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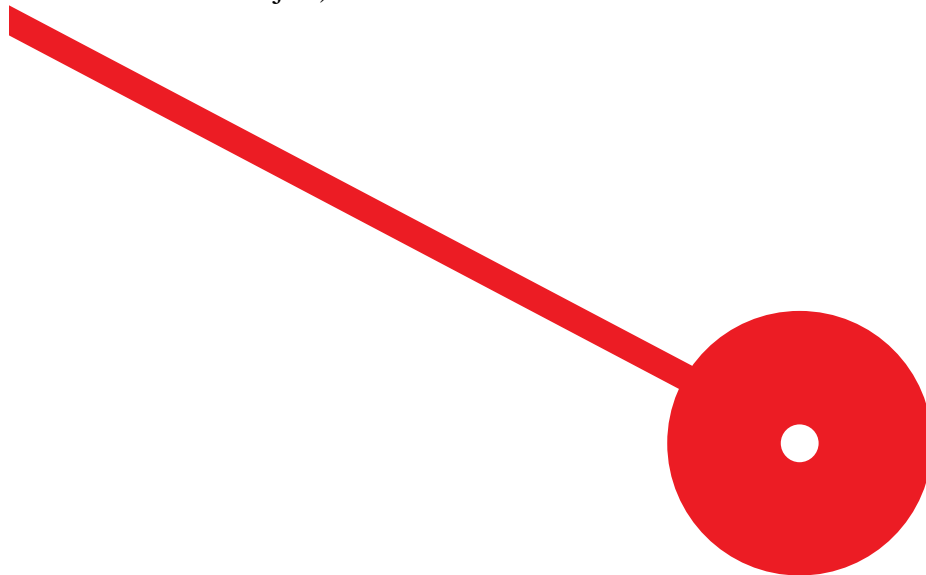
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Internationalization to the Russian Market: Covet Group Case Study

Maryna Sobolyeva

12/2020

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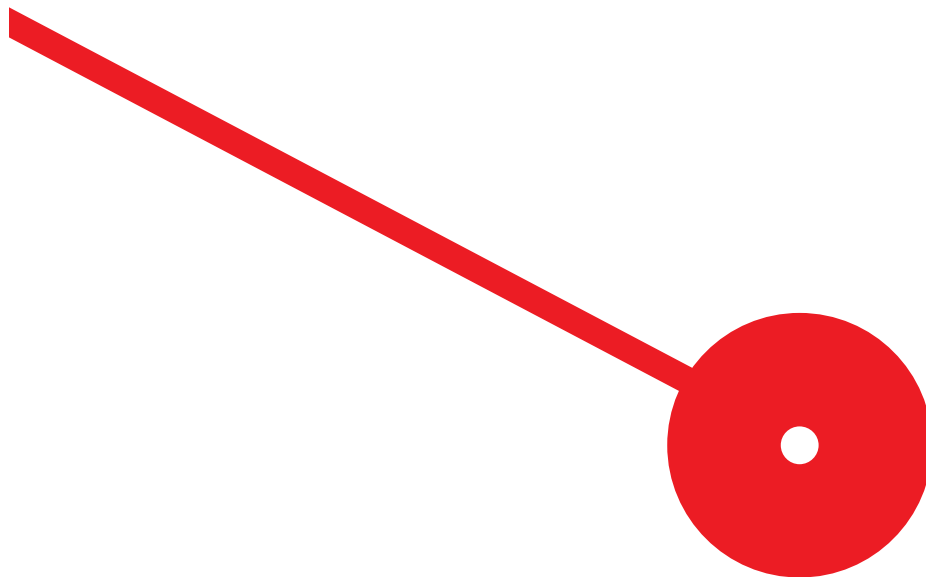
Internationalization to the Russia Market: Covet Group Case Study

Maryna Sobolyeva

**Dissertação de Mestrado
apresentada ao Instituto Superior de Contabilidade e Administração
do Porto para a obtenção do grau de Mestre em
Empreendedorismo e Internacionalização, sob orientação de
Doutora Celsa Machado e Doutor Paulo Vieira.**

Maryna Sobolyeva. Internationalization to the Russia Market: Covet Group Case Study

12/2020



Acknowledgements

The elaboration of this master dissertation would never be possible without several people who through this year helped me and kept me motivated. I would like to thank my supervisors, Doutora Celsa Machado and Doutor Paulo Viera, for their knowledge and for helping me and guiding me during the elaboration of this paper. Also, I would like to thank Doutora Maria Clara Ribeiro, director of the Master's Degree, who always encouraged me and did not let me give up on my studies. To my family who, besides being far away, always cheered me up, and my friends who helped me and kept me moving. I am also thankful to Covet Group for letting me study the company and the way they are working, all the Covet Group's clients who agreed to be interviewed and to all the companies who replied to my email and my phone calls. To everyone who accompanied me during this journey and has always been there to help.

Resumo:

O objetivo principal desta dissertação é estudar o processo de internacionalização para a Rússia da empresa portuguesa Covet Group. Para abordar este assunto vamos começar por definir o que é a internacionalização, quais são os principais modelos de internacionalização, os motivos que conduzem a este processo, as barreiras com que as empresas se podem deparar e os modos de entrada num mercado estrangeiro. Dado trabalhar no Covet Group e lidar em particular com o mercado russo-falante, sempre achei curioso o facto deste mercado implicar um procedimento diferente por parte da empresa no que diz respeito à expedição das mercadorias. De um modo geral, a empresa envia as encomendas diretamente para os seus clientes, mas não para a Rússia. Os clientes russos vêm buscar as suas encomendas ao armazém da empresa, cá em Portugal, ou pedem para estas serem entregues num armazém europeu. Decidi assim investigar as razões que conduzem a este procedimento díspar, como atuam as outras empresas do mesmo setor e qual a opinião dos clientes: se estão satisfeitos ou prefeririam receber as encomendas diretamente. Com o intuito de obter respostas a estas questões realizei duas entrevistas, uma com COO do Covet Group e outra com clientes da empresa, e enviei um questionário às empresas (nacionais e internacionais) concorrentes do Covet Group. Aparentemente, no mercado russo as barreiras à internacionalização ocorrem na forma como os produtos chegam ao país, limitando drasticamente a entrega direta à Rússia. No caso particular do Covet Group, haveria abertura para trabalhar com uma empresa que assegurasse o transporte para o mercado russo e fornecesse legalmente toda a documentação necessária. As conclusões deste estudo permitiram-me ainda ter uma ideia de negócio que certamente irei explorar no futuro.

Palavras chave: Covet Group, Internacionalização, Exportação, Rússia.

Abstract:

The main goal of this dissertation is to study the internationalization process to Russia of the Portuguese company Covet Group. To approach this subject will be defined what is internationalization, what are the main models of internationalization, the reasons that lead to this process, the barriers that companies may face while doing it and the ways of entering a foreign market. Since I work at Covet Group and deal with the Russian market, it was always curious for me that this market implies a different procedure regarding the shipping of goods. In general, the company sends orders directly to its customers, but not to Russia. Russian customers collect their orders from the company's warehouse, here in Portugal, or ask for them to be delivered to a European warehouse. So it was decided to investigate the reasons that lead to this different procedure, how the other companies in the same sector operate and what customers think about this: whether they are satisfied or would prefer to receive orders directly. In order to obtain answers to these questions were conducted two interviews, one with COO of Covet Group and another with customers of the company, and sent a questionnaire to (national and international) competitors of Covet Group. Apparently, in the Russian market, barriers to internationalization manifest in the way products arrive in the country, drastically limiting direct delivery to Russia. In the particular case of Covet Group, there would be a possibility to work with a company that would ensure transportation to the Russian market and legally provide all necessary documentation. The conclusions of this study also allowed me to have a business idea that will be certainly studied in the future.

Key words: Covet Group, Internationalization, Exportation, Russia.

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Abbreviations

AICEP - Agência para o Investimento e Comércio Externo de Portugal

DAP – Delivery at Place

DDP – Delivery Duty Place

EXW – Ex Works

GDP – Gross Domestic Product

ID – Interior Designer

CHAPTER I - INTRODUCTION

Internationalization is a reality. Especially in countries with reduced domestic markets, opening companies to foreign markets is the only way to ensure the viability of their business.

However, different companies may choose distinct strategies of internationalization. It might be the simpler and less expensive process as direct exportation or foreign direct investment, which is a more expensive and stronger in its involvement. But it is important to emphasize that even a more elementary process such as direct exportation might be complex in terms of delivery: it can be done by delivering the order directly to clients' address or it might require clients to hire another company to handle the delivery.

These different internationalization strategies motivated me to carry out a case study based on my experience as worker of Covet Group, in order to understand better how these processes work. Covet Group is a Portuguese manufacturing company that specializes in the production of luxury national handcraft goods since 2005. After 15 years, the group has now 13 different brands where it is possible to find all sort of pieces of lighting, furniture, jewellery hardware, rugs and décor products. Given the limitations of the domestic market on buying luxury goods, it aimed to internationalize.

My job is to establish the first contact with people when they show an interest in any of the brands. When dealing in particular with Russian market, it becomes curious that this market involves a different procedure regarding the shipment of goods. Russia is one of the few countries to which the company does not deliver. Thus, the main objective of this study is to understand the company's internationalization process to the Russian market, using my personal experience.

The main objectives of this dissertation are to study and understand:

- What are the entry modes used by Covet Group?
- What are the internationalization barriers of Covet Group to the Russian market?
- Why Covet Group does not deliver its goods directly to Russia and whether it affects the sales?

In order to address these issues, the methodology used for this dissertation was qualitative. At first were analysed books and articles on this matter, to understand better the definition of internationalization and everything that follows this concept. Next steps were based on interviews and a questionnaire. This way, this dissertation is organized in six different

chapters. After the introduction, there is a chapter of global contextualization that begins by defining what internationalization is, what are the main models of internationalization, the reasons that lead to this process, the barriers that companies may encounter and the ways of entering a foreign market; then follows some brief information about Russia, the main exports and imports of this country and how the pandemic of 2020 has affected it. The third chapter of this dissertation is about Covet Group, a study case company that was chosen for this investigation, it includes a description of the company, mention of their sales through the years and a PESTEL and SWOT analysis. Next, on chapter number four the methodology that was used for this case study is explained as all the interviews and the questionnaire. The last two chapters show the results obtained during the investigation and what was concluded at the end of this study.

CHAPTER II – GLOBAL CONTEXTUALIZATION

2.1 Internationalization

Internationalization is a process that has been evolving throughout the years. The evolution of this process has been possible due to interaction between companies in different markets, between different cultures and also due to digital and personal development (Johanson & Vahlne, 1992). There has never been just one correct definition to describe it. Some authors indicate that internationalization consists of movements of factors of production, such as capital transfers, development of projects in cooperation with foreign companies, or sales of products in other countries. Internationalization includes all types of intervention in foreign markets, from export to direct investment abroad (Abrantes, 1999). Others say that internationalization comes as a necessary process when there is a lack of resources in the internal market (Doz, Asakawa, Santos, & Williamson, 1997). On the other hand, Freire (2008) says that internationalization happens when a company extends its strategies to a foreign market.

The one thing sometimes forgotten by companies is that internationalization is not a simple process, it requires knowledge, resources, and good managing skills. Internationalization is a process that helps companies to get to know themselves, their potential, their strengths, their flaws, but also their competitors and new markets. Laine and Kock (2015) from the Swedish School of Economics and Business Administration call it a “complex and multidimensional process”.

Internationalization is a challenge for every company, but also an opportunity to get to know a new culture, a new market and to develop its products and its strategy. The worst mistake of any manager is to think that they can keep doing the same work all the time and that the same strategy will work in all the countries they are working with. The best thing to do in this kind of situation would be to have a different manager for each market. This person should be someone who is completely in on this subject, who knows perfectly the culture and its people, how the businesses work there and, even better, the language. This manager should know very well how to organize the company and how to hire the right type of people or even how to teach professionals to work perfectly in the specific market. These kinds of resources are hard to maintain, but they are necessary for a well-done internationalization (Mações, 2018).

Internationalization as a process must answer basic questions, such as:

- Why? – The company must understand why they need to internationalize. What are the reasons and motives to take such a step?
- Where? – Where are they going to internationalize? Which country or even countries are most suitable for this decision?
- How? – How does it have to be done? What is the process? Where to start?
- When? – When is the best time to start this process?
- What? – What products or services are we going to export? What foreign markets are looking for? Do they have these types of products there already?

These simple questions that we use almost in every study, help to guide us on what we pretend (Carneiro, 2007).

2.1.1 **Motives and market selection**

Companies will not just internationalize for nothing, there are many things in the game. Our world has developed in many ways. Nowadays, one wants to have things that may not be present, yet, in the country. Or there are various products, but not compatible with market taste or purchasing power.

Internationalization keeps companies alive. How many companies would survive if they could only exist in the domestic market? Probably most of them would not even be created or would disappear within years, depending on the field of business. Internationalization helps a company improve its economic performance, ensure its growth, expand its knowledge, and challenges it.

Internationalization is a process with different perks for one company, it helps it to receive recognition in foreign markets, or sometimes even in domestic ones. Covet Group is a clear example. After it received its recognition outside Portugal, in markets such as the United Kingdom and the United States of America, it became more famous and notorious in the domestic market (more on this subject later). Other perks are innovation, which is an important one since the company is learning how to proceed in these markets and how to get better or level up with other notorious companies/brands. And of course, another advantage of internationalization is a better and stronger financial position.

Internationalization always has a reason, Vrontis and Thrassou (2007) describe these reasons as resource seeking, market seeking, efficiency-seeking, and strategic assets or capability seeking. Mações (2018) in his book “Estratégias e Processos de Internacionalização”, also talks about the reasons that are the most obvious for a company

to internationalize: economies of scale, achieving better prices and better taxes in foreign countries, running away from financial crises in domestic countries, diversification of market risks, avoid custom fees and access to new technologies that may help to develop the production, something that may not be used in the domestic country.

Albaum and Duerr (2008) and Mwitwi, Ofafa, and Mkim, (2013) divide the motives for internationalization into two different categories: internal and external motives. Internal motives are the ones that have to do with the firm itself, while external regard the environment outside the firm.

Hollensen (2008) proposed two completely different categories: proactive and reactive motives. Proactive motives are the ones connected to the increase in profits, market share, and low taxes, whereas reactive motives are associated with competitive pressure, small local markets, seasonal sales, and network in foreign markets.

In turn, Onkelix and Sleuwaen (2008) distinguish between two categories: push factors and pull factors. The first ones imitate some particular characteristics of a firm based on its fund, competitiveness, and product life cycle. Pull factors, on its way, occur from appealing conditions and beneficial growth in international markets.

The table below illustrates the motives for internationalization presented by Root (1994).

Table 1 – Motives to internationalization based on Root (1994).

Motives			
Related to assets and resources	Related to the market	Connected to the strategy	Related to the value
<ul style="list-style-type: none"> – lower costs of workforce – natural resources – management abilities – technological abilities – secure supply of the resources 	<ul style="list-style-type: none"> – market attraction – the prospect to defend the present market – exploit new marketplaces 	<ul style="list-style-type: none"> – upsurge global perception of the product – cultivate a global network – develop a good image of the organization – increase sales 	<ul style="list-style-type: none"> – economy of scale – divergence of risk

Source: Own elaboration, adapted from Costa, Teixeira & Lisboa (2019, p. 505).

Every author describes their own categories of motives but, in general, they are all based on the same causes: the oversaturation of the domestic market; a strategy to develop their marketing; strategizing new ways to raise the number of clients and consequently their profit as well; exploring economies of scale, because every professional wants the cost of production to be low or at least lower with time.

It is always important to study the market and to understand the need for your service or product in different markets. But how to select the best option, what is the target market for your company? This study is called IMS – International Market Selection and there are two different models to select the most appropriate market for a specific company.

From a chronological perspective, the first model was proposed by Johanson (1997) and assumes four different steps:

- Country identification – determine to which countries firm is more likely to internationalize.
- Preliminary screening – determine the norms and conditions on which the country will be chosen.
- In-depth screening – try to figure out the complete potential each market will have.
- Final selection – choose the market which reveals to be the more appropriate and profitable option for internationalization (see Figure 1).



Figure 1 – Johanson’s Model – necessary steps in market choice (1997).

Source: Own elaboration adapted from Figueiredo (2016, p. 15).

The second model – Root’s Model (1998) – considers three steps in market choice:

- A preliminary screening – this step consists of the firm establishing and determining criteria to define what markets they can select in general as a possible investment. Root merged two Johanson’s steps into one.

- An estimation of the industry market potential – here the company has to determine the complete potential of the market more appropriate to them. Equal to the third step in Johanson’s model.
- An estimation of company sales potential – essential to make a forecast to understand how many costs the firm will have and what will be an estimated profit (see Figure 2).

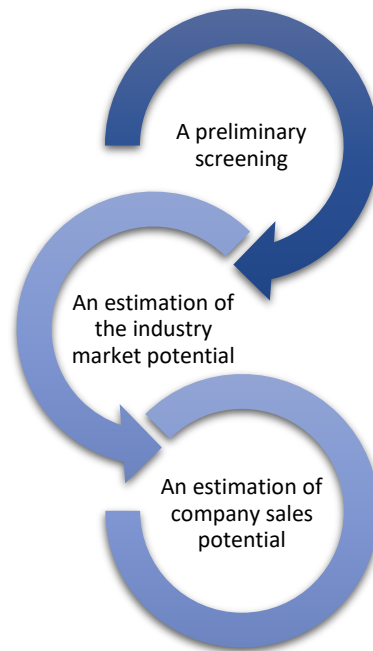


Figure 2 – Root’s Model – necessary steps to choose the market (1998).

Source: Own elaboration adapted from Figueiredo (2016, p.15).

2.1.2 Models

According to Laine and Kock (2015) internationalization is a complex process. It is essential to commit resources to international operations. Otherwise, will happen what has been happening to some firms, mainly small and medium enterprises, the internationalization process will just stop after some time spent in the market. This can be justified as a lack of resources, knowledge or lack of management knowledge.

Next will be present some models of internationalization, which can be followed to achieve a better internationalization process.

“The traditional view of internationalization is that it is based on economies of scale and large firms. Internationalization in small firms is more often combined with threats than with opportunities. Traditionally small firms are, however, often considered to be home-market oriented” – (Lindmark, 1996)

U-model or also known as the Uppsala Internationalization Model was developed in the ‘70s. The model consists of a description of the steps the company should take during the internationalization process. This process starts by internationalizing to countries that are closer geographically and continue to expand farther away (Johanson & Vahlne, 1977). According to this model, the company starts to internationalize by sporadically exporting its products to a foreign market. The next step of the firm is to make exportation via an agent or a distributor. The following step would be the creation of a subsidiary in the target market. The last step is the creation of production in a foreign country (Laine & Kock, 2015). Therefore, is important to understand where a company stands in the exact moment because, following the U-model, it will be able to foresee the next step. As this model was created in the 1970s, there are reasons to believe it may not apply directly to every nowadays situation. It is important to understand that those steps will be influenced by the size of the firm, by the success of the firm, by the market itself, and by the company’s experience in general and in that specific market (Johanson & Vahlne, 1993).

Johanson and Matsson (1988) advocated how important the network is when we are speaking about internationalization. According to these two authors, during the internationalization process, some relationships are created and must be developed and maintained to lead a company to its goals. These authors also divided the internationalization process into four different phases:

- The early starter – when a company and its network have limited international participation.
- The late starter – when the network of a company has a high level of internationalization, but the company itself has not.
- The lonely international – when a company developed knowledge and resources towards new markets, while its network is not taking part in internationalization.

- The international among others – when the firm is internationalizing using its own knowledge and the knowledge and resources of its network. Internationalization occurs both ways (see Figure 3).

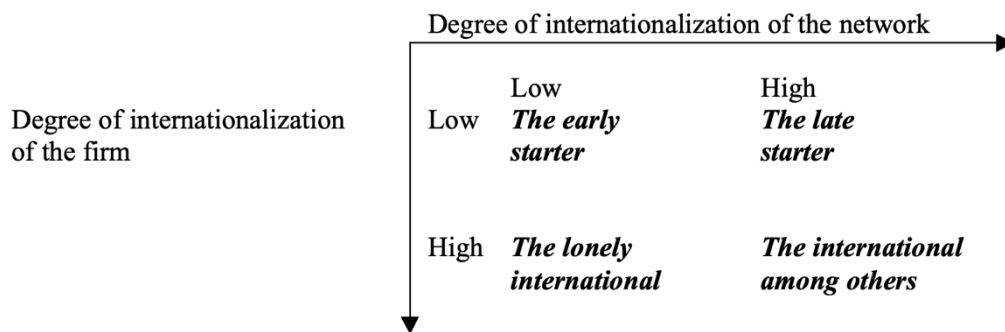


Figure 3 – Internationalization from a network perspective.

Source: Johanson & Matsson (1988, as mentioned in Laine & Kock, 2015, p. 4).

Rogers (1962) proposed another internationalization model: The Innovation-Related model or called the I-Model. It is considered an innovation model because each step of this model is an innovation for the firm. Three different steps are considered in this model:

- Pre-export – encompasses companies who are expanding only to the domestic market and are not quite interested in internationalization;
- Initial export – is more about companies who export to other countries sporadically;
- Advanced export – refers to companies that are exporting and internationalizing regularly on daily basis.

Rogers (1962) considers that each one of these steps will be different for every company because all will depend on its knowledge, resources, and target market.

2.1.3 Barriers

Internationalization is a process that involves different countries. Therefore, the concept of geographic distance needs to be taken into consideration: in our case study, Portugal is about 4500 kilometres from Russia. Some authors also stress the importance of psychological distance (Oviatt & McDougall, 1994), meaning the difference in culture, politics, language, and education, pretty much everything that distinguish two countries and cannot be measured. Oviatt and McDougall (1994) proved that, at the beginning of the

internationalization, companies tried to internationalize to markets which were closer by psychological distance, this was called gradual development. That way their knowledge about culture and language would help them operate in those markets. Lately, it became more regular to internationalize to markets that are far away geographically and also psychologically. This happened due to all the knowledge and awareness people started to have about the world and the markets also tried to standardize all the processes (Oviatt & McDougall, 1994).

There can be different types of barriers to internationalization, which can be notorious when there is a lack of knowledge or resources. These barriers can be defined as internal and external. Internal barriers are the ones related to a company and a product. It can be those regarding materials that are used to manufacture the products, origin certificates to determined countries, or logistics (Carvalho, 2009). External barriers are the ones associated with the process of internationalization itself, they can be political, economic, legal, anything related to the market where the company is planning to internationalize.

Internal barriers can still be divided into informational, functional, and marketing (Lenodou, 2004). Informational barriers exist, in this author's point of view, because of a lack of information concerning the target market. The functional barriers are considered as the absence of time to deal with all the internationalization problems, which include human resources, financial problems, and deficient capacity of production. Marketing barriers concern the product itself (how it is presented to the market), such as its price (if it fits the target), distribution (the best channels used to distribute), logistics, and all the marketing issues such as ways of advertising (Duarte, 2019). External barriers can be divided into the procedural, governmental, task, and environmental (Lenodou, 2004). The procedural barrier is regarding anything that can happen with the process of internationalization itself. When talking about governmental barriers, these occur when the government has strict rules, the ones that do not permit an easy internationalization process, or when the government does not encourage internationalization. Task barriers concern the different behaviour of consumers from the target country and all the competition. Environmental barriers refer to all the political, economic, and cultural obstacles. Figure 4 illustrates how Lenodou (2004) classifies the barriers to internationalization.

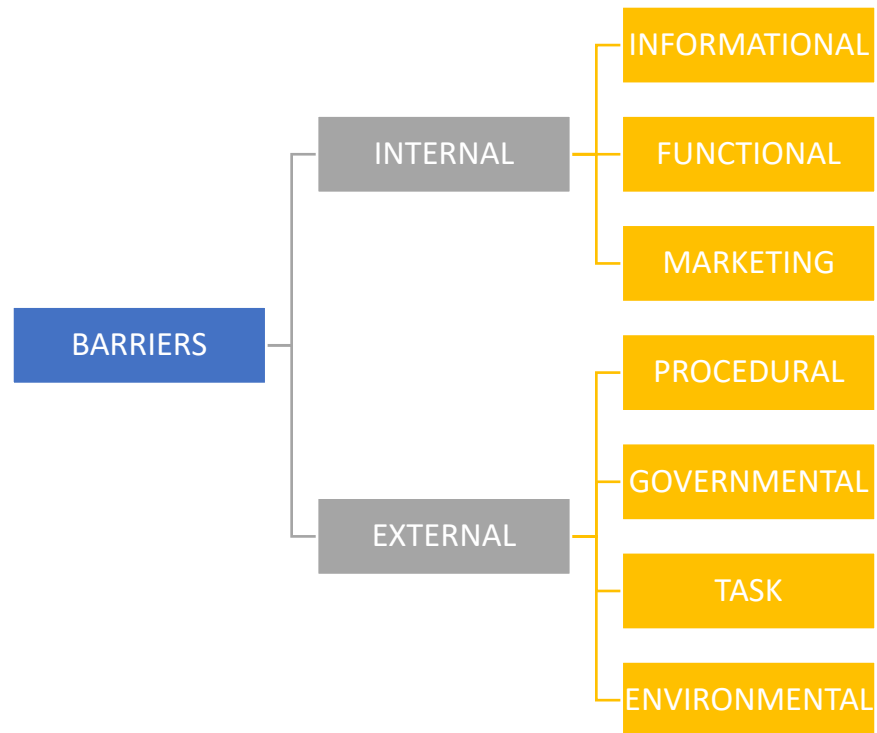


Figure 4 – Classification of barriers to internationalization according to Lenodou (2004).
Source: Own elaboration.

The next figure was made based on Shaw and Darroch (2004) perspective regarding barriers to internationalization. These authors divide them into five different areas.

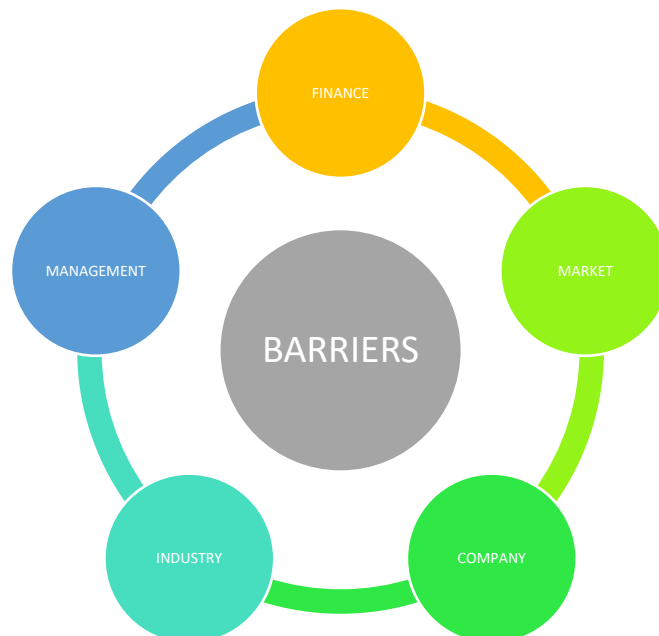


Figure 5 – Classification of barriers to internationalization according to Shaw and Darroch (2004).

Source: Own elaboration.

Tesfom and Lutz (2006), just as Lenodou (2004), divide barriers to internationalization into internal and external, all the details of their theory are shown in Figure 6.

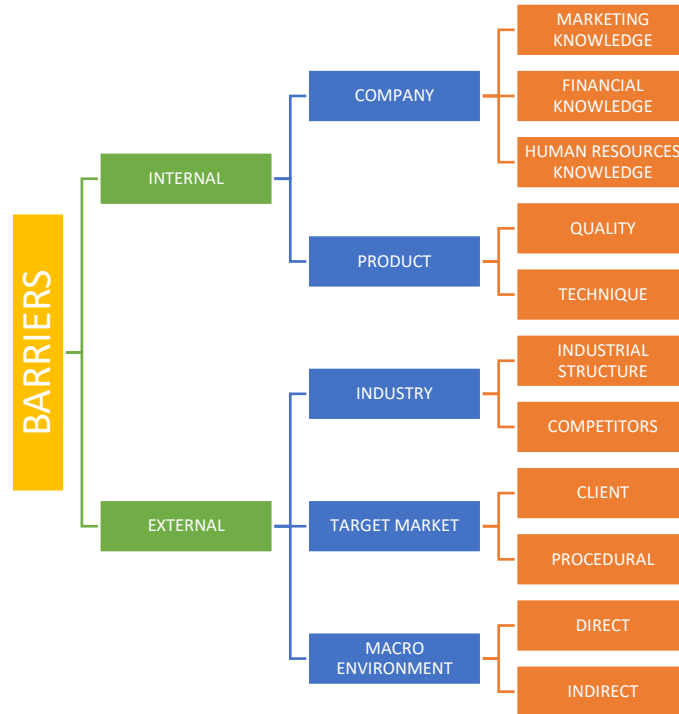


Figure 6 – Classification of barriers to internationalization according to Tefsom and Lutz (2006).

Source: Own elaboration.

Finally, Figure 7 illustrates the perspective of Kahiya (2013) on barriers to internationalization.

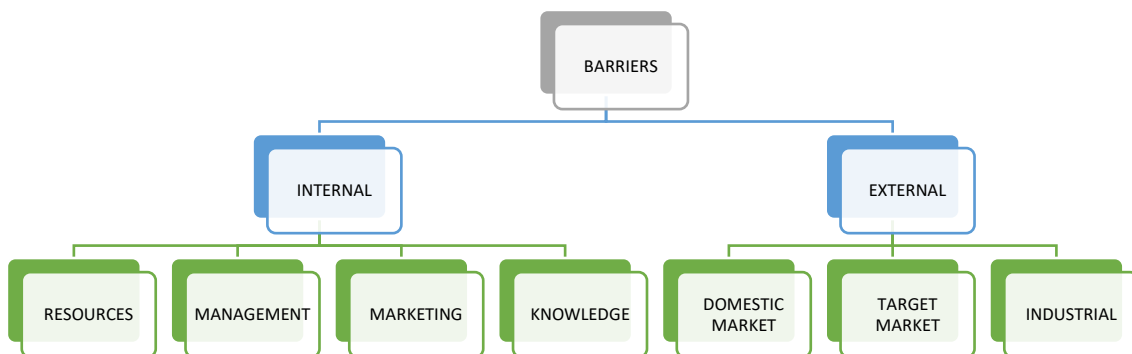


Figure 7 – Classification of barriers to internationalization according to Kahiya (2013).

Source: Own elaboration.

All these figures show how different authors approach the barriers to internationalization issues. As we can see, despite different names and different groups, all of them refer to the same kind of barriers, ones regarding the company and products, and others regarding the internationalization process and target market.

2.1.4 **Entry Modes**

There are different ways of entering into a market. So, before taking the first step in internationalizing, a company should study and analyse the current situation in the market where they are planning to enter: for instance, considering certain aspects, such as the political and economic situation, and the potential growth matter.

The different ways to internationalize will depend on how the company wants to do it. There are several different options available - they can simply export their products, they can decide to start production in that chosen country, they can also choose to make licensing, which means to allow one to use the product, the know-how of its production, its value or it is also possible to create joint ventures. Below is the explanation of each way possible to enter a foreign market (see Table 2, for a systematization of the entry modes, their main advantages and disadvantages).

Exporting products

To sum it up, exporting products comprises having a manufacturer in one country and being able to take the products to another country. This way of entering foreign markets can be divided into indirect exporting and direct exporting.

Indirect exporting mainly consists of being able to export your products, but with someone else's help (examples below). This process tends to be used by smaller companies or companies who do not have a lot of experience in internationalization. Indirect exporting can be carried out in multiple ways. One of them is called piggybacking, which consists exactly of the meaning of the word. As the term implies, in this case a smaller company gets help or relies on a more experienced and bigger company. Usually, this happens with companies within the same field of business, but companies who specifically do not share stocks and are not direct competitors. As described by Susilo (2018), the piggyback strategy incorporates a rider and a carrier. The first one is an inexperienced company (usually a manufacturer) and the latter, the carrier, is the experienced one who can help internationalize the manufacturer's products and help that firm with marketing and distribution.

Another way of indirect exporting is export managing companies – this is by no means similar to piggybacking, because while in the last process the biggest and more experienced company works in the same field, in this particular case there is a company which deals directly with exportation of the products of any manufacturer. Their services usually include foreign representation and marketing. Usually, they arrange sales to foreign distributors or agents and, most definitely, handle the export transactions (Sarathy & Terpstra, 2011).

To summarize, the indirect exportation entry mode, is an easy and faster way of exporting for firms that are not ready to do it on their own. They do not have to learn any processes and spend extra time and money on them, they can dedicate their complete focus and time to what they do best, which is producing their products and leaving all the export work to a piggybacking company or an export managing company. Of course, this may not always be a good option, because, in some cases, the manufacturer may not always be able to receive the right feedback or the truth regarding the market. One other important aspect is that the manufacturer may also lose the perfect opportunity to learn how other international processes work. They are never in control of other processes, except for the creation of the products, and they can never be absolutely certain if the other company is doing it the right way, in other words, they simply have to trust other company.

Beyond indirect exportation, there is also another important entry mode to consider: direct exportation. Nowadays, with the access to the internet, technologies and globalization, some companies prefer to make their way by direct sales, where they can sell and send their product straight to the customer, whether it is another company or a final client. Sometimes this is the way to enter in the international market for some firms, since they keep all the profit to themselves, but is it the most correct way to do so? Sarathy and Terpstra (2011) consider that direct sales are risky regarding the market, because of several different reasons: the market will not be studied enough; the marketing will not be made the right way; and, the firm might lose some potential buyers and not take enough benefit and reward from that specific market. For these listed reasons, there exist two well-known different ways of engaging in a specific market: as an agent and as a distributor.

An agent is a person with a big network within a market, region, or city. It is a person who engages with clients and publicizes the brand, but does not have its own marketing, does not provide different prices. An agent represents the manufacturer/product to another firm or to a final customer. For example, that final customer can buy the product directly from the

manufacturer, so the shipment will be done from the manufacturer to the client. An agent will not be a part of further processes, though he/she will get a commission of this sale because he/she engaged and successfully directed the client to the brand, therefore, we can call an agent a representative.

This is completely different from what a distributor stands for: the distributor will have its own marketing, its own prices for the clients (however, never lower than the manufacturer does), because what he/she will earn will depend on the margin of the prices they pass on to the customer and they will already include all the shipping costs and taxes and documentation on the recommended retail price. Another advantage that a distributor has when compared to an agent is that he/she may get a stock of products, so they can ship in quantity, and they can store the stock, which is also a huge benefit for the customers. They will be able to see the pieces with their own eyes, touch them and if needed get more proximate customer support from the distributor (Sarathy & Terpstra, 2011).

Besides the higher risk of these methods, they seem most efficient for the companies. Unlike in indirect exportation, with direct exportation the firm is more involved in the internationalization process, will be able also to work directly with the agents/distributor, will most likely have more honest feedback and, though it is not always clear, is considerably more unlikely to be tricked. In general, the exportation method is the easiest at the starting point, for the companies. These processes do not include any capital investment, there are minimal risks for the firm. Therefore, these methods are usually chosen by companies in their early stages of internationalization.

Licensing

A firm that chooses licensing as a way to internationalize is giving another company (the one in the foreign market) the rights to produce its products and it is handing over the know-how of production, patent rights, copyrights, etc. On the other hand, the firm in the foreign country will produce the products, fulfilling all the criteria defined by the manufacturer and will be responsible for sales in that market. It will be rewarded by the original manufacturer on the terms they both have established on the contract.

This is an easy and quick way to enter in the international market. Licensing is seen as a good way of internationalization by the government; it has no capital involved and it is also a reasonable and advisable method if the laws and taxes in the first country are a problem because there will not be any transportation, except perhaps for some exclusive materials.

As a disadvantage (and it is quite a big one), the original manufacturer might create himself a competitor. When the time comes for the licensing contract to be over, the foreign firm will know everything about the production and, if it is acting in bad faith, can “steal” all the know-how and, in this way, keep the market for itself or worse.

Foreign Direct Investment

As the name suggests, this process includes investment in the foreign market. All the indirect and direct exportation models mentioned above do not include any investment by the company itself in the market. After working on it for many years, the best solution is to invest, this can be done by opening a warehouse for example, or even starting production in that specific country, region, or city. Another factor that may propel the firm to invest directly in the foreign market is all the difficulties or troubles that are inherent with exporting, such as laws, taxes, or even governmental preferences for local production. Of course, to do so it is necessary to be completely immersed in the process, or to trust entirely the team/manager in order not to lose money, clients, or even the manufacturer’s “secrets/recipe for success”. This is the same as what can happen in the licensing process, with the difference that it is within the same company.

Joint ventures

A joint venture consists of two or more companies establishing an agreement between them and helping each other mutually. Most frequently, the companies are in the same field of business or at least a very similar one, or are exactly what the other company needs. The best example of a joint venture would be the following: on one hand, we have a company with money which has no skills in working on a specific market and, on the other hand, a company with great abilities and talents, but just does not have enough resources to expand. This is a great opportunity to create a joint venture in order to help each other, so this process goes way beyond the simple expansion of the markets and to help with the internationalization process.

Table 2 – Ways of entering a market.

Methods	Process	Advantages	Disadvantages
Exportation	Indirect process	<ul style="list-style-type: none"> - No capital invested - Help with marketing and distribution - Low cost 	<ul style="list-style-type: none"> - Help from other company - Lack of opportunity to learn and study new market - Chances to be tricked
	Direct process	<ul style="list-style-type: none"> - Agent and distributor know their market - Agent uses the firm's marketing - Distributor might get a stock - No capital invested - Low cost 	<ul style="list-style-type: none"> - Distributor uses its own marketing - Agent does not handle shipping processes - Depending on exportation laws and regulations
Licensing		<ul style="list-style-type: none"> - No capital invested - No exportation problems 	<ul style="list-style-type: none"> - Sharing patent rights, copyrights, and know-how with someone else - Possibility of creating a competitor
Foreign Direct Investment		<ul style="list-style-type: none"> - Warehouse and production in another country - No exportation problems 	<ul style="list-style-type: none"> - Capital investment - Chances to be tricked
Joint Ventures		<ul style="list-style-type: none"> - Fulfilment of gaps 	<ul style="list-style-type: none"> - Depending on exportation laws and regulations

Source: Own elaboration

2.2 Russia

Located in Eastern Europe, Russia is the largest country in the world, covering over 17,125,200 square kilometres. Since Russia has eleven time zones, it is very important to know how to work with them. Although most people think Moscow and Saint Petersburg are enough because they are indeed the most important cultural and financial cities, we cannot forget all the other big cities in this country such as Yekaterinburg, Novosibirsk, Kazan, Vladivostok, Samara, and Nizhny Novgorod. It is indeed very curious that most people think that if it is one country then the time zone is everywhere the same; thus, the surprise in people's faces when they discover that, for example, Vladivostok is very close to

China and Korea. This means that not only the time is different, but the culture is also different, people behave differently.

Although Russia is seen as a big economy, where investment may be beneficial, many people often associate this market with risk, rather than an opportunity (Fey & Shekshnia, 2008). After all the conflicts with Ukraine since 2014, Russia has adopted a nationalistic and anti-Western politic.

Russia might be the biggest country in the world, but its population is not as big as one might imagine, it has 144 million people and sadly the population of Russia is decreasing, as represented in Figure 8 below, and getting older. Nowadays, they have around the same amount of young and old people, corruption is frightening and there is a lack of confidence in the institutions (Ferreira, Reis & Serra, 2011).

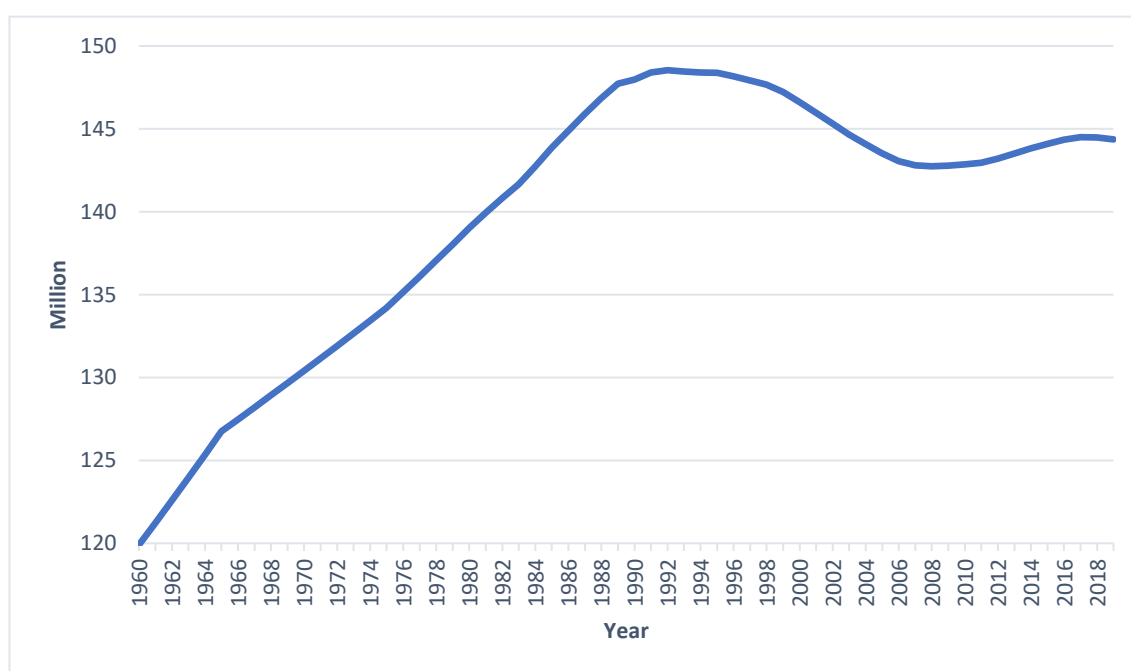


Figure 8 – Population of the Russian Federation from 1960 until 2018.

Source: Own elaboration from World Bank data.

Russia has had Putin as a President from 2000 until 2008, and then from 2012 until nowadays. It is important to notice that, during his years as a President, Russia had been through technological advances, economic growth, and poverty was decreased over 50%. Along his first parliament mandate, Russian's GDP¹ increased by 70%, investment went up

¹ Gross Domestic Product.

125% and industrial production increased by 75%. All this growth made Russia one of the world's biggest economies (Ferreira et al., 2011). As we can see below in Figure 9, the average nominal wage per month in Russia has been growing since 1998, but it is important to notice that since 2000 it has grown steadily until nowadays, what ones more shows how Putin's mandate improved life.

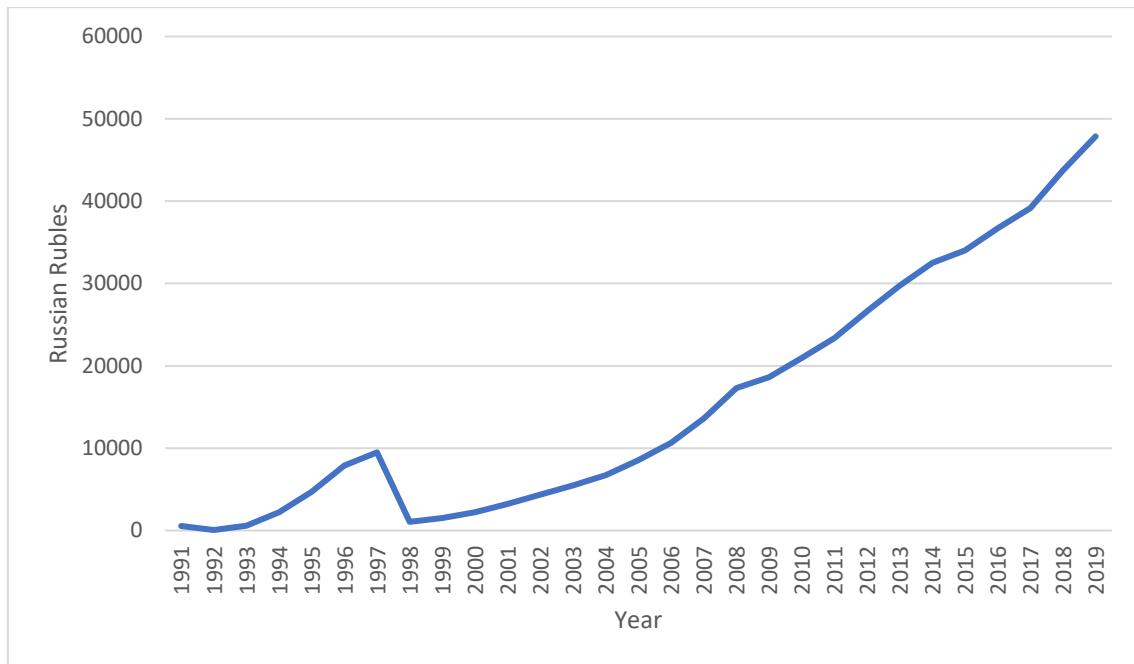


Figure 9 – Average nominal wage per month in Russia between 1991 and 2019.

Source: Own elaboration adapted from Elagina, 2020.

Not every number of Russia got better with Putin's election, some things are difficult to change, and corruption is the main of them. Figure 10 reports bribery rates, when accessing basic services, in Europe and Central Asia in 2016. It is evident that Russia has one of the highest percentage of households who paid a bribe when accessing basic services. In general, all Russian-speaking countries are coloured in red and dark red, which means there is a lot of corruption in there, way more than in Europe.

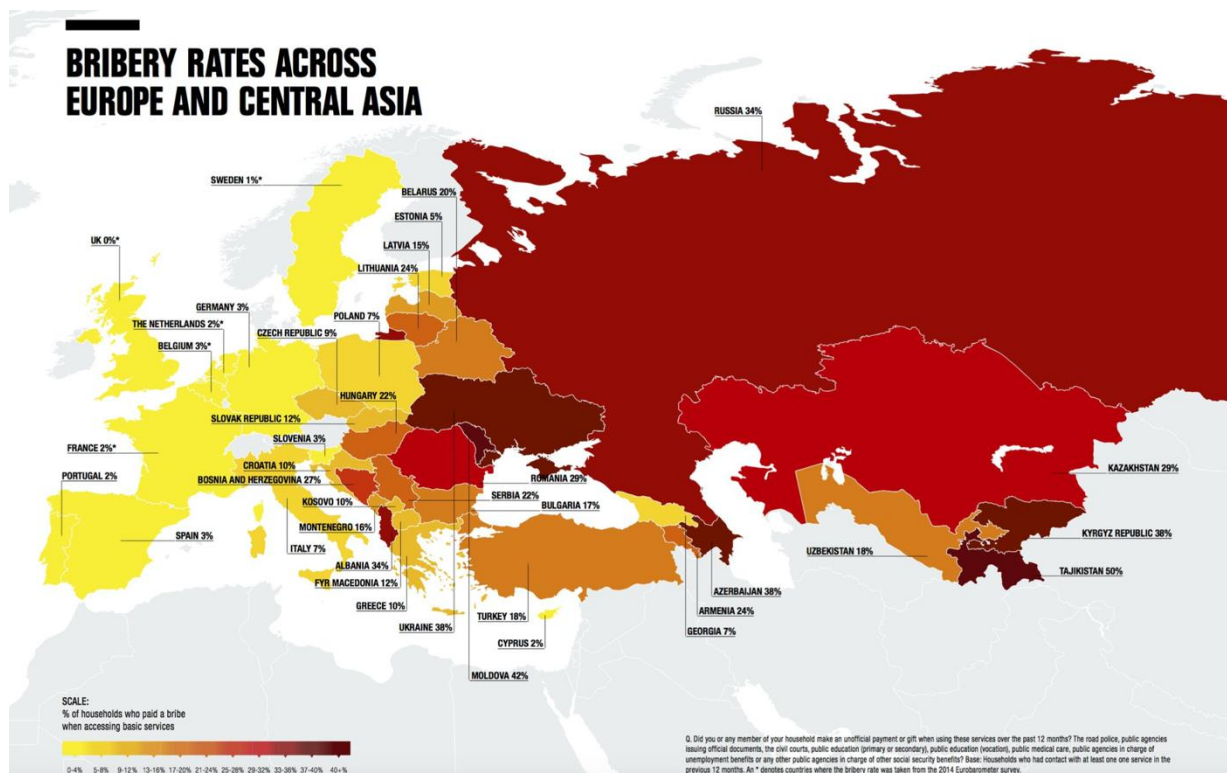


Figure 10 – Bribery rates when accessing basic services in Europe and Central Asia in 2016.

Source: <https://www.transparency.org/en/gcb/europe-and-central-asia/europe-central-asia-2016>

Let's now analyse better what exactly is corruption. Pleines (1999) defines corruption as the misuse of public power and public resources for personal gain. Usually, corruption consists of an offer of a bribe (money or any kind of services) in return of a specific favour. Also, it is important to understand that the number of unreported cases is higher in Russia than in Western countries, because of post-Soviet experience with crime and corruption and because many important people involved in these activities, can still maintain secrecy (Pleines, 1999). This author also states that the Soviet Union encouraged corruption and only functioned through it. The Soviet system was inflexible because of the political repression and many companies had to break the law to obtain supplies they needed and to achieve their goals. But of course, the main reason was still a personal advantage. Until nowadays corruption is very common in Russia as we can see in the map above.

2.2.1 Russian Imports and Exports

AICEP (2017) shows that the Russian service sector contributed to Russian GDP with 62,3% and was responsible for 63% of total employment. The industry contributed with 32,4% to GDP and 27,6% to employment, and agriculture with 4,7% and 9,4% respectively.

As many countries out there, Russia too has what to offer to the world, since it is one of the largest producers and exporters of natural gas. Also, Russia is the second-largest oil exporter, coming just after Saudi Arabia and it is the third-largest oil producer, following the United States and Saudi Arabia.

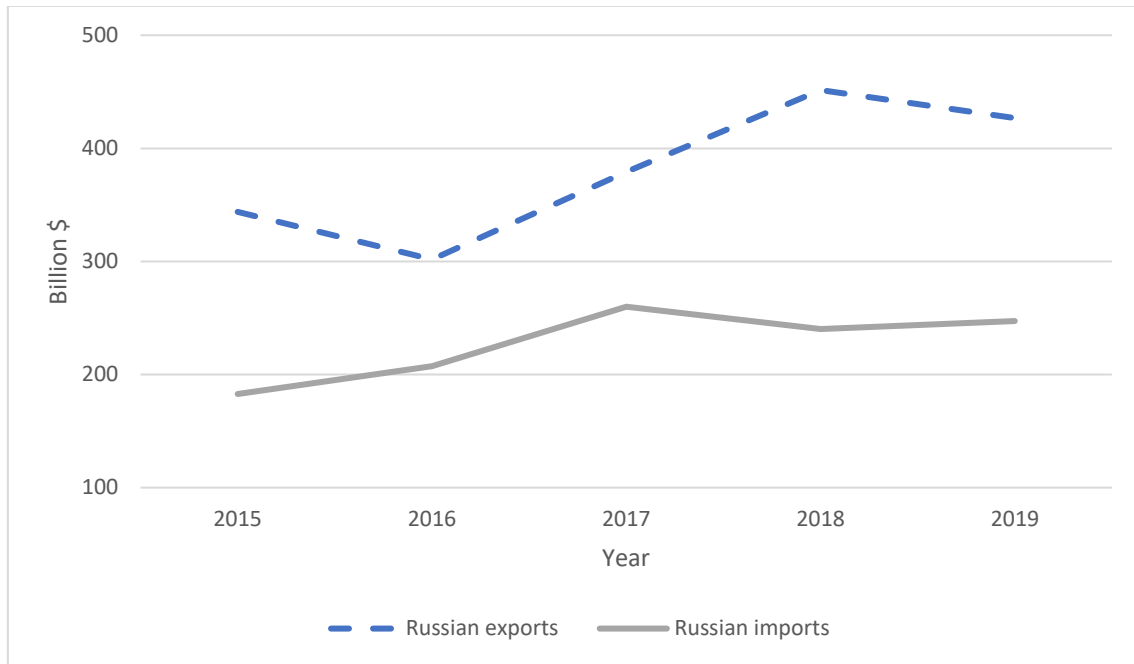


Figure 11 – Export and import volume of Russia with the world.

Source: Own elaboration based on data from AICEP .

Figure 11 shows that, in the period between 2015 and 2019, Russian imports decreased, according to data from Comtrade², at a medium annual rate of 1,3%. Russian main importations are machinery and mechanical equipment, and machinery and electrical equipment. The main supplier countries are China (21,7%), Germany (10,6%), Byelorussia (5,4%), United States (5,3%) and Italy (4,4%) – 2018 data.

Figure 11 also shows that Russian exports increased at a 0,4% medium annual rate, according to data from Comtrade. Major Russian export product is mineral fuels, it goes up to 52,7% of total exportation. The biggest clients of Russian exports are China (12,4%), Netherlands (9,6%), Germany (7,6%), Byelorussia (5,1%) and Turkey (4,7%) – 2018 data.

² Comtrade - United Nations Comtrade Database - International Trade Statistics.



Figure 12 – Import and export relationship between Russia and Portugal.

Source: Own elaboration based on data from AICEP.

In 2019, Russia was 35th Portugal’s client and 10th supplier. From Figure 12, it is apparent that Russian exports to Portugal have globally increased between 2015 and 2019 (at an average annual rate of 14,5%), while Russian imports from Portugal are lower and have increased much less (at an average annual rate of 7,2%). Most exported Portuguese products to Russia in 2019 were wood and cork (20,4%). Whilst Portugal imports mostly minerals and fuels from Russia: 73,3% of total (AICEP).

2.2.2 COVID-19

The economic situation dramatically changed in 2020, not only for Russia, but the entire world was affected. Russia depends much on oil exportation, demand for this product was reduced 8% and its price dropped 65% just between January and April with huge impact on the country's economy. Moreover, China’s GDP decreased by 6,8% during the beginning of 2020, which also affected Russia, since China is Russian’s second-largest trading partner. The exports to the European Union fell by 26,3% in the first four months of the year (World Bank). Therefore, Russian’s GDP is expected to decrease 5,2% by the end of 2020 (World Bank). Russian ruble has depreciated so much (see Figure 13) that people had to stop importing and exchanging money, which affected some businesses.

In April 2020, unemployment in Russia hit 5,8%, while in April of 2019 it was 4,7%. And in May the situation got worse, it went up to 6,1%, comparing to 4,5% in the last year. After what is happening to the world right now, these numbers tend to get even worse.



Figure 13 – Currency exchange rate during the pandemic in 2020³.

Source: <https://tradingeconomics.com/russia/currency>

Figures 14, 15 and 16 below report the volumes of Russian exports and imports during the last three years. It was used the reference of three consecutive years in order to compare two regular years and the last one, which was so atypical.

³ Data from 27th of November.

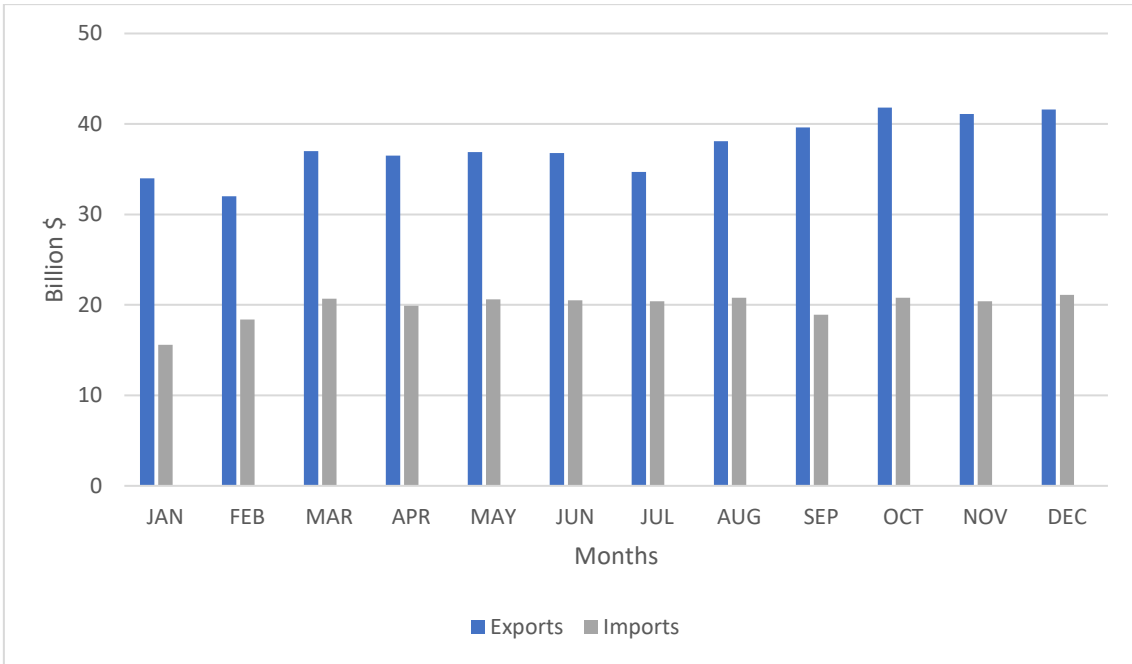


Figure 14 – Total volume of Russian exports and imports in 2018.

Source: Own elaboration based on data from <https://customs.gov.ru>

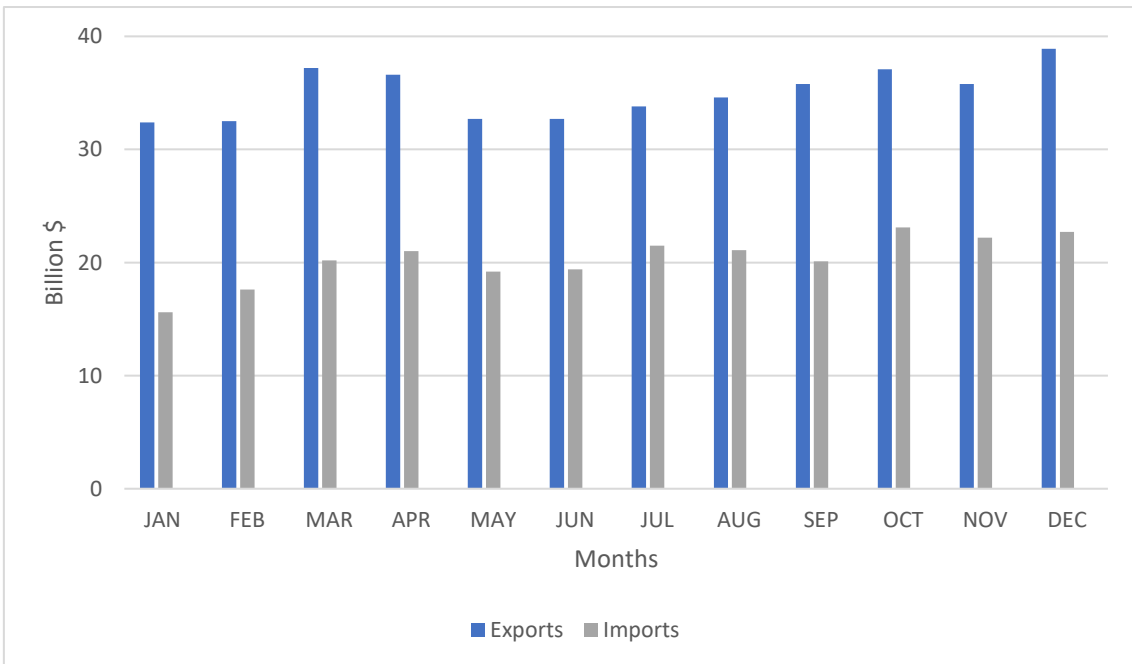


Figure 15 – Total volume of Russian exports and imports in 2019.

Source: Own elaboration based on data from <https://customs.gov.ru>

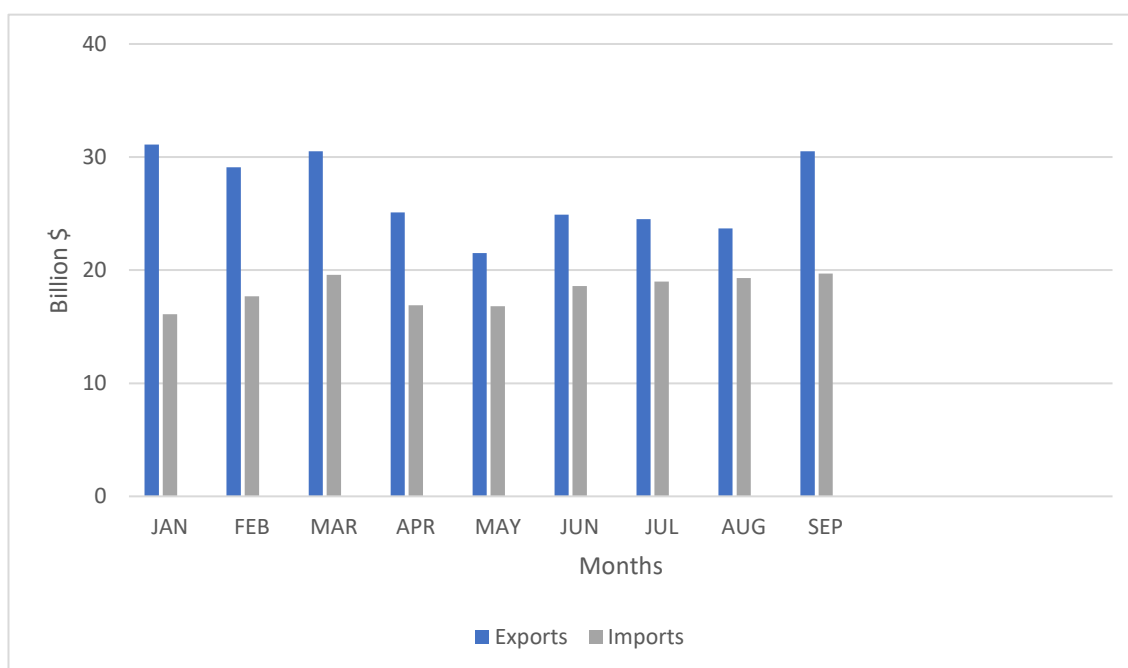


Figure 16 – Total volume of Russian exports and imports in 2020 until September.

Source: Own elaboration based on data from <https://customs.gov.ru>

Analysing these three figures it is possible to understand how much the numbers have changed. While in the usual years we can see consistency in the numbers and months, this changed completely when we look at 2020 (Figure 16). The imports numbers may have changed and did not hit the 20 billion mark this year, but we can still see how the months continue to be slightly consistent. The exports numbers barely hit 32 billion mark in better months (January, March and September, which still is not normal, but this is also due to China's pandemic which started a little earlier there) and are lowest in April and May, which we already discussed, were the worst months for Russia so far.

Covet Group is a Portuguese manufacturing company which has been providing new design pieces since 2005. After starting with just one brand, after 15 years, the group has 13 different brands where it is possible to find all sort of pieces of lighting, furniture (outdoor and indoor), jewellery hardware, rugs and décor products. One can also see how each brand has different style, in all 13 brands it is possible to distinguish contemporary, modern classic or mid-century styles. All these products are made uniquely, everything is handmade and the quality of all the materials used is very high. Some clients ask if Covet Group produces its products in China and several Russian companies think that the company is Italian, as they are used to hear that high-quality furniture comes from Italy and they are often surprised to hear that Covet Group is from Portugal and that all the production is placed in Portugal as well.

As said before, in 2020 Covet Group has 13 brands: Boca do Lobo, Koket, Luxxu, Maison Valentina, Brabbu, Delightfull, Essential Home, Circu, Rug'Society, Fogo, Pullcast, Caffè Latte and Mysa. The first brand to be created was Boca do Lobo, in 2005. The CEO Amândio Pereira and COO Ricardo Magalhães, students of design, started by making turnkey design projects, but after a while, they noticed that firms that they have been using in their projects were not Portuguese and they wondered why there were no Portuguese manufacturers in a high luxury segment, since Portugal has so many to offer. Therefore, they created and produced a piece – a console named Soho and went with this piece to London, where their work got recognized. After that, they created a brand: Boca do Lobo. In Portuguese, it translates to “wolf’s mouth”. In Italy, they use this sentence to wish good luck so, to wish luck to their first brand, they used this name. At that time, they wanted to create a different product and show to the world what Portugal is, its culture, and its know-how. After this brand was created, others soon followed. To make it easier for their clients, they created the Covet Group. If a client wanted to buy different brands in one go, he would not have to deal with different managers, he would be able to do so by speaking with the same manager and would only have to issue one Proforma Invoice for the same order. Additionally, Covet Group products are sold in two currencies only, EUR and USD. This way they are able to work with the entire world.

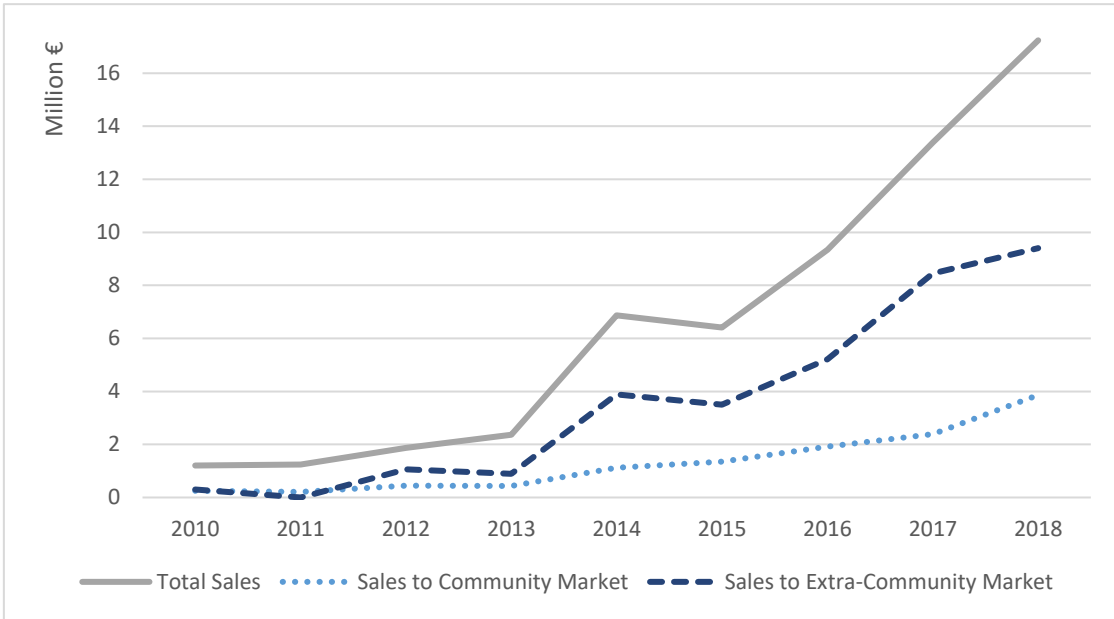


Figure 17 - Covet Group sales amount between 2010 and 2018.

Source: Own elaboration based on data from Sabi.

Figure above represents sales of Covet Group throughout the years 2010 and 2018. It shows that the company has grown steadily, yet at faster pace after 2013. This happened due to new brands that were born in the group around late 2011, it took them time to get noticed, but as it is shown, since then both community market and extra-community market sales have been growing. Sales to extra-community market were most responsible for total sales growth, as it is possible to see in the Figure 17.

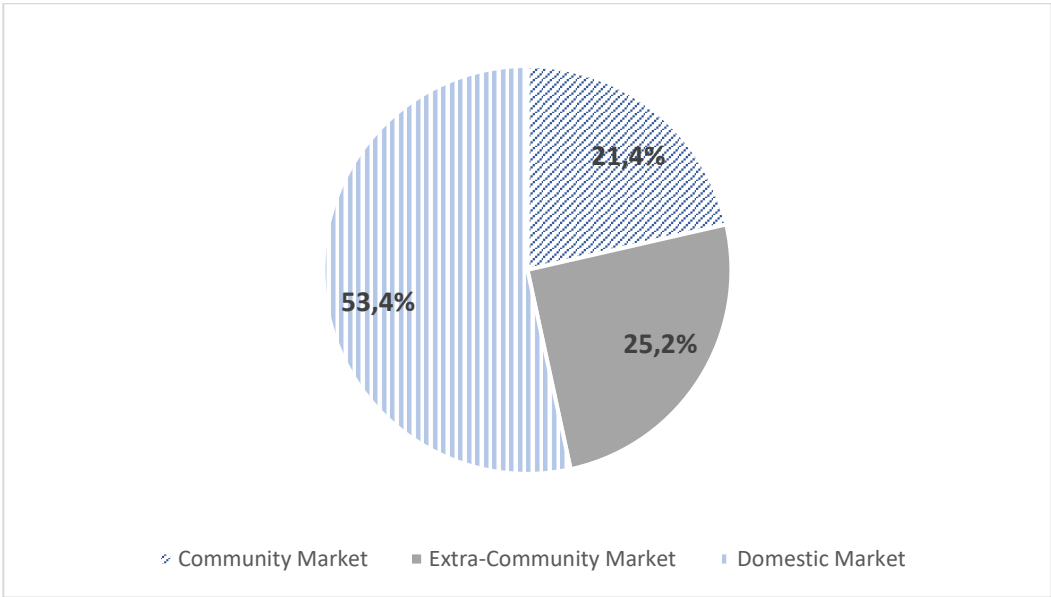


Figure 18 - Covet Group domestic market and external market sales (% total sales) in 2010.

Source: Own elaboration based on data from Sabi.

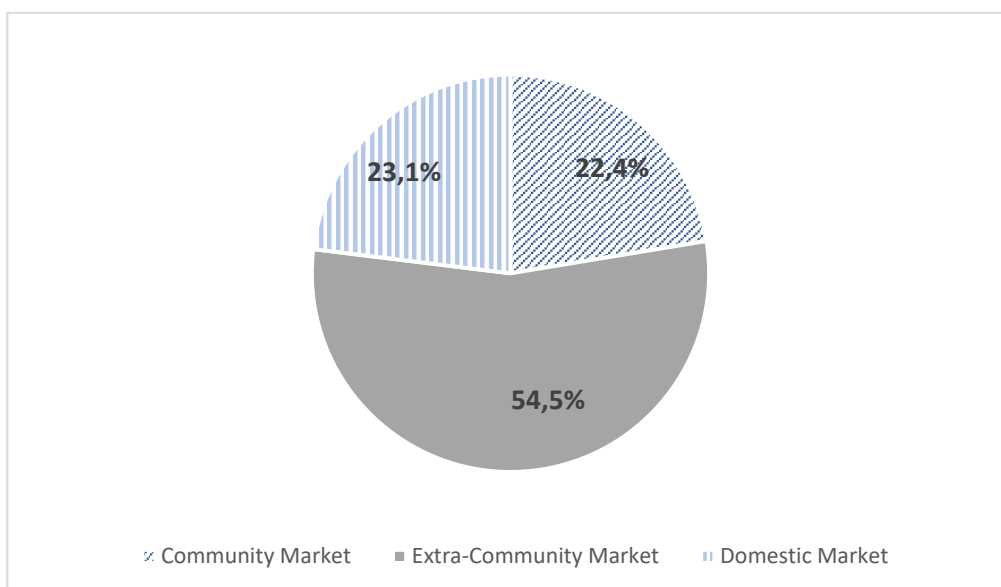


Figure 19 - Covet Group domestic market and external market sales (% total sales) in 2018.
 Source: Own elaboration based on data from Sabi.

In Figures 18 and 19 are represented Covet Group’s sales of domestic and external market in 2010 and 2018. The reason why was chosen 2010, is due to a year where only a few brands existed, the rest came after 2011. In comparison with 2018, which is the last year with complete and correct data presented in Sabi. This way, it is possible to see the difference others brands made in sales of Covet Group. Despite the increase of exports to countries from European Union, exports to non-European Union countries increased by more. Therefore, extra-community market substantially raised its relative importance for Covet Group company (see Figures 18 and 19). In fact, the share of sales to countries of the European Union on Covet Group’s total sales remained almost the same (21,4%, in 2010 and 22,4%, in 2018) while that of countries outside the European Union raised from 25,2%, in 2010 to 54,5%, in 2018. As it is evident from figures above, the domestic market saw its relative importance drastically decrease for Covet Group, despite the increase of sales domestically.


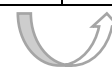
In table 3 below are represented top 5 markets and their shares of total sales of Covet Group during the year 2018, 2019 and 2020.

Table 3 – Top 5 market shares from Covet Group total sales between 2018 and 2020.

Year Market Share	2018	2019	2020⁴
1°	Middle East (18.88%)	North America (18.86%)	North America (21.21%)
2°	Europe (17.90%)	Europe (18.64%)	Europe (18.56%)
3°	North America (14.79%)	Russia (13,39%)	Middle East (18.24%)
4°	Russia (13.40%)	Middle East (12.81%)	Russia (10.59%)
5°	Asia (12.64%)	Asia (11.62%)	Asia (8.90%)

It is possible to observe that Middle East and North America have been competing for the first place along the period 2018-2020, while Europe remains on the second place and Asia on the fifth. Despite the significant increase in exports to the extra-community market and its gain of share, Covet Group sales to the Russian market have been decreasing in the last years, even though in 2019 Russia was occupying third place, its market share reduced. On the table 4 it is possible to analyse separately not only the market share of Russian market, but what is its growth rate between 2018 and 2020.

Table 4 – Covet Group’s volume of sales to Russia per year in % of total sales.

Year	2018	2019	2020
Russian market share	13,40%	13,39%	10,59%
Growth rate of sales to Russia	 -13,3%		 -10,3%

Source: Own elaboration based on company data.

⁴ Data collected on 9th of December 2020.

Table 4 presents the last three years of Covet Group, allowing a comparison between two “normal” years and the pandemic year. It points out that in 2018 13,40% of Covet Group’s total sales was made to Russia, in 2019 this number was practically the same, 13,39%, but in 2020 it dropped 3 percentage points (this data was collected in the second week of December). Table 4 also shows how sales to Russia behaved in the last two years comparing to the total amount of sales: from 2018 to 2019 sales went down 13,3% and from 2019 to 2020 they went down 10,29%, while the total amount of sales of Covet Group increased.

Table 5 – Number of employees in Covet Group between 2006 and 2019

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of employees	7	10	15	21	26	26	49	75	113	165	187	249	263	261

Source: Own elaboration based on data from Sabi.

As we can see on the table above, the number of employees of Covet Group have been growing since the first brand was created. The rest of the brands followed mostly after 2011, that is why it is possible to see how after this year number changed drastically. These numbers include only people who are working full-time, this company also employs people part-time and interns, who are not included in official numbers. Also, according to Sabi, until 2015 most employees of Covet Group were male, but after this year and until nowadays, it changed and now women are in bigger number in this group.

3.1 SWOT Analysis

Table 6 provides SWOT analysis that will help to understand what the strengths, weaknesses, opportunities and threats of Covet Group are.

Table 6 – Covet Group SWOT analysis.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Both partners who started this business studied design <ul style="list-style-type: none"> - Portuguese handcraft - The company employs workers who learned through generations <ul style="list-style-type: none"> - Diversified offer - Focus on innovation - Wide range of markets 	<ul style="list-style-type: none"> - Lack of experience in management <ul style="list-style-type: none"> - No origin certificates for Russia - Poor interdepartmental communication
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Worldwide range of clients - Exploring more contract design <ul style="list-style-type: none"> - Online business 	<ul style="list-style-type: none"> - Copies are made all around the world <ul style="list-style-type: none"> - Exchange rate fluctuation - National and international competition <ul style="list-style-type: none"> - Change of laws and regulations in other countries - Increase in the costs of raw materials

Source: Own elaboration.

SWOT analysis was entirely of my own elaboration, considering all the information collected from the company.

The strengths of this company are based on the company’s founders, two men who studied design, who are so passionate about it that after working on some projects they decided to create their own products. They noticed that something was missing from those projects and hence, to show the world what is Portuguese design, they started by designing some models and hiring employees with Portuguese know-how to reproduce it. As time went by, they understood better client’s needs, who are their clients and what they need, so different brands were born. Until today, every year, they try to innovate their strategy and their approach to each target. In addition, working with the whole world makes the company

less dependent on a particular market. The fact that this company has such a diversified offer of brands assures the clients that they do not need to go to some other place, in Covet Group they will find exactly what they need, outdoor and indoor furniture, lighting, handles and décor. All these were considered as strengths because this is what makes this company what it is and makes it survive, even in the pandemic situation.

Every successful company has its own weaknesses, without weaknesses it would be impossible to grow, and since our world changes every day, every business has to evolve and get better. In this case, the fact that none of the founders had ever created or managed a company is a weakness. There are processes and skills one should have to create a company and both of them had and still have to learn it during the process, which can be pretty challenging. During my work, a few businesses with Russia were lost, because the company does not provide an origin certificate for this specific market. Most clients are still able to overcome this setback, but some of them are not. In the future, it is expected that origin certificates will be mandatory - if this happens, Covet Group might lose some sales. Due to poor communication between departments, the company fails some clients – this problem should merit special attention. Certainly, Covet Group will be able to overcome all these weaknesses and get even better.

This company does have some opportunities. Working with the entire world means that the company can explore every single country's culture and tailor its products. Although the group had worked with some hotels so far, they should explore better this segment and invest in it (this was told to me by the COO during our interview). The pandemic at 2020 showed to all of us that online is the way to go, if you want to survive. Covet Group discovered its online potential and, from now on, it will move this way and will explore it even more.

Covet Group also must deal with some threats. National and international competition and all the copies produced around the world are major concerns. In here competition was considered as a threat, although competition might also be considered as an opportunity to become better, to innovate, to overcome others. How many times employees were told that to save some money a client would buy a copy? Of course, those pieces do not compare to our materials, our handcraft, but still, some clients might be lost. Exchange rate fluctuation, changes in pricing or the supply of raw materials are also threats to be considered. Finally, notice that, by any time, countries may also change regulations and laws

and the exportation for those markets might become more difficult until some solution is found.

3.2 PESTEL Analysis

PESTEL analysis will help us analyse the influence of macro-environmental factors: political (P); economic (E), social (S), technological (T); environmental (E) and legal (L).

Political analysis

In this respect, it is important to talk about Russia and the processes of exporting pieces of furniture and lighting to this country. The first thing we need to understand is that different markets have their own regulations regarding importation. When goods are shipped to Russia, they get retained at the border (also known as customs), since in order to get any products in the Russian market they must be “accepted” by customs. When goods arrive there, they need to be followed by all the necessary documentation and they need to be registered upon entering the country. There is a difference if an order is sent to a final consumer or a company, the documents to be presented at customs are completely different and the price will vary as well. It was not possible to find any specific information online and companies that were contacted refused to provide me exact details regarding prices and processes. According to the company UCSOL, that provides services of customs clearance, the approximate costs one should expect regarding furniture clearance are the following:

- 10%-12% just as a tax for customs clearance;
- 20% VAT – this percentage is applied to the total amount of the order;
- If the products that are being brought into Russia are new, then they need to be certified, which implies more than 30000 RUB ($\approx 337,50$ €)⁵;
- Brokerage services are around 15000 RUB ($\approx 168,75$ €);
- And to keep products stored in the customs warehouse is also around 10000 RUB ($\approx 112,50$ €), this value depending always on the volume of the order.

Economic analysis

In this business of manufacturing/exporting furniture and lighting, it is important to keep in mind that copies of products will be produced. Copies from Covet Group’s products are provided in many countries, making Covet Group lose some clients, but still keep clients

⁵ Conversion made on 15 of September 2020 using conversion tool of Banco de Portugal.

that are willing to buy luxury products and refuse to buy some cheap replica. However, there are many medium segment clients who prefer to purchase a fake piece or buy just one original piece and let everything else acquired to be a copy. So, in a way, luxurious companies do lose some profit, but this amount is not significant, at least not for Covet Group.

Also, many markets are dependent on the value of the currency. For example, since the start of the world pandemic due to the Corona Virus, the euro in Russia got much more expensive than it used to be in 2019. Consequently, several Russian clients informed they shall postpone the payments. So, to work with other markets, one should always have in mind the different currency and how it will affect our business.

Social factors

The major target for this type of business are architects, interior designers, contractors, showrooms, and hotels. Nowadays people are highly concerned about design and style, everything that is created must be “instagrammable”⁶, but at the same time, there is more knowledge about other cultures and different styles. People are more interested in know-how and different cultures. High-standard brands such as the ones from Covet Group are concerned about their clients and try to improve their production thinking of the country they are exporting to and of its values, and how they can adapt to it and make it profitable. For example, the brand is aware that they cannot export some particular pieces to India due to some products having real peacock feathers as a finish or lion heads as support. As mentioned above, it is an adaptation to the market and the culture, and these materials or products must be replaced.

Luxury segment furniture may be present in almost every country, but unfortunately, not everyone can afford it, low-income people are not able to purchase, therefore this public/target is very limited.

Technological Analysis

The technological progress was, is, and will be very important and we see it as the key to our future, but when we are talking about manufacturers from Covet Group it is very important to understand that everything is hand-made. They do not rely on the help of “new” technologies, but solely on the know-how that has been kept for generations, there are

⁶ It should fit Instagram criteria.

techniques used that only Portuguese people are able to reproduce (for example Portuguese unique technique of painting the tiles). Naturally all the new technologies and the greatest tools possible are used in their offices to improve productivity. The best example of this would be all the renders that are prepared to demonstrate their products, all the virtual tours that have been made during the pandemic to show clients how their teams are still working and that they are still creating, and all the marketing tools that are learned every single day by the various teams, to provide the best experience to their clients.

Legal Analysis

The most important is to maintain your own design, never to produce a copy of something that already exists. This is alike in any other brand: always keep on top of your mind copyright design, employment rules, exportation rules if applicable, and health rules, which of course will apply to the material and finishes a company uses.

In this case, another legal issue can develop in the future. As mentioned above, on the topic of political analysis, when new furniture is trespassing customs, it needs a certificate. These days, it is still possible to export without it and create it in Russia, but this is about to change because some companies are now starting to request this certificate from the manufacturers: Covet Group does not have this particular certificate for Russian market yet, which makes it a little difficult to export sometimes and can complicate things further in the future.

Environmental Analysis

Like any other company nowadays, Covet Group is also trying its best to choose suppliers that follow requirements imposed by environmental laws. They do produce some of the products with real leather, but usually it happens upon request. In order to replace it, synthetic leather is used. One of the brands also uses real peacock leather which is an attraction to some customers. One thing to be improved though would be the office conditions, by starting to quit plastic coffee cups and plastic water bottles which are still used in big quantities in their offices.

An empirical survey consists in studying and analysing literature of specific segment in order to understand the theory and afterwards examine a more specific case (Hill & Hill, 2008). This dissertation is an empirical investigation, it was made in order to understand how processes of internationalization work and how a company is internationalizing to Russia.

There are two types of methodology which can be used in a dissertation: quantitative and qualitative. Usually, the choice depends on the authors focus and intention; it depends on the question of investigation, but if in need both methodologies can be used (Prodanov & Freitas, 2013). Quantitative methodology is more about numbers and statistics, it is more objective, while qualitative methodology is more subjective and implies more field research. The main methodology used in this paper is qualitative, many articles and books regarding internationalization process were analysed. But in order to implement the information that was studied, was decided to make a case study, which is a method of investigation which offers a possibility to study something which is not under authors control (Yin, 2009). It was important to understand how this company works, what methods of internationalization it uses.

In this investigation process were used public data (online research) and private data (information obtained from different companies, provided by email), main sources and better explanation of types of information used is presented in Table 7. To obtain most part of the information, interviews were made. These interviews were structured, had opened answers and were made face to face. Unfortunately, it was not possible to interview the CEO, Amândio Pereira, in person. He is not living in Portugal and it was really hard to book a meeting with him, because of his working hours and time difference. Since for me the better and more honest answers come when you are talking in person with someone, it was decided to interview COO, Ricardo Magalhães (Appendix III), who is a business partner of Amândio Pereira and stood by him since the very first day. The purpose of this interview was to find out the most accurate information about how this company started, how it proceeded to internationalization, to which countries, when, why and how it has been going so far. Other interview (Appendix I) took place in Moscow, directly with Russian clients of Covet Group. During my business trip to Moscow, it was possible to visit the company's clients and after our meetings it was possible to ask them some questions about the companies they work with, design-related, how they are doing the delivery of products to Russia and what is easier

and cheaper for the Russian companies: receive the products in Russia or pick them up in Europe by themselves.

A questionnaire (Appendix II) took place to gather information about companies in the same industry as Covet Group, Portuguese and foreign, to understand how many companies are investing in the Russian market for internationalization and exportation and what kind of barriers are they dealing with. This questionnaire was sent to competitors by email. All the questions asked were also open answers, because it was important to understand what techniques other companies were using to work with Russian market and this implied them describing it.

Table 7 – Type and Source of Information

Type of Information	Source of Information
Private	Interview with COO
	Interview with clients and potential clients
	Questionnaire
	UCSOL customs information
	Internal data from Covet Group
Public	Banco de Portugal, World Bank, Statista, AICEP, Russian Customs Website
	Institutional websites and books.

Source: Own elaboration.

In order to obtain results and understand better how companies usually work with Russia and how Russia works with different countries, was decided to make interviews and one questionnaire. The first interviews were made during the business trip to Russia. There, we had a chance to meet with Covet Group's clients and potential clients, what gave me chance to speak with them and ask them a few questions (can be consulted in Appendix I). These interviews made me realize what are the client's expectations and on what incoterm do they prefer to work. My next step was to prepare a questionnaire and send it to companies which compete with Covet Group. This would help me understand on which incoterms do they usually work with Russia and compare it to Covet Group reality. Finally, it was possible to interview the COO of Covet Group, Ricardo Magalhães, a co-founder of this company and who could answer my questions better than anyone else.

5.1 Clients and their preferences

There was a chance to talk to 25 Covet Group's clients and potential clients about their business relations with other companies (Covet competitors), with which countries they worked the most, on which incoterms⁷, and what were their preferences regarding delivery. The questions to clients can be consulted in Appendix I and answers are systematized in Table 8. Their answers point to that most of them work with Italian companies and some with Spanish. Just one of them works only with a United States company and a company from Germany. In turn, none of these companies delivers directly to Russia, this means that none of them works on Delivery Duty Paid (DDP)⁸ terms. Still, almost all of them (92%) prefer to work on Ex-Warehouse (EXW)⁹ terms, that is, hire a transport company to do the delivery from production warehouse, or Delivery at Place (DAP)¹⁰ terms – take all the orders they have from Europe (in a warehouse of their own) to Russia. Usually, these types of clients have a warehouse somewhere in Europe (Spain or Italy) as this is a simpler way and the less expensive one for them. Only two companies (potential clients) told me they would like to receive their goods in Russia (DDP) if there would be a way to do so.

⁷ Incoterms - international commercial terms. They clarify the obligations of buyers and sellers. All incoterms can be consulted in Annexe I.

⁸ DDP – means that all costs and risks involved in bringing the goods to the place of destination are of seller company.

⁹ EXW – means that buyer collects the goods in seller's warehouse and deals with everything else by himself.

¹⁰ DAP – seller deals with all risks involved until unloading the goods in a place buyer asked for, since then all the responsibility to take the goods to final destination is buyers.

Table 8 – Overview of results obtained in the interview with clients and potential clients.

Visited companies	Other countries they work with	Terms of delivery	Preferred terms of delivery
Clients - 14	Italian – 20 Spanish – 3	EXW/DAP – 25	EXW/DAP – 23
Potential clients - 11	German – 1 US – 1	DDP – 0	DDP – 2

Source: Own elaboration.

5.2 How do Covet Group competitors' work?

To understand the problem with delivery to Russia, a questionnaire was made to Covet Group competitors. This questionnaire (Appendix II) was sent by email to 108 companies similar to Covet Group, but only 13 of them answered.

Table 9, below, presents the universe of firms contacted by country origin, the rate of response and the number of those who work with Russian market. By country origin, Portuguese and Italian firms are the most represented: the former because it is relevant to evaluate the importance of the Russia market to Portugal and the latter because many of the Covet Group Russian clients work with Italian brands.

Table 9 – Demonstrative results of contacted competitors

	Number of competitors by each country origin	Response rate	Contact with Russian market
Covet Group contacted competitors	Italy – 37 Portugal – 15 UK – 9 US, France, Switzerland – 8 Denmark – 6 Canada, Austria – 2 9 other countries – 1		
		Responded – 13 (12%)	Work with Russia – 5
			Do not work with Russia – 8

Total	108		
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Source: Own elaboration.

From all the answers, 61,5% told they do not work with Russian market: six Portuguese companies and two firms from the UK.

The answers from the five companies who work with Russia are summarized in Table 10 and explained below:

- A company from Denmark revealed that it works with the Russian market, but through an agent in Russia. It does not deliver directly in Russia, because their clients have a preference in picking up orders in the company’s warehouse in Denmark.

- The Canadian company stated that it works with Russia, but it is quite rare. When it receives requests, the only requirement is that the client must arrange the shipping to Russia. So, they also do not deliver there.

- A company from the Netherlands said that they work with Russia. Their main barriers are language, bureaucratic issues, large competition and restrictions regarding the import of electrical products. They do not deliver to Russia directly, only to European countries and their clients pick up the orders from a warehouse in the Netherlands. Unfortunately, they have no idea if the lack of shipment to Russia is affecting their business and the information regarding the amount of sales to Russia is confidential.

- Italian company answered that they work with the Russian market, but they do not deliver there directly; their clients come to their warehouse for the orders. They consider the customs clearance in Russia very bureaucratic and all their clients have logistic organizations who help them with shipping. This company has never tried to ship to Russia, and they are not even aware of what prices their products are sold. This firm considers that the main barriers with Russia are cultural differences and bureaucratic issues. Russia represents about 6% of its total sales and is on their top-5 important markets.

- A Portuguese company was very kind to provide quite detailed answers. They confirmed that they do work with Russia, although they have been working with this market only for about one year and a half. They already have partners in Moscow that their clients can visit, see some of the pieces and finish materials used by them. They do not indicate any specific difficulties with these markets since they have people working with them who speak the language and are natural from Russia. They do not deliver their products there; they are

working on EXW terms. Their clients ask them to deliver the products somewhere in Europe (usually Spain or Italy) and then, they pick them up by themselves. This year about 15% of their total sales were to Russia, and they are sure the fact that they do not deliver there directly does not affect sales at all. They said: “We are selling a product, not transport services”.

Table 10 – Overview of answers received by competitors.

Country	Question	Do you work with Russia?	What are the main barriers in this market?	Do you ship directly to Russia?	What is your annual sales rate to Russia
Denmark		Yes, through a local agent	–	No, clients pick up their goods in the company’s warehouse	–
Canada		Yes, but rarely	–	No, the main requirement is that shipping is held by the client.	–
Netherlands		Yes	Language; Bureaucratic issues; Large competition; Restrictions regarding import of electrical products.	No, clients pick up their goods in the company’s warehouse	–
Italy		Yes	Cultural differences; Bureaucratic issues.	No, clients arrange their own shipping	6%
Portugal		Yes	None	No, clients arrange their own shipping	15%

Source: Own elaboration.

5.3 Interview with Covet Group's COO

As mentioned before, at the beginning we decided to interview the CEO of the company but, since he lives in United States and a face-to-face interview seemed to be more genuine, he recommended an interview to the COO, Ricardo Magalhães. This interview was conducted in Portuguese and all the complete questions and answers can be found in Appendix III. Ricardo is a co-founder of Covet Group and this interview was about to discover how the group was created and how do they work with Russia.

Ricardo explained that Portugal has a very strong and unforgettable culture, and it was a pity to see that Portuguese handcraft activities were disappearing. This way he and his partner decided to bring all the Portuguese techniques and handcraft back to life while they were not yet forgotten. They started by presenting one piece that evolved into one brand, Boca do Lobo, and then, step by step, all the other brands were created. As Ricardo said, creation of different brands was necessary, in order to create turnkey projects. He believes that one group with different brands succeeds better than if it was just one brand. Every brand is different with its style and its target segment but, for example, it would be practically impossible to make a project entirely with Boca do Lobo, the designer would need some other pieces, because Boca do Lobo it quite extravagant and it fits better if it is THE piece in the room. They started with one piece only, they went with it to London and they were successful. After that, people started noticing them, started buying some more and, year after year, they were getting more famous. Brands from Covet Group are present in famous movies and some famous designers have already worked with them. All the information about projects can be seen on their Instagram pages (Group's and each brand's). Along its 15 years of life, the group is becoming bigger and bigger. They are present in most important capitals: London, New York, Paris, and the goal is to reach even more. "It is very important to be present around the decision-makers" – says Ricardo.

As Ricardo explained, they tried to deliver to Russia directly (on DDP terms), but they did not succeed because of legal issues. Transport companies who would help them deliver never presented all the right documents at the end; subsequent legal and tax problems made them stop. But this did not affect the sales volume, as all the Russian companies are already ready to work on EXW and it is easier for them. The main difficulties that were indicated

with this market were currency fluctuations, taxes and cultural differences, although this last one is mostly overcome since they have Russian market managers working in the firm.

5.4 Discussion of Results

Let's start by the internationalization process itself and see if we can understand how Covet Group internationalize to Russia. As we already saw in Chapter II, in the internationalization process there are main questions that need to be answered:

- Why?

The reason why Covet Group internationalizes is that they offer products with a Portuguese soul and craftsmanship: they want other countries to get to know them better and understand how simple furniture or lighting can represent so much of a culture.

- Where?

As we already know, Covet Group works with many countries. The relative importance of domestic market has been decreasing while that of external markets has been growing. The non-EU market is currently the main destination of Covet Group's production, representing over 50% of total market.

- How?

This company started by participating in tradeshow, being present in the main and most popular ones (Isaloni, Maison et Objet and Decorex). They started by being present online, on every current social media and blogs.

- When?

There was no timeline defined, as soon as they knew what they wanted to do and to present, they started to internationalize their products.

- What?

They started by sharing the products they created, the products they wanted to show to the rest of the world. Of course, in the middle of the internationalization process, they started to customize and change pieces for specific clients and markets, which makes a complete sense since respecting different cultures is very important.

Regarding the motives to internationalize, there were already referred above. Covet Group decided to internationalize because they wanted to show Portuguese culture, know-how and craftsmanship to the rest of the world, through design and iconic pieces. It is

important for them to cultivate global network, also that world has the perception of their product, they always wanted to be recognized and they already achieved some recognition.

From a network perspective, it would be correct to say Covet Group is an international among others. It works to please many cultures, respecting their holidays, sometimes offering them a little treat. They are trying to work every market individually. Their network is also working well for them since they get mentioned, recognized, the designers keep talking about them, they appear in many Instagram pages and Pinterest renders.

Regarding barriers, Covet Group did not have any internal barriers per se, the ones that were identified by the COO in the interview have more an external character. Covet Group's barriers to internationalization are mainly legal issues, currency fluctuations, culture differences and taxes, these are the external barriers and linked to the target market. However, it is possible to identify an internal barrier which is quite often mentioned by customers: marketing. The marketing strategy is quite abusive, marketing specialist of this company are trying very hard to reach a big number of clients, what in a way gets clients annoyed and sometimes even angry. So, this is the barrier this company should work on and get a marketing specialist for each market, so target public would feel more special. The way Covet Group enters markets can be defined as the direct process of exportation. They do have agents in some markets, distributors in others and the rest they deliver themselves. They do not use other company's help. Other ways of entering the market were on the table already but, as COO explained in the interview, propositions were not good enough or well thought so, for now, this is it, just direct process of exportation.

Covet Group is a Portuguese company that specializes in the production of luxury national handcraft goods. Since the beginning, and given the limitations of the domestic market on buying luxury goods, it aimed to internationalize. According to its founders, Covet Group was born with the aim of letting survive singular Portuguese handcraft techniques, giving them an opportunity of being incorporated in luxury goods and being appreciated across the world. Covet Group works worldwide, they have clients from all over the world and they are able to do their business on online basis. Besides two of their brands having online stores, the rest of them does not, and the purpose of the company is not to sell their products in an online store or open an actually store, it is to provide their clients not only luxury products, but also a luxury service. Each client or potential client is followed by a specific product specialist (preferably who speaks their language) since the first minute they show interest in a brand. The clients are followed always by email and by phone and in some cases by WhatsApp, video call or social media. When the lead enters Covet's system, the first thing that is done is profiling of the lead, which consists on finding as many information as possible about this person, its company and their projects. This provides sales developers (workers who respond to these leads) to understand better who is this client or company, what are they looking for, if they are familiar with Covet brands and if they have budget or segment to buy their products. This process helps sales developer to establish a better contact with the person when they make a phone call and gives a client or potential client a reliance on the person and on the brand.

The relative importance of external market has been growing steadily and, currently, the domestic market only represents around 20% of Covet Group's market. Moreover, despite the geographic and cultural proximity of EU countries, non-EU countries became the larger clients and, nowadays, their market share is above 50%. Covet Group's strategy to create Portuguese handcraft luxury goods that fit the tastes of geographically and culturally more distant clients seems to be successful. Usually, the purchased products are sent to a client address on DAP or DDP terms, but with Russia it works in a different way. To deliver products to Russia, this company does this process on EXW terms, and after interviewing competitors' companies it was possible to conclude that other companies work in the same way with this market. To explain it better, Russian clients make their transport companies come to company's warehouse. What Covet Group sometimes does is to deliver to another warehouse in Europe (indicated by the client) on DAP terms, after this clients' transport company picks up the goods from there and takes them directly to Russia. After speaking to

some of the clients and potential clients, it was possible to understand that most of them are used to work with Europe on these terms and they do not want to change this. To be completely clear about this subject, it is doubtless that most companies who do this transport every day have deals at customs and people who work there help them go through it. Bribes can be accepted in many cases and certainly customs are not an exception, even because many brands from Covet Group have a finish of gold in their pieces and bring something like this through customs is not easy at all.

Russian market is an important market for Covet Group, representing around 13% of its total business volume during the last three years. It is clear that the delivery is not affecting strongly their sales to this market so far, but only by trying to ship to Russia directly, would be possible to discover if sales volume would grow. However, there are important external barriers common to other firms that work with this market. External barriers such as legal, bureaucratic and cultural barriers are identified by Covet Group and competitors as main constraints for not delivering directly their products to Russia, differently from what usually occurs with other markets.

In sum, in an increasingly globalized world, there are barriers that countries create to maintain some control over their borders. Apparently, the nature of these barriers in Russia occurs in the way products arrive in the country. These barriers drastically limit direct delivery to Russia. Another thing that was learned with this dissertation is that if there was a transport company which would work with Russia and legally provide all the documentation to Covet Group, they might accept to work with them, because this way they could expand business with final customers or interior designers who cannot afford hiring a transport company and pay for all the necessary services to bring the products to Russia. For me it was clearly a business opportunity in here and my next intention will be to understand how such company can be created. Since this Master's Degree has two fields, it would be an opportunity for me to explore them both in this way, Entrepreneurship and Internationalization. I may not continue to work in this subject theoretically, however it will be possible to apply this knowledge in practice.

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Appendix I – Interview with clients and potential clients

1 – With which countries you work the most?

2 – Do the companies deliver to Russia directly?

3 – Do you prefer to go to Europe to pick up your orders?

4 – Do you have a transport company that does all the logistic details for you?

5 – Would you like to receive your goods in Russia directly?

Appendix II – Questionnaire for competitors

- Does your company work with the Russian market?
- Which are the main barriers in this market? (For example lack of information, cultural differences, language, bureaucratic issues, intense external competition....Others? Which?)
- Does your company ship directly to Russia?
 - If it does, do you deliver in any city or just in Moscow?
 - If it does, what is the process at customs?
 - If it does not, do your clients pick up the goods in your warehouse or do you ship to another country?
 - If it does not, could you please indicate the reason(s) why not to ship directly to Russia? What should happen for you to start doing it?
 - If it does not, have your company ever tried it? Do you have an idea of how does this affects your sales to Russia, the fact that you do not deliver directly?
- Would it be possible to provide me, the annual sales to Russia in percentage? Just to have an idea.

Appendix III – Interview with COO of Covet Group

(This interview was conducted in Portuguese)

Maryna: Fale-me um pouco sobre a empresa e sobre quais foram os principais motivos para a internacionalização? Quais as formas de abordagem aos países para onde se expandiram?

Ricardo Magalhães: Quando criamos a empresa, nem começamos com produto, começamos com projetos de interiores. Eu sou designer de interiores, o Amândio, meu sócio, é designer de produto. Iniciámos na altura em resposta a um desafio colocado por um professor, a fazer projetos de interiores - chave na mão, desde desenvolvimento, criação, produção de mobiliário, de iluminação. Isso permitiu-nos durante 5 anos fazer só projetos de interiores. Durante 5 anos fizemos isso, ganhámos autonomia financeira, que é algo que nos permitiu avançar com a empresa e quando começamos a criar a nossa própria carpintaria, que dava apoio à produção de mobiliário para os projetos interiores, começamos a pensar que seria interessante desenvolvermos uma marca de mobiliário. Mobiliário era algo que já estava na nossa cabeça quando terminámos a nossa formação. Ambos estudámos juntos desde o secundário e, portanto, acabámos por avançar com o desenvolvimento deste projeto. Esta ideia de marca logicamente que era uma ideia que estava presente logo nos primeiros dias que criámos a empresa, só que sabíamos que iria demorar muito mais tempo, que era custoso, que não tínhamos capacidade financeira para não recorrermos nem aos nossos pais (que já nos tinham financiado os estudos,) nem à banca, até porque quando nós criámos a empresa a banca estava numa crise, nós iniciámos em tempo de crise, e tudo aquilo que fizemos foi da forma mais autossustentável possível. Quando ganhámos autonomia financeira, com os projetos de interiores, foi aí que começamos a criar a marca e foi aí que nasceu a Boca do Lobo, foi a primeira marca de mobiliário que nós desenvolvemos, era a marca que ia ao encontro daquilo que eram as nossas convicções: estávamos numa fase de mudança e os países que tinham história na área do mobiliário, nomeadamente Portugal, estavam a perder a sua identidade, porque estavam a seguir tendências italianas. Só que o mobiliário deles era minimalista, aquilo que estava ali era uma criação, um risco, uma combinação de tecnologia de ponta, com lacados, com ferragens, com automatismos, mecanismos, portanto era mais uma vertente tecnológica do que propriamente uma vertente manual, onde não havia um valor acrescentado do saber fazer, da história de um país, da história de uma arte. E aquilo que percebemos foi o que os italianos têm de bom: o marketing, uma visão tecnológica. Nós conseguimos juntar isso com aquilo que é a história do povo português, a capacidade do

nosso artesão, um valor acrescentado que não existe no mercado porque a nossa história ninguém a tira nem copia, nós só tínhamos de reinventar a nossa história e adaptá-la àquilo que estava a ser a tendência ditada pelos italianos. Portanto, acreditámos que aquilo que queríamos fazer correspondia a um posicionamento alto no mercado, no segmento de luxo, para isso tínhamos de apostar nesta ideia de valor acrescentado, diferenciador. Sabíamos que o mercado português era um mercado curto para aquilo que nos propúnhamos e a nossa aposta, o nosso foco, foi sempre o mercado internacional, sabendo que mercado nacional seria uma consequência daquilo que fizéssemos lá fora.

A nossa primeira feira foi em Londres, foi na altura em que ainda existia a CPD e eles convidavam os jovens designers a apresentar as suas peças. Fomos bem sucedidos, conseguimos vender a nossa primeira peça, Soho, a um jornalista inglês, que acabou por nos dar a conhecer.

Percebemos depois que das peças que tínhamos da primeira coleção algumas eram mais conservadoras e outras mais arrojadas, e percebemos que o caminho era este: peças de assinatura, peças de edição limitada, peças exclusivas, por ventura provocatórias, *masterpiece*, peça de arte, uma peça que não fosse só servir uma função, mas uma peça que tivesse uma alma, identidade, personalidade. Foi aí que começamos e o caminho que a Boca do Lobo assumiu foi esse.

Maryna: Ainda na parte da internacionalização, queria saber se havia algumas limitações no mercado doméstico, será que a marca se adaptava a Portugal, face às vendas?

Ricardo Magalhães: Nós queríamos internacionalizar o nosso conhecimento, a nossa arte. Se nós estivéssemos a trabalhar para dentro, iríamos ter muita mais concorrência internamente, portanto o nosso nicho de mercado seria mais curto. Nós queríamos fazer chegar a nossa voz lá fora, sermos os primeiros a lá chegar, os primeiros a defender e a promover esta ideia de identidade portuguesa, de estilo de mobiliário português, reinterpretação deste estilo e podermos construir uma marca com isso. A oportunidade para nós era: em Portugal muita gente tem acesso, lá fora, poucos têm acesso, poucos conhecem, e assim nós seríamos novidade lá fora, não aqui dentro.

Maryna: E em relação a outras marcas do grupo? Elas são muito diferentes, foram-se adaptando às necessidades dos clientes?

Ricardo Magalhães: Sim, logicamente se nós só pegássemos na Boca do Lobo a marca tem uma identidade muito própria, o seu estilo não é senso comum, costuma-se dizer que relativamente às peças da Boca do Lobo ou se gosta muito ou não se gosta nada, mas também ninguém decora uma casa só com Boca do Lobo. Então, aquilo que precisávamos era uma oferta integrada e aqui recorremos a outras marcas que, entretanto, criámos que pudessem equilibrar aquilo que era a oferta da Boca do Lobo. A Boca do Lobo é uma marca de luxo carregada com uma carga de emoção muito grande, *soul*, a ideia da peça de arte; precisámos de peças como as da Brabbu, com que preenchemos e fazemos toda a proposta da casa, e depois temos a peça da Boca do Lobo, porque essa tem que ser vista como a peça.

Uma Brabbu, uma Luxxu, são propostas mais consensuais. Depois, claro que cada marca se vai diferenciando pelo target, pela oferta. Enquanto a Brabbu é inspirada num target mais descontraído, mais relação com natureza, para espaços mais modernos, com algum requinte, por causa dos dourados. As *mid-century* (Delightfull e Essential Home) representam um estilo completamente diferente, também é um nicho que toca mais aos arquitetos, remete ao princípio do James Bond, anos 70.

Normalmente, perguntam porquê tantas marcas? Precisamente porque são marcas complementares. Eu costumo dizer "uma avenida com várias lojas, mesmo sendo concorrentes, tem mais força do que uma rua só com uma loja". Porque sei que quando for àquela avenida vou encontrar uma solução, tenho maior probabilidade de encontrar aquilo que eu gosto e com que me identifico. Portanto, aquilo que nós queremos fazer com o Covet, que nos propusemos fazer, foi exatamente isto, foi criar a avenida onde a maior parte dos profissionais, sendo eles designers de interiores ou arquitetos, quando vão procurar uma solução sabem que a probabilidade de a encontrar no Covet Group é maior do que em qualquer outra marca de uma forma individual.

Maryna: Em relação a concorrência, acha que existe muita?

Ricardo Magalhães: É assim, vamos olhar de uma forma geral. Enquanto Covet, há poucos grupos concorrentes. Às marcas em si, de uma forma independente, já há mais concorrência e umas marcas mais que outras: a Boca do Lobo talvez seja aquela que tenha menos porque se destaca dos concorrentes. De resto, individualmente cada uma das marcas tem o seu leque de concorrentes.

Maryna: A internacionalização foi alvo de planeamento estratégico? Foi realizado algum estudo de mercado?

Ricardo Magalhães: Começamos primeiro por perceber onde, como e quando se movia o nosso publico. Houve necessidade de perceber quais eram as potenciais feiras, de entender qual era o ritmo, o ciclo com que as coisas aconteciam, e logicamente fomos adaptando, percebendo obviamente que ou acreditámos desde o início que enquanto marca tínhamos de nos afirmar nos mercados centrais, mercados que valorizassem e dessem valor a marca. Se formos a ver as marcas movem-se nas principais capitais, como Londres, Paris, Nova Iorque e Milão e era onde nós queríamos e iríamos apostar. Os grandes investimentos que fazemos são nessas cidades. Logicamente, para construirmos marca sentimos que havia essa necessidade de estar nos locais onde estão os *decision makers*, sejam eles designers de interiores ou arquitetos. Na maior parte das vezes, quando pensámos nessas capitais não temos muita visão e não sabemos como as coisas são exatamente, mas estando nestes centros chegamos ao mundo. Sabíamos que a plataforma de promoção iria acontecer naturalmente estando ao lado dos melhores. Hoje, logicamente que estamos em mais de 100 países fruto de termos reforçado a nossa estratégia de ataque aos mercados, mas também da consolidação da presença nestes mercados centrais.

Maryna: Quais os principais métodos de entrada nos mercados externos utilizados? Já pensaram em produzir noutros países? Se produzissem na Rússia, teriam lá mais clientes?

Ricardo Magalhães: Já nos ocorreu instalar a produção noutro país e já tivemos ofertas nesse sentido. Contudo, não avançamos por várias razões:

- Não acreditamos que isso seja possível, porque conforme já disse o produto que nós desenvolvemos tem a ver com a nossa identidade, com nossa história de mobiliário. É difícil passar este tipo de valores, técnicas, este tipo de conhecimento.

- Dado que haveria uma grande tentação por alguns mercados, iríamos perder controlo do design, perder o controlo a nível de estratégia de mercado.

- Há números e investimentos que, quando estas propostas vêm para a mesa, não podemos abdicar, e que não foram tidos em conta por quem nos fez a proposta. Nunca caímos na tentação de fazer isso, não é por ser mais fácil ou melhor financeiramente, temos que pensar no todo, de uma forma fria, saber o caminho que nos trouxe até aqui e o que estamos dispostos ou não a abdicar.

Maryna: A empresa beneficiou de algum incentivo/apoio privado ou público para se expandir internacionalmente?

Ricardo Magalhães: Como já lhe disse inicialmente, o nosso primeiro evento foi financiado pela CPD e isso foi um apoio porque não tivemos nenhum custo. Quando começamos a empresa, conforme lhe tinha dito antes, nunca tivemos nenhum apoio, tentamos fazer sempre com os nossos meios. Na parte da internacionalização, logicamente que existem apoios para as empresas que fizerem o trabalho de internacionalização, mas este tipo de apoios só fazem sentido quando fazem parte da nossa estratégia. Não é fazer por fazer, porque esse tipo de apoios são uma barreira ao nosso crescimento sustentável e eventualmente são uma ilusão.

Maryna: E esses apoios são públicos ou privados?

Ricardo Magalhães: Existem dois apoios. Existe o apoio bancário, mas nós nunca recorremos à banca para internacionalizarmos, e existem os apoios governamentais, que são fundos comunitários, isso temos.

Maryna: Qual o primeiro país para onde a empresa se internacionalizou?

Ricardo Magalhães: O primeiro mercado foi claramente o Reino Unido, independentemente da feira ou da nossa abordagem. Acreditávamos que o mercado Londrino, não por ser consumo interno, mas sim por ser um centro de decisão, seria onde nós poderíamos chegar ao mundo. Estamos presentes em mais de 90% do mercado internacional.

Maryna: Qual o mercado mais fácil de se trabalhar? E qual o mercado mais rentável?

Ricardo Magalhães: Depende da perspetiva. O mercado mais fácil, numa ótica funcional e operacional, é o mercado europeu, porque é um mercado mais rotinado. Tudo que sai fora da União Europeia é sempre mais difícil, porque existem sempre desafios colocados pelos clientes: querem sempre um formato de expedição diferente, os pagamentos vêm de uma forma diferente, em alguns casos percebemos também que há clientes que procuram peças para projeto, outros para showroom, alguns para eles próprios. Por isso o mercado europeu acaba por ser mais simples, mas obviamente que tudo o que são vendas extracomunitárias são vendas maiores. Claro que mesmo na Europa existe distanciamento, diferença na língua, questões culturais, a diferença de fuso de horário. Há variantes que depois podem diferenciar, teria de avaliar caso a caso. Se estiver a falar do caso da Rússia, há o problema da língua, da expedição, dos pontos intermédios (carga e descarga de mercadoria). Hoje em

dia, os russos também já estão mais familiarizados com o nosso procedimento europeu, têm mais acessibilidade, já dominam melhor aquilo que é relação comercial.

Maryna: E numa perspetiva geral, o mercado mais rentável, qual será? Tem ideia? Será também o europeu?

Ricardo Magalhães: Depende de quantidades, como estão a nível de projetos, porque às vezes é o cliente final, outras vezes são os profissionais da área. A nossa diferenciação não é pelo país, é pelo projeto. Se existem mais projetos grandes nos mercados como o médio oriente é para lá que vamos. Porventura os negócios mais rentáveis são aqueles onde não há esse lado *open mind*, porque há limitação, o conhecimento das marcas europeias, dos nossos *competitors* é mais reduzido. Portanto, quanto menos cultura de marcas o cliente do outro lado tiver, logicamente são os negócios mais apetecíveis porque não há grande espaço de manobra para a negociação. Agora, é mais fácil nos mercados emergentes do que nos mercados maduros. Por exemplo, na Europa há este lado mau, porque estamos ao lado dos *competitors* e temos de estar mais sensíveis.

Maryna: A empresa pensa investir noutra mercado a curto prazo? Se sim, qual e porquê?

Ricardo Magalhães: Como já disse anteriormente, estamos presentes em praticamente todos os mercados. Mas aqui podemos não falar de um mercado, mas sim uma futura aposta num target. Posso dizer que o target que não exploramos, e que logicamente nos irá obrigar a alterar a nossa oferta, é mercado de *contract*. Não queremos entrar no mercado de *contract* por entrar, a tipologia de produto das nossas marcas não nos permite entrar em competição com empresas que têm anos e anos como foco só no processo industrial. Mas acreditamos que existe um nicho de mercado que nós não exploramos que é o lado de *hospitality*, de *contract*.

Maryna: Já falámos aqui um pouco sobre as principais barreiras/obstáculos à internacionalização como a língua e cultura. Neste momento sente alguma falta de informação em relação aos mercados?

Ricardo Magalhães: Comunicação, conhecimento, logicamente hoje temos acesso e é fácil. Acho que há outras questões, o conhecimento específico do nosso mercado exigia um estudo profundo, como o do embaixador de mercado, alguém que conhece e que domina não só a parte cultural e histórica, como também entende os seus clientes e colegas, o que comem, o

que bebem, a que horas abrem, a que horas fecham, quantos dias da semana trabalham, quantos targets existem naquele mercado, quem faz mais, quem faz menos, que tipo de projetos têm. É o tal *profiling*, para saber a definição dos *stakeholders* de cada um dos mercados. Existe grande caminho a percorrer, é difícil estar em todo o lado, mas por exemplo nos mercados maduros, naqueles em que apostámos desde o início, já temos um vasto conhecimento. Agora temos de ir trabalhando os restantes mercados. Até há pouco tempo olhávamos para os mercados como se fossem só países, mas agora temos esta abordagem de trabalhar cidade a cidade. Um país é tão grande, como é que vou ter uma só pessoa a trabalhar um país? Temos uma escala que temos de analisar, um país tem três, quatro cidades fundamentais, preciso de ter um embaixador a conhecer cada cidade. Mesmo cá em Portugal temos culturas diferentes desde os Açores à Madeira, ao Algarve, a Lisboa e ao Porto, o que por si só já exige alguém só a estudar cada uma das cidades. Portanto, não podemos generalizar que um país é composto por uma cultura que é comum a todas as cidades.

Maryna: Do que eu tenho visto, presumo que as missões têm ajudado bem nesse ponto que referiu.

Ricardo Magalhães: As missões acabam por ser o culminar daquilo que é o trabalho de casa. Muitas das vezes temos acesso a informação que virtualmente nos é facultada, mas depois temos a oportunidade através das missões de ir conhecer, de ir ver. Repare que posso até ter um website fantástico, posso dizer que trabalho com as marcas A,B,C, D, vou lá com certa expectativa, e sou completamente defraudado, não bate certo, não era verdade. Como também já aconteceu o oposto, clientes que aparentemente nem sequer um website tinham, cheguei lá e fiquei espantado! Por isso é sempre importante fazer primeiro o trabalho de casa e depois ir ver com os nossos próprios olhos, perceber se é ou se não é. E logicamente que as missões são fundamentais para consolidar e, acima de tudo, mais do que conhecer, estreitar relações com os clientes, eles gostam de saber que nós saímos do nosso cantinho e fomos visitá-los e até levar algo físico, apesar de estarmos numa era digital.

Maryna: Qual o impacto da internacionalização nas vendas, nos custos e no lucro da empresa?

Ricardo Magalhães: Já falamos disto no geral anteriormente, é o nosso foco, por isso total.

Maryna: Com a expansão da empresa, os custos de produção e os custos logísticos diminuíram em termos médios?

Ricardo Magalhães: Estamos agora nessa fase, porque estamos a centralizar. Até à data não era tanto, porque íamos aumentando a nossa estrutura, inclusive a estrutura física, armazéns, logicamente que a produção se concentrava, e concentrando-se obrigava-nos a mudar a estrutura e, portanto, fomos fazendo sempre várias ilhas, conforme o crescimento de cada uma das marcas. E estas ilhas eram departamentos, produção, neste momento estamos numa fase de consolidação, portanto, quantas mais ilhas tivermos, pior é logisticamente, porque obriga-nos a muito desperdício: irem carrinhas de um lado para outro, maior número de recursos humanos, rendas, tudo que são despesas inerentes a isso. Neste momento, estamos numa fase de centralização não só a nível de escritório, como também a nível logístico e aqui logicamente que os ganhos vão ser claros. Os custos de produção diminuíram porque, mesmo não havendo uma lógica de produção industrial, há mecanismos que já estão otimizados, há soluções que nós otimizámos. O lado da repetição, o lado da otimização dos recursos permite-nos fazer outro tipo de poupanças, menos desperdício, o que faz com que sejamos mais eficientes, o que será refletido em termos de retorno financeiro.

Maryna: Qual o impacto da atual pandemia no processo de internacionalização? Existiu alguma assimetria no comércio internacional da empresa, isto é, mercados externos mais afetados do que outros? Se sim, quais?

Ricardo Magalhães: Afeta sempre, porque nunca estamos preparados para. A grande diferença tem a ver com a flexibilidade que as empresas têm, independentemente da escala, e nós temos uma estrutura grande, logicamente que nos obriga a ser flexíveis. Tivemos de, tal como todos, adaptar a nossa estrutura à realidade, preparar os nossos conteúdos, fazer coisas como casas virtuais, ferramentas que o nosso pessoal não dominava, mas que a certa altura começaram a estudar, porque perceberam que era por ali que tínhamos de fazer pela vida. Em relação à internacionalização, acabámos por reforçar mais no online, como é óbvio, e perdemos mais no físico, mas ao lado dos nossos *competidores* acabámos por estar melhor. Acreditámos que houve um decréscimo no mês de abril, mas acho que a forma como nos ajustámos, como nos aproximámos do mercado resultou bem. Portanto, acho que o balanço é positivo, logicamente perdemos algumas coisas, mas o saldo é positivo. Se calhar o Covid fez repensar alguns investimentos que fazíamos antes e que se calhar não são assim tão importantes. Esta pandemia também fez as empresas pensar no seu modelo de negócio, no

seu modelo de investimento e reinventarem-se. Sentimos afetados o mercado do Reino Unido, o próprio mercado da Rússia, que nos últimos três meses esteve mais parado, e a Europa em geral.

Maryna: Quais as principais barreiras/obstáculos à internacionalização para a Rússia?

Ricardo Magalhães: As taxas são altíssimas, não é por acaso que a Rússia usa outros países como ponto de transição; barreiras políticas, linguísticas, a moeda. É daqueles mercados que nunca sabemos quanto vai valer no próximo ano, é um mercado volátil.

Maryna: A empresa entrega diretamente os produtos na Rússia ou alguma vez o fez? Tem ideia de como a não entrega direta afeta o volume de vendas da empresa para o mercado russo?

Ricardo Magalhães: Durante muitos anos fazíamos exportações diretas para a Rússia, o problema é que depois nunca tínhamos acesso ao comprovativo de exportação, ou seja, faturávamos para a Rússia, mas depois os clientes russos nunca nos facultavam os documentos comprovativos de passagem na alfândega, não sabemos porquê. Isso punha em causa o constrangimento fiscal, optámos então por não fazer transportes para a Rússia. Mas, já vimos que os próprios clientes preferem ser eles a fazer o transporte, preferem centralizar e trazerem de uma vez só uma grande quantidade de produtos da Europa para a Rússia.

Annexe I – Incoterms 2020

The Incoterms rules are the world's essential terms of trade for the sale of goods. The Incoterms rules provide specific guidance to individuals participating in the import and export of global trade on a daily basis. Although other clauses for global trade exist around the world, Incoterms rules are global in their reach. Incoterms do not include trade terms codified for national purposes. Unlike national trade policies, Incoterms rules are universal, providing clarity and predictability to business.

EXW – Ex-Works or Ex-Warehouse

Ex works is when the seller places the goods at the disposal of the buyer at the seller's premises or at another named place (i.e., works, factory, warehouse, etc.).

The seller does not need to load the goods on any collecting vehicle. Nor does it need to clear them for export, where such clearance is applicable.

FCA – Free Carrier

The seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises or another named place.

The parties are well advised to specify as explicitly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

FAS – Free Alongside Ship

The seller delivers when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment.

The risk of loss of or damage to the goods passes when the products are alongside the ship. The buyer bears all costs from that moment onwards.

FOB – Free On Board

The seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered.

The risk of loss of or damage to the goods passes when the products are on board the vessel. The buyer bears all costs from that moment onwards.

CFR – Cost and Freight

The seller delivers the goods on board the vessel or procures the goods already so delivered.

The risk of loss of or damage to the goods passes when the products are on board the vessel.

The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

CIF – Cost, Insurance and Freight

The seller delivers the goods on board the vessel or procures the goods already so delivered.

The risk of loss of or damage to the goods passes when the products are on the ship.

The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage.

The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

CPT – Carriage Paid To

The seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such site is agreed between parties).

The seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

CIP – Carriage and Insurance Paid To

The seller has the same responsibilities as CPT, but they also contract for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage.

The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

DAP – Delivered at Place

The seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.

The seller bears all risks involved in bringing the goods to the named place.

DPU – Delivered at Place Unloaded (replaces Incoterm® 2010 DAT)

DPU replaces the former Incoterm® DAT (Delivered At Terminal). The seller delivers when the goods, once unloaded are placed at the disposal of the buyer at a named place of destination.

The seller bears all risks involved in bringing the goods to, and unloading them at the named place of destination.

DDP – Delivered Duty Paid

The seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination.

The seller bears all the costs and risks involved in bringing the goods to the place of destination. They must clear the products not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.