get into those markets, which had higher rents and higher competition.

Furthermore, the business network of this partner, has also shown to be of great value to the company at this time, as it was critical to the geographic diversification to Eastern Europe. As mentioned by the interviewee, the entrances in Central and Eastern Europe (CEE) countries between 2002 and 2009 occurred at the hand of the Middle East partner, who passed on the word about the brand to his professional network. This strategic alliance proved, thus, to be of great value to the firm and its international expansion. According to some authors, the knowledge of top managers might be considered one of the most important competitive advantages of a firm. Hence, by allowing the firm to acquire crucial knowledge, this alliance also allowed the firm to internally gain crucial capabilities that in the long-term helped it to enhance its competitive advantage.

Indeed, the company at that time did not have the resources and capabilities identified by Barney (1991), especially human and organizational resources, which were needed to

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[6] Due no anonymity reasons, specific markets that we found to be relevant for this study will be regarded as market 1, market 2 and market 3. Throughout this paper, market 1 will always refer to the same country, and the same applies to market 2 and market 3. The three markets are located in Southern and Western Europe region.

successfully internationalize. Mainly, according to the expansion manager, it did not have experienced managers with enough international knowledge, nor the necessary capital to invest in foreign locations, that are crucial to thrive in foreign unknown markets. This lack of necessary skills and resources to successfully internationalize was the main motivation to establish a strategic alliance with the Middle East partner.

As for the entrances in CEE , while most were carried on through franchising, the company also adopted the own stores model as an entry mode in one of the markets of CEE. For the company, this was the natural path to follow, and internationalize assuming all the risks and potential gains. This is a geographic area that implied less operational costs but was also considered to be close to the home market regarding psychic distance.

In regard to the institution-based view, some of the countries of CEE had just entered the EU during this stage, which implied an increase in the ease of doing business in these countries. Due to the less regulatory constrains that the firm had to overcome to invest in these countries, the institution base-view played an important role in this strategic decision. The institutional framework of the CEE had just become more attractive to foreign firms (Allen & Aldred, 2013), since the regulatory pillar present by Peng et al. (2009) had become "relatively free" (Obloj, D. Bruton, & Ming Lau, 2014) (p. 703). Based on the literature, having a local partner allowed the firm to take advantage of the knowledge about this strategic market that otherwise would be challenging to acquire. This minimized the impact of the institution-based view in internationalizing to the Middle East, since the partner had all the required expertise.

Based on the existing reports, during this stage sales (operating revenue) growth oscillated between -11% in 2002 and 29% in 2009, while operating profit grew up to 80% in 2009. As for the net profit, it also registered oscillations of growth between -36% in 2003, and 135% in 2009. From 2002 to 2009, the net profit recorded an overall growth of 340%, this strong growth in the firm's profit meant an average annual growth by 42,5%.

Considering the undertaken analysis, during this first stage the resource-based view had the more impact on the company's strategy to focus on geographic diversification. Mainly, because the company did not have the resources needed to internationalize on its own. The alliance with a partner that had an immense knowledge allowed the company to enter multiple new markets and gain the expertise needed to grow in the following years.

Table 6 - First stage: geographic concentration and geographic diversification

Geographic diversification (gross values)	**Total of new market entries**	**17**	
	Middle East	7	41%
	Southern and Western Europe	2	12%
	Central and Eastern Europe	6	35%
	Africa	2	12%

Geographic concentration (gross values)	**Total of new store openings**	**50**	
	Middle East	24	48%
	Southern and Western Europe	14	28%
	Central and Eastern Europe	11	22%
	Africa	1	2%

Source: Own elaboration.

4.2.2. Second stage (2010 - 2013): broad geographic diversification and high geographic concentration

During the second stage, both geographic diversification and geographic concentration were very broad. In these four years, the firm entered into thirty-six new markets, thus having an intense geographic diversification, ad opened over three hundred new stores in markets where it was already operating - results depicted in Table 7.

Regarding geographic diversification, over half the new markets were located in Europe (58%), with an evident focus in Central and Eastern Europe (44%). In this period, Latin America appeared as a new market with great potential, representing 19% of geographic diversification, and being the geographic area with higher new market entries after Central and Eastern Europe. Southern and Western Europe registered 14% of new market entries, followed by Middle East, which was the most relevant market in the first stage, that came short with only 8%, the same as Africa. Lastly, 6% of new market entries took place in Asia.

Concerning geographic concentration, the firm opened three hundred and six new stores. It is clear that the main target was Europe with 79% (two hundred and thirty nine stores) of those openings, 41% in Southern and Western European markets, and 38% in Central and Eastern European markets. At this stage, even though the Middle East was still one of the markets that earned a higher focus of the company, the new store openings in this region has decreased to 11% (in contrast with 48% of such openings in the first stage).

Southern and Western Europe and CEE were the geographic areas that registered the higher values both in geographic concentration and geographic diversification combined, registering 38% each of new market entries and new store openings altogether.

The resource-based view had again an important influence on the firm's international expansion strategy. At the beginning of this stage, the firm did not predict having such a strong expansion overall. The broad expansion was a reaction to the opportunities created by its early internationalization. According to the expansion manager, the firm finally had financial resources due to the franchising, and the existing network of partners originated new alliances. Thus, internationalization originated the growth the company was pursuing.

In the first stage, the experienced diversification through the franchise mode was profitable, thus leading to a set of new possibilities with new partners, which spurred the vast geographic diversification at that stage. Based on the conducted interviews, we can assume that the franchising also prompted the creation of a great amount of capital that the company used to pursue a geographic concentration strategy in closer countries by opening its own stores, mostly in Europe. Previously to the first franchise contract (opportunity that led to other partnerships) the firm did not have the financial resources to enter in expensive and mature markets as market 1, market 2 or market 3, as confirmed by the interviewee. From 2002, when it opened its first store abroad, until the end of 2009, the firm registered a growth of 286% in operating profit, which indicates that internationalization had a positive impact on the firm performance. In Europe, the firm's strategy was mainly to have as many sale points as possible, in order to increase brand awareness and, subsequently, its sales potential. The own stores model implied a high capital investment, as well as the need for human resources with international knowledge, and a management structure in the location – namely, with market managers, district managers, area managers and store supervisors – in order to have a tight control of the operation itself, as described by the expansion manager.

The industry-based view did not have a significant contribution in the second stage as it did in the first one. In the past, the company did not enter closer European markets due to the fierce competition, which no longer had a substantial influence on the firm's strategy. With the gained knowledge and the attained capital from the first stage, the risk of entering mature markets decreased.

Regarding the institution-based view, it did not impact the firm's strategy since the new market entries in new geographical areas such Asia and Latin America, and in CEE happened through alliances with local partners. The own stores model of entry happened in European Union Markets, where the institutional framework is based on the ease of doing business among members.

Hence, the geographic diversification that emerged from external opportunities enabled the firm to develop and produce the resources and capabilities that it lacked in the first stage of internationalization. Resources such as financial capability and international knowledge were crucial for the company to geographically concentrate and overcome the liability of foreignness, thus we determine the resource-based view the most influential leg of the strategy Tripod at this stage.

Over the second stage, operating revenue registered rises between 19% and 31%, in 2011 and 2012 respectively. The operating profit oscillated between -28% of growth in 2010 and 126% in 2012. As for the net profit of the firm, it reached a growth rate of 138% in 2012, the second highest in the years considered in this study. In 2012, the company also registered an increase of 82% in the number of opened stores, the highest of this stage.

Table 7 - Second stage: geographic concentration and geographic diversification

	Total of new market entries	**36**	
Geographic diversification (gross values)	Middle East	3	8%
	Southern and Western Europe	5	14%
	Central and Eastern Europe	16	44%
	Asia	2	6%
	Africa	3	8%
	Latin America	7	19%

	Total of new store openings	**306**	
Geographic concentration (gross values)	Middle East	33	11%
	Southern and Western Europe	124	41%
	Central and Eastern Europe	115	38%
	Asia	10	3%
	Africa	10	3%
	Latin America	14	5%

Source: Own elaboration.

4.2.3. Third stage (2014 - 2017): high geographic concentration

During this stage, the firm pursued its internationalization process by an intensive geographic concentration. From 2014 to 2017, the company entered into just sixteen new markets, which contrasts with the thirty-six new market entries registered in the second stage. Yet, it opened over four hundred new stores in countries where it was already operating, in comparison with three hundred stores in the previous stage – results depicted in Table 8.

Regarding geographic concentration, alike the previous internationalization stage, the firm focused the most part of new store openings in the European Market (80%). Around 68% of geographic concentration took place in Southern and Western Europe, thus showing that this was a focal geographic point of the company. In this area, there is a distinct focus in market 1, with about two hundred and four store openings, market 2 with forty-four, and market 3 with thirty-seven new stores opened. Central and Eastern Europe registered 12% of new store openings, followed by Middle East with 9%.

As mentioned, the geographic diversification was almost inexistent at this stage. Latin America, France and Spain overseas were the geographical areas that registered higher new market entries – 25% each. These areas were followed by CEE with 19% of new market entries, and Southern and Eastern Europe and Africa, with 13% each. Lastly, 6% of new market entries took place in Middle East. Southern and Western Europe was the geographic area that deserved the most focus from the firm, both in geographic concentration and geographic diversification, registering 66% of new market entries and new store openings combined.

Considering the industry-based-view, at this stage, the company had seemingly adopted a focus strategy, analogous to the one presented by Porter (1985). While the focus strategy introduced by the author is related to the target product/service a company offers, here we correlate it to the focus of its international expansion on these three specific markets. The lack of organizational and human capital resources obliged the company to take a step back, however, it couldn't bear the loss of international activity. Thus, the focus on these strong markets granted the company to be more competitive at this stage. According to the literature, the pursue of a strategy such as the focus strategy, will produce a competitive advantage for the company.

Regarding the resource-based view, during the second stage the company was expanding internationally and growing at an unexpectedly fast pace. According to the expansion manager at that time the firm realized that it did not have a strong organizational structure that would assure a consistent follow-up of this evolution. In other words, the company realized it had to reinforce its organizational and human capital, specifically to hire trained staff to its teams, which would allow a more planned and coordinated growth of the firm. Only taking a step back in the fast-growing pace would allow the company to continue growing in the long-term.

At this time, the company was also building its new and automatized logistics centre, that would be able to supply all the stores being opened and would be a part of that structure that was necessary to keep up with the fast-paced internationalization.

The notably geographic concentration in market 1, market 2 and market 3 is due to these markets' characteristics. According to the literature, expanding into foreign markets that have a similar culture, society and economy, and are geographically close to the home market diminish the costs of internationalization. In these countries, specially market 1, the sales are not low, and the costs are not extremely high, which makes them the most rentable own stores' markets, after the home market – Portugal. According to Cui et al. (2014), geographic concentration presents better results in countries with lower psychic distance, which also responds to the results presented by the company.

This new approach to internationalization did not mean that there wouldn't be any geographic diversification if a good opportunity emerged, however, there was a defined focus on saving resources for opening stores in the "old" markets. In fact, the knowledge gained during the first two stages made the top managers realize that it was important to slow down and focus on the company and assured that it had the resources and capabilities necessary to accompany the rapid growth that the firm was used to.

Thusly, at this last stage of internationalization, the resources and capabilities of the firm played an important role. In fact, the lack of resources that allowed the company to keep rapidly growing was the key to the strategy undertaken by the company at this stage. The industry-based view plays also an important role in this stage. As mentioned, and confirmed by the expansion manager, the company adopted a strategy of focus in countries with less psychic distance. This, according to the results in sales in these countries and the operational revenue, revealed to be valuable and allowed the company to emphasise its presence in the industry and stand out from its competitors.

During this stage, the operating revenue reached its biggest growth (34%) in 2015, which was the year in which the company opened the lowest number of stores in unexplored markets since 2009. Operating profit oscillated between -73% in 2014 and 570% in 2017. Also, the company registered in 2017 its highest net profit growth since 2002, of 2360%, after three years of net profit loss that came down to -84% - this was the stage in which the company built its logistics centre, which required an extremely heavy investment. At this time, market 1 was the market with highest percentage of sales of all foreign markets, followed by market 2.

Table 8 - Third stage: geographic concentration and geographic diversification

Geographic diversification (gross values)	**Total of new market entries**	**16**	
	Middle East	1	6%
	Southern and Western Europe	2	13%
	Central and Eastern Europe	3	19%
	Africa	2	13%
	Latin America	4	25%
	France and Spain Overseas	4	25%

Geographic concentration (gross values)	**Total of new store openings**	**450**	
	Middle East	40	9%
	Southern and Western Europe	305	68%
	Central and Eastern Europe	56	12%
	Asia	4	1%
	Africa	10	2%
	Latin America	33	7%
	France and Spain Overseas	2	0%

Source: Own elaboration.

5. Conclusion

In this study, we longitudinally analysed the firm's internationalization strategy and, by using the Strategy Tripod introduced by Peng et al. (2009) as an antecedent of international expansion, tried to justify the decision of concentration versus diversification.

The research concluded that the company went through three stages of international expansion. The first one was characterized by the lack of human and capital resources of the firm, which led to the diversification in the Middle East. In addition, this phase was also influenced by the industry conditions of this market, namely the low competition of this specific market. The second stage of internationalization revealed that the high concentration combined with the vast geographic diversification was a result of the resources and capabilities that the firm gained with the extended diversification into the Middle East in the previous stage. Finally, the third and last stage showed a decline in the diversification and an extensive geographic concentration, which was a consequence of the rapid growth of the company. As the firm kept internationalizing at a fast pace, the management realized it did not have the amount of resources needed to back up its extensive evolution. Thusly, it was crucial to focus on its internal needs and slowdown the geographic diversification.

In the examined empirical studies, most results point to the fact that the international strategy of a firm can be motivated by just one perspective at a specific time, or by more than one perspective of the Strategy Tripod simultaneously. It also reveals that this can vary over time. Overlooking the three different stages of internationalization that the firm went through, it is possible to conclude that, even though both industry- and institutional-based views played a role on the firm's decision to diversify vs. concentrate in the first stage, the resource-based view was the one that influenced the firm's international expansion the most in all three stages. Thus, our analysis does correlate with the results shown on the examined studies by identifying more than one influential Strategy Tripod' perspective at different moments.

Besides, the analysis between 2002 and 2017 showed that the geographic concentration of the firm was more intense in Southern and Western Europe (55%). Also, this region encompasses the three markets with higher percentage of geographic concentration in all the markets in which the firm operates: market 1 (39%), market 2 (7%) and market 3 (5%). This goes accordingly to the strategy the firm claims to be following in the past years. In fact, the firm has made clear that its expansion strategy has been to open stores and broaden its presence on these three specific markets. Even though there have been some decreases on the firm growth over the years, we can assume that the company has registered amazing prosperity in both its operating revenue and net profit. This growth has been most evident in the last years of the analysis, which might indicate that the strategy of geographic concentration in key markets undertaken by the company has a positive impact on its overall performance.

The relevance of this paper arrests on not focusing in the relation between internationalization strategy and firm performance, like most studies. We target the link between the motivation between international expansion and the internationalization itself. Hence, we approach two different strategies: geographic diversification and geographic concentration. Even though geographic diversification is a common term in International Business theory, geographic concentration has not been studied the way we proposed to do it in this paper.

However, as most studies do, this one has its limitations. Firstly, the fact that this is a case-study of just one company does not allow a generalization of the presented results. Therefore, the outcome of this research only applies to this firm in particular. Also, the fact that the analysis was carried out manually, and that the report of sales in external markets had some failures, may increase the margin of error.

Further studies should extend the research to a larger sample of firms. Also, it would be relevant to deepen the investigation on geographic concentration and its relation to geographic diversification.

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7. Appendix

Appendix 1 – First interview (informal) with the firm's expansion manager on 5th April 2018

Andreia Costa: Qual a principal estratégia da empresa? O quê que está por detrás do sucesso na sua internacionalização?

Expansion manager: Em expansão não existe um conjunto de passos a seguir. Ou seja, o processo não é linear para todos os países nos quais vemos potencial. Embora tenha que haver uma análise de um conjunto de variáveis para entender o potencial de um novo mercado, não é por aí que surge o interesse na diversificação internacional. Assim, não existe uma estratégia (pré)definida.

Um dos pontos essenciais é visitar o país em causa, analisar o tipo de mulher desse país, se usa o produto, se têm cuidado com a imagem (por exemplo, mulher espanhola vs. mulher alemã). É importante também ver a melhor localização, que tipo de pessoas a frequentam e que outras lojas existem. Estes são os dois principais pontos a que se têm em atenção no momento da internacionalização.

AC: Porquê *franschising*?

EM: Não é pelo facto de implicar menor investimento, porque no final, a rentabilidade de uma própria ou franchisada está quase ao mesmo nível. Está relacionado com o cuidado da imagem da empresa. Por exemplo, quando decidimos entrar no Mercado 2, devido à nossa estrutura, implementamos uma equipa de *international area manager, area manager*, etc. na capital, sendo feito um maior controlo do negócio. Contudo, quando abrimos uma loja em numa cidade menos central, é preferível abrir com franchising porque o franchisado terá um maior cuidado com a imagem da marca, e o controlo feito sobre o negócio será mais apertado.

A escolha dos parceiros é essencial. Alguns dos pontos importantes na escolha são:

a) capacidade financeira elevada: caso haja uma crise, o parceiro e o negócio não podem estar em risco, por isso é crucial que o parceiro tenha uma capacidade financeira bastante elevada;
b) experiência neste tipo de negócio (indústria da moda).

AC: A expansão internacional da empresa começou nos países do Médio Oriente e só depois entraram em mercados europeus (geográfica e psicologicamente mais próximos), porquê?

EM: A entrada no Médio Oriente deveu-se a uma oportunidade de franchising. Houve interesse de um parceiro na marca. A verdade é que nessa altura a empresa não era nem 1/10 daquilo que é hoje, e teve um bom parceiro que nos ajudou a expandir para o Médio Oriente. A empresa não tinha dinheiro para entrar em países caros e com concorrência como alguns mercados europeus. Daí só depois terem conseguido entrar nestes países.

AC: Porquê depois concentrar operações nos mercados 1, 2 e 3 (mercados europeus)?

EM: Não está relacionado com a proximidade geográfica. Se ainda não estamos totalmente implementados em países como estes mercados europeus, porquê que vou mudar o meu foco? Primeiro temos que fazer as coisas bem feitas nestes países, cobrir bem o território e só depois vamos focar-nos em expandir para novos países.

Appendix 2 – Second interview (formal) with the firm's expansion manager on 6th September 2018

AC: Em *International Business*, considera-se que a empresa é bem-sucedida se possuir uma vantagem competitiva, e uma dessas vantagens é o conhecimento dos managers. Qual é que consideras ser a importância dos managers, como o teu caso, no processo de expansão. O teu conhecimento é mais relevante e fidedigno que um gráfico de vendas potenciais e podcasts?

EM: Sim, nós somos os primeiros olhos da expansão, há uma experiência muito grande e bagagem muito grande atrás de nós e assim ajudamos a administração a tomar decisões. Não tomamos uma decisão facilmente, fazemos muitas análises, fazemos o trabalho de campo, reparo muito nas mulheres, se usam o tipo de produto. Esse tipo de feeling e experiência ajudam imenso. É muito importante ver as localizações, os shoppings, etc. Mas é muito importante que a administração tenha confiança na nossa experiência.

Primeira fase:

AC: Qual o contributo deste parceiro para a empresa?

EM: Sendo uma franquia, era um ganho fixo para a empresa, porque não assumimos qualquer risco. O parceiro estava disposto a abrir muitas lojas num país que tinha muito potencial, era um conceito novo naquele país – o que levou a que funcionasse muito bem e levou a que o parceiro abrisse mais lojas que estava previsto inicialmente. Todos estes ganhos criaram uma espécie de colchão financeiro – não havia gastos com o pessoal, rendas, etc.

AC: Nesta altura, 2002, a empresa não possuía os recursos que tem hoje, nem o conhecimento internacional, também passou por aí o contributo deste parceiro? Ele tinha os recursos, e o conhecimento não só daquele mercado e de todo o Médio Oriente, como também a experiência de internacionalização?

EM: Sim, sem dúvida.

AC: No início (2002-2009) a empresa optou por abrir poucas lojas em vários zonas geográficas em vez de se focar por exemplo no Médio Oriente que tinha potencial e um parceiro que potenciava o sucesso da marca?

EM: Nós aí tivemos a sorte de conseguir um parceiro que tivesse interesse na nossa marca, que não era conhecida. Nós agora, sim, decidimos para onde queremos ir mais ou menos, mas quando começamos a internacionalizar, era um pouco bater às portas e convencer parceiros a trabalhar com uma marca completamente desconhecida. Os mercados africanos estavam relacionados com o facto de serem ex-colónias portuguesas. Como a marca já era conhecida em Portugal, e havendo pessoas portuguesas lá a viver, e havendo um pouco de Portugal nestes países, era mais fácil convencer os parceiros a trabalhar com uma marca portuguesa como a nossa. A entrada em países do Leste Europeu surgiu da rede de contactos entre parceiros, o chamado "boca a boca", os parceiros, especialmente o do Médio Oriente, abriu-nos todo um conjunto de oportunidades.

AC: Não teria sido mais benéfico concentrar apenas numa zona?

EM: Sim, claro que sim, seria muito mais lógico a nível de gestão até, a nível logístico, de tudo. Mas aqui, a grande dificuldade era o desconhecimento da marca, não arranjávamos parceiros para abrir lojas. Quanto a mercados europeus, é por proximidade geográfica, e porque entramos com o modelo de loja própria. Quando pensamos na lógica, sendo uma empresa portuguesa, o raciocínio esperado seria mercados geograficamente próximos, como já tínhamos algum dinheiro proveniente das lojas do Médio Oriente, fez sentido, mas não foi fácil. Não só porque era precisa toda uma estrutura e equipa nesses países para poder haver um maior controlo, como também por serem países maduros, com maior concorrência.

Segunda-fase:

AC: São duas estratégias completamente diferentes, não foi um pouco confuso?

EM: Inicialmente não estávamos à espera de uma internacionalização tão forte, mas começando a entrar dinheiro seguro do franchising, e vendo que era uma boa maneira de fazer negócio para além das lojas próprias, foi uma forma de fazer a empresa crescer. Não podíamos ficar apenas em Portugal, senão ficaríamos estancados pela sua limitação geográfica. Necessitávamos de crescer e de fazer entrar mais dinheiro. Tendo o internacional corrido tão bem na primeira fase, na segunda fase tínhamos mais poder graças aos nossos bons resultados. Havendo possibilidade de fazer negócio com novos parceiros, surgindo novas oportunidades, não queríamos recusá-las. Mas nesta altura abrimos tantas lojas em tantos países diferentes, que nos apercebemos que precisávamos de uma estrutura segura atrás de nós que fosse capaz de acompanhar este ritmo tão grande de expansão, precisávamos de mais produto, mais coleções, equipas de logística, produto, compras que fizessem um follow-up de toda a operação. Sentimos que estávamos a crescer muito rápido e que o que estava por detrás dessa expansão não estava a crescer ao mesmo ritmo. Daí, em 2014 a administração ter dito "não" a novos mercados, e sim reforçar o número de lojas nos mercados existentes, houve uma espécie de recessão. Não significa isto que não se abrisse nenhum novo mercado, se uma boa oportunidade aparecesse, abríamos. Mas nesta fase não houve um foco específico.

AC: Falas muito dos parceiros e a comunicação entre eles. A rede de contactos de um parceiro tem sido a chave para a internacionalização da empresa?

EM: é um ponto muito importante. Não só deles, como também a nossa rede de contactos com outras empresas. A partilha da experiência que cada um de nós tem, faz parte de todo o processo de conseguirmos bons parceiros. Mas claro que a comunicação entre parceiros também é crucial. Se correr mal com um parceiro, ele pode falar mal da nossa empresa a outros parceiros, e é por isso que tentamos sempre cuidar muito bem dos nossos parceiros.

AC: No caso das lojas próprias, como é que surge esta oportunidade? É a empresa que vai à descoberta?

EM: Sim, somos nós. E aqui não há parceiros, mas há retailers, developers, e há shoppings de referência, que estão em todo o mundo. Estes contactos vêm até nós nas feiras, fazemos *meeting* com eles, e apresentamos o interesse que temos num determinado mercado. E depois há muito trabalho de campo, ir à cidade, procurar boas localizações, lojas vazias.

AC: Quando querem internacionalizar, olham muito para o que os concorrentes fazem?

EM: sim, nós olhamos basicamente para a Inditex. É a melhor empresa do mundo e foi a empresa que criou esta ideia de ter que estar presente em todo o mundo e bem localizada, sendo que a referência mais importante é a Zara. Mas há ainda outras marcas que fazem uma boa expansão, como a Swarovski, Pandora, Calzedonia e as quais eu tenho como referência. Se numa rua houver Inditex, Calzedonia, Aldo, claramente é um sítio onde devemos estar.
AC: Nesta fase, há uma clara concentração em alguns países Europeus. Mas se verificarmos as vendas de todas as lojas, uma loja no Médio Oriente vende em média mais que uma loja em nestes mercados europeus. Porque não concentrar nestes países?
EM: – Num desses países eram corners, não eram lojas físicas, foram um acordo com o shopping (espécie de El Corte Inglés), foi um acordo que gerou muitos pontos de venda, que ajudaram ao reconhecimento da marca, num país muito central. Estes são obviamente os países próprios, e a estratégia nesses países é entrar com força, é apostar na abertura de lojas. Outro dos mercados europeus, na Europa Central, tinha muitas marcas portuguesas a lá entrar, porque é um país barato, com custos muito baixos (rendas, pessoal), por isso é um país rentável para nós. O que não significa que agora seja o país mais rentável, porque não é.

Terceira-fase:
AC: Já falamos do porquê de aqui termos parado com a diversificação e adotar uma estratégia de maior concentração.
EM: era imperativo parar de abrir mercados novos e sim fazer crescer o número de lojas nestes países, que acho que foi uma muito boa estratégia para poder reestruturar tudo bem e ter tempo de reforçar equipas, foi muito bom.
AC: Foi uma questão de recursos humanos?
EM: Sim, e nessa altura decidimos fazer também o novo centro logístico. Foram muitas mudanças e precisávamos de focar. Ganhamos todo um conhecimento, toda uma bagagem que nos levou a perceber que era preciso parar para nos focarmos e vai ser benéfico para o futuro.
AC: Nesta última fase, o foco passa a ser os mercados 1, 2 e 3. São os mercados mais rentáveis?
EM: O mercado 1 sim, sem nenhuma dúvida, depois de Portugal e do franchising internacional, é o mais rentável e é o nosso maior mercado. As vendas não são baixas e os

custos não são enormes – por isso dá-nos uma estabilidade económica importante. Se me perguntas se os mercados 2 e 3 são rentáveis, não é igual. Eu apostaria muito mais fortemente no mercado 3, acho que embora os custos sejam semelhantes, vamos vender melhor no mercado 3, porque a mulher latina de desse mercado é mais parecida com a de Portugal, tem mais sensibilidade para o produto.

AC: Um dos mercados da América Latina, abrimos pela primeira vez em 2017, e abrimos 11 lojas nesse ano.

EM: foi o parceiro basicamente, tivemos uma boa oportunidade. É um parceiro com muito poder económico, e tinha uma outra marca que não estava a correr muito bem, então queria trocar essas lojas por uma nova marca. Tivemos a sorte de ele querer trabalhar connosco. Essa antiga marca está presente por todo o mercado, por isso é mais fácil quando a loja já está lá.

AC: A nossa estratégia é mais reativa ou proativa?

EM: É uma mistura neste momento. Temos diretrizes dadas pela administração, de novos países, mas quando surge uma boa oportunidade, também a aproveitamos.

Appendix 3 – Table of gross values of both geographic concentration and diversification between 2002-2017 by stage by market

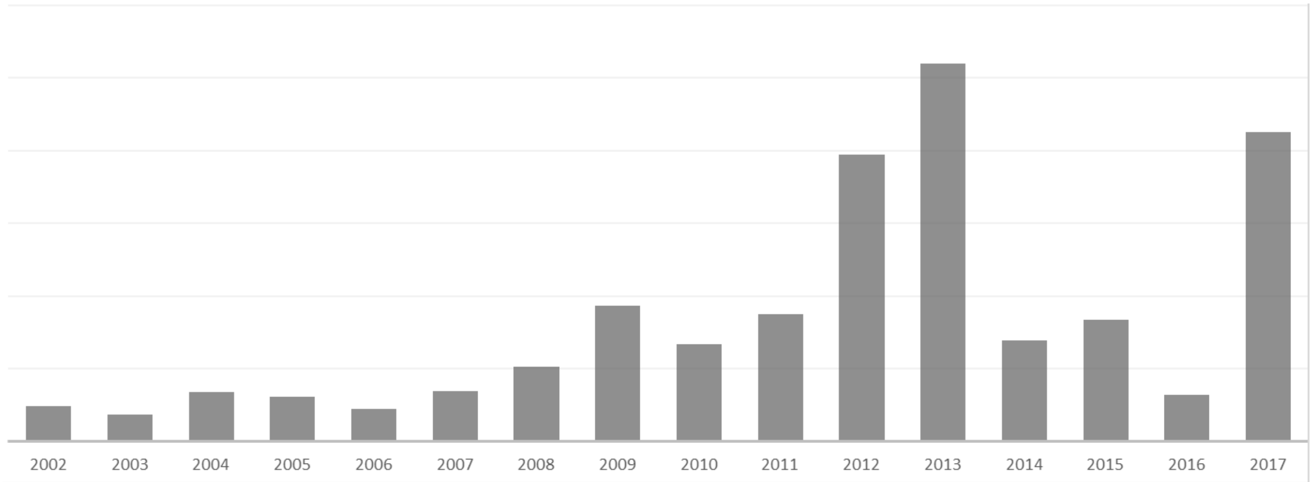
		First stage									Second stage					Third stage					
	MARKETS	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL	2010	2011	2012	2013	TOTAL	2014	2015	2016	2017	TOTAL	TOTAL
	TOTAL	1	1	2	1	0	7	1	4	17	6	10	9	11	36	3	2	3	8	16	69
Geographic diversification (gross values)	Middle East	1		2			2		2	7		3			3	1				1	11
	%	100%		100%			29%		50%	41%		30%			8%	33%				6%	16%
	Southern and Western Europe		1		1					2		1	2	2	5	1			1	2	9
	%		100%		100%					12%		10%	22%	18%	14%	33%			13%	13%	13%
	Central and Eastern Europe						4		2	6	4	6	2	4	16			1	2	3	25
	%						57%		50%	35%	67%	60%	22%	36%	44%			33%	25%	19%	36%
	Asia										1			1	2						2
	%										17%			9%	6%						3%
	Africa						1	1		2	1		1	1	3				2	2	7
	%						14%	100%		12%	17%		11%	9%	8%				25%	13%	10%
	Latin America												4	3	7	1		1	2	4	11
	%												44%	27%	19%	33%		33%	25%	25%	16%
	France and Spain Overseas																2	1	1	4	4
	%																100%	33%	13%	25%	6%
	TOTAL	1	1	4	6	4	10	10	14	50	33	45	91	137	306	84	89	119	158	450	806
Geographic concentration (gross values)	Middle East	1	1	2	5	3	5	5	2	24	1	3	13	16	33	11	2	8	19	40	97
	%	100%	100%	50%	83%	75%	50%	50%	14%	48%	3%	7%	14%	12%	11%	13%	2%	7%	12%	9%	12%
	Southern and Western Europe			2	1	1	3	1	6	14	12	10	31	71	124	56	74	86	89	305	443
	%			50%	17%	25%	30%	10%	43%	28%	36%	22%	34%	52%	41%	67%	83%	72%	56%	68%	55%
	Central and Eastern Europe						2	3	6	11	19	26	37	33	115	11	10	16	19	56	182
	%						20%	30%	43%	22%	58%	58%	41%	24%	38%	13%	11%	13%	12%	12%	23%
	Asia										1	5		4	10			3	1	4	14
	%										3%	11%		3%	3%			3%	1%	1%	2%
	Africa							1		1		1	5	4	10	2		2	6	10	21
	%							10%		2%		2%	5%	3%	3%	2%		2%	4%	2%	3%
	Latin America												5	9	14	4	3	3	23	33	47
	%												5%	7%	5%	5%	3%	3%	15%	7%	6%
	France and Spain Overseas																	1	1	2	2
	%																	1%	1%	0%	0%

Appendix 4 - Table of gross values of stores opened as a total between 2002-2017 by stage by geographic region

	STAGE 1		STAGE 2		STAGE 3	
	TOTAL	**%**	**TOTAL**	**%**	**TOTAL**	**%**
Middle East	31	46,3%	36	10,5%	41	8,8%
CEE	17	25,4%	131	38,3%	58	12,4%
SWE	16	2,9%	129	37,7%	307	65,9%
Africa	3	4,5%	13	3,8%	12	2,6%
Latin America	0	0%	21	6,1%	37	7,9%
Asia	0	0%	12	3,5%	4	0,9%
France and Spain overseas	0	0%	0	0%	6	1,3%
TOTAL	67		342		466	

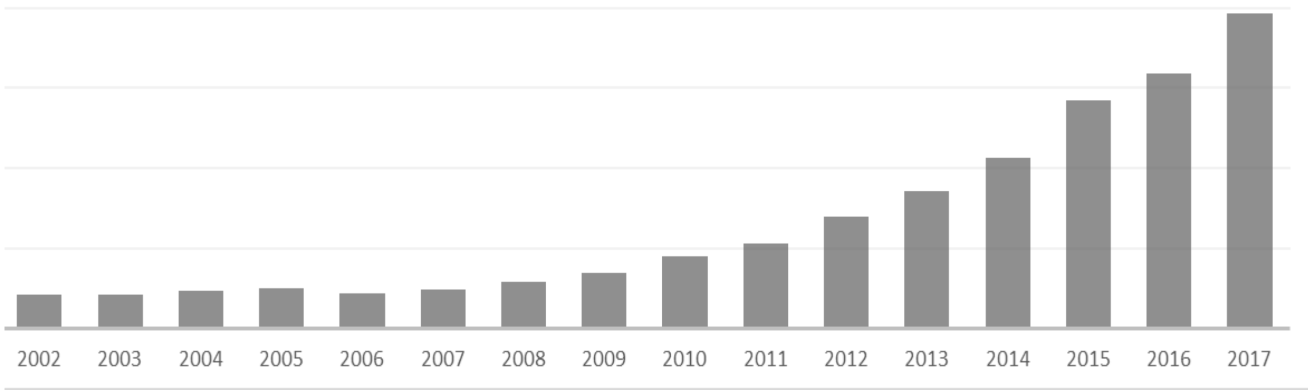
Appendix 5 – Growth in operating profit between 2002 and 2017 – table and graphic

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
-23%	83%	-9%	-26%	55%	48%	80%	-28%	31%	126%	32%	-73%	21%	-62%	570%



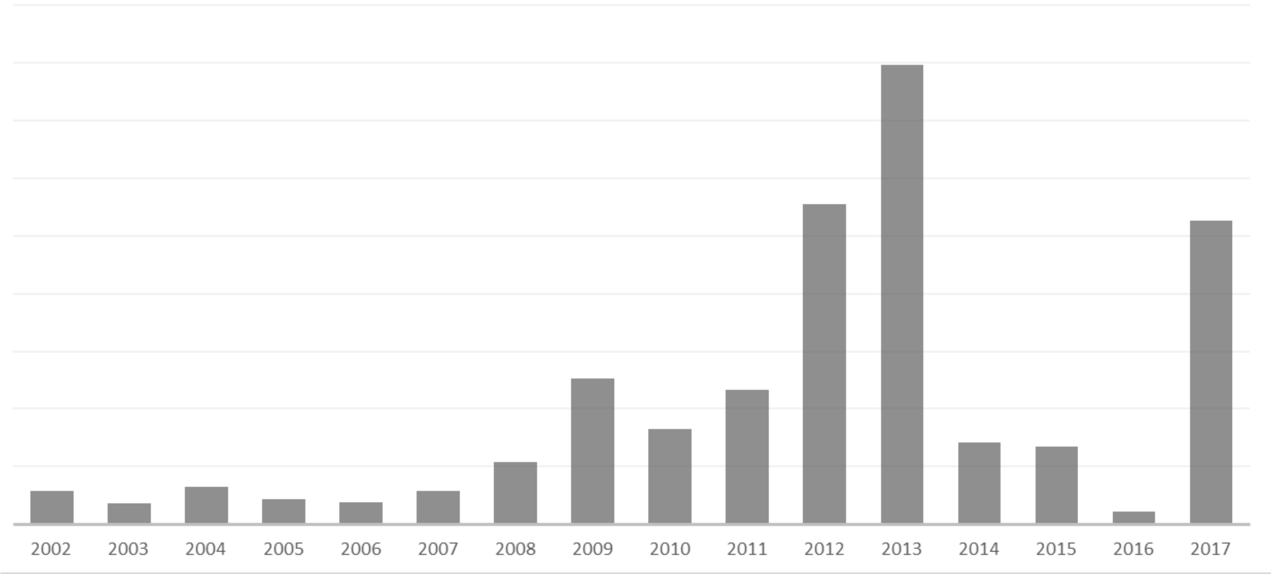
Appendix 6 – Growth in operating revenue between 2002 and 2017 – table and graphic

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
-1%	11%	6%	-11%	10%	19%	21%	29%	19%	31%	23%	24%	34%	12%	23%



Appendix 7 – Growth in net profit between 2002 and 2017 – table and graphic

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
-36%	79%	-34%	-11%	48%	88%	135%	-35%	42%	138%	43%	-82%	-5%	-84%	2360%



Appendix 8 – weight of sales of each region (%) in world sales of the company per year

Geographic region	2012	2013	2014	2015	2016	2017
Africa	2%	2%	2%	2%	2%	2%
Asia	1%	1%	1%	1%	1%	1%
Central and Eastern Europe	19%	16%	13%	11%	10%	10%
Latin America	2%	5%	5%	2%	1%	2%
Middle East	17%	14%	13%	14%	12%	9%
Southern and Western Europe	21%	26%	33%	41%	48%	52%

Appendix 9 – weight of sales of markets 1, 2 and 3 (%) in world sales of the company per year

	2012	2013	2014	2015	2016	2017
Market 1	17%	21%	25%	31%	37%	37%
Market 2	3%	4%	4%	6%	6%	8%
Market 3	0%	0%	0%	1%	2%	4%
TOTAL	**20%**	**25%**	**29%**	**38%**	**45%**	**49%**