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ABSTRACT

Objective – The aim of this paper was to identify the strategies developed for internationalization in order to create value in the artisanal *cachaça* sector of Brazil.

Design/methodology/approach – A multiple-case study was applied in two artisanal *cachaçarias.* we carried out in-depth, semi-structured interviews with different stakeholders involved in supporting internationalization of these companies. To select the stakeholders we used snowball sampling. The content of the interviews was categorized and analysed according to accepted theory.

Findings – Our study provides an overview of the organization and structure of the *cachaçarias* and reveals how internationalization is adding value to this network from a multi-stakeholder view. The support of the multi-stakeholder network is in an early stage, but it offers a promising future, since there is a consumer market being developed. Political power is needed to regulate the industry.

Practical implications – Business internationalization of the handmade *cachaça* sector is a challenge, as most companies are small and do not have adequate financial resources or proper knowledge regarding international markets. Regulatory stakeholders support the *cachaçarias* in standardizing production and developing international strategies. The results can help to better understand the importance of collaboration embedded in stakeholder network relationships.

Originality/value – Empirical research on internationalization in developing countries, especially in small and mediums sized firms is still very limited. We have shown that companies can benefit from specific organization structures when developing relationships within multi-stakeholder networks.

Keywords – value creation, *cachaça*, multi-stakeholder, competitiveness.

1 INTRODUCTION

From the perspective of globalization, it is possible to verify the breakdown of national frontiers and the emergence of commercial blocks and transnational corporations, and these situations are changing business strategies all over the world. Researchers have discussed, in the last few years, that companies should learn how to operate as if the world were one large market and, therefore, develop global strategies (Amal & Freitag, 2010; Andersson, 2000; Axinn & Matthyssens, 2002; Johanson & Vahlne, 2001).

Thus, internationalization has become a subject for designing operational and marketing strategies in many sectors, especially in developed countries, and has also gained importance in emergent economies (Floriani & Fleury, 2012). Furthermore, in the last decade, firms have sought further internationalization, not only in multinational companies, but also smaller enterprises (Amal, Awuah, Raboch, & Andersson, 2013; Amal & Freitag, 2010). In Brazil, the beginning of internationalization came with the market opening in the 90s. Data from the Ministry of Development, Industry, and Trade (Ministério do Desenvolvimento, Indústria e Comércio Exterior [MDIC], 2011) shows that Brazil had record trade figures in 2011, logging $256 billion in exports and maintaining a $29.7 billion surplus. Even with the significant export growth, there are many global markets still to be exploited by Brazilian companies, especially those for added-value products. From a strategic point of view, internationalization allows companies to amplify their access to the external market when facing increasing competition in the domestic market or when the domestic market is saturated.

Internationalization seems to be an alternative for Brazilian artisanal *cachaça*, an alcoholic drink derived from sugar cane. This industry had its glorious time in the colonial period (1500-1815), but lost its position in the early 1900s while competing with sugar and ethanol sectors and being considered a drink without added value, whose consumption was associated with low-income social classes in Brazil. The 20th century brought a new perspective for the *cachaça* sector: the large national producers as well as the small stills and distilleries, also known as *cachaçaria*s, got involved in governmental programs seeking for new production strategies in the sector. These programs were important for different reasons, contributing to the sector's growth and for the international market opening (Nascimento, 2006).

Today, there are two main types of *cachaça* being produced in Brazil: the industrial *cachaça*, produced on a large scale, is dominant in the national and international market, but it is exported as a commodity in large volumes to be competitive. The second is the artisanal *cachaça* from stills, or *cachaça de alambiques*, on a small-scale volume and of very high quality. This kind of product has a strong potential to reach national and international premium markets. This potential has been lately explored by the Brazilian government, company associations, and producers, as we see an increase in the number of projects and incentives that target the *cachaça de alambique*. Hence, there is a movement to enlarge the international access of these small industries. In spite of the latest developments, some questions arise: *Are "cachaçarias de alambique" prepared for internationalization? Does internationalization add value to this industry? How do other stakeholders see the role of internationalization in cachaça value creation?*

The aim of this paper is to identify the strategies developed for internationalization in order to create value in the artisanal *cachaça* sector. We also intend to analyse the multi-stakeholder perception regarding these strategies in the sector. Data collection was conducted in artisanal *cachaçaria*s in South Brazil, one of the most important production regions in the country.

The structure of this paper is the following: after the Introduction, Section 2 summarizes the theoretical literature on the internationalization and value creation in the food industry as well as the multi-stakeholder view. In Section 3, we present an overview of the *cachaça* sector and the consumer market in Brazil, and also in the state of Rio Grande do Sul. The methodology is presented in Section 4, followed by the empirical analysis and a conclusion in Sections 5 and 6.

2 LITERATURE REVIEW

This literature review aims to explore the process of value creation in agri-food chains through the process of internationalization. This discussion is complemented by the concept of a stakeholders network and its influence on companies' internationalization strategies.

2.1 Internationalization and value creation in agri-food chains

The food sector has experienced increased competitive pressures in the business environment because of the market's globalization (Vieira, Barcellos, Hoppe, & Silva, 2013). In such business environments, organizations seek for competitive capabilities that enable them to exceed customers' expectations and enhance market and financial performance (Bijman, Muradian, & Cechin, 2011). They have also found that single firm capabilities are no longer sufficient for achieving a competitive advantage, and are focusing on developing partnerships with suppliers and clients. Managers have recognized that developing effective supply chains (*and networks*) offers opportunities to create sustainable competitive advantages (Tracey, Lim, & Vonderembse, 2005).

One of the purposes in developing effective relationships among supply chain members is to create shared value for companies involved (Childerhouse & Towill, 2011). To add value to a product, companies seek to make changes in the products, such as processing, packaging, or marketing (Tracey, Lim, & Vonderembse, 2005). However, when the supply chain is integrated, there are possibilities of value creation by joint strategies of alternative marketing channels, closer relationships to better address consumer demands and, in the case of food products, it may also involve promotion of the local or regional environment and quality (Ryan, O'Reilly, & Enright, 2004).

Deepening the discussion of value creation in supply chains, Kaplinsky and Morris (2001) introduce value chain analysis, which focuses on the dynamics of inter-linkages existing mainly within the production chain. This analysis particularly relates to the way in which firms and countries are integrated in global supply chains. It helps better analyze how the international market is organized and also how producers, including those from emerging and developing countries, can introduce products that are typical in their countries but still not well known in a global market context.

When internationalization occurs in parts of the chain, by establishing different processes or products in specific markets, there is a specific condition of value creation. Gereffi (1994, 2001) presented the concept of a Global Value Chain where he analyses the structure of governance and institutional frameworks within global production and how they directly affect the organizations. According to Gereffi (2001), the configurations of governance differ in two types of chain structures: the "producer-driven", where large transnational companies coordinate the entire supply chain, and the "buyer-driven" chains, where retailers and brand marketers compete intensely with respect to attributes valued by customers such as innovations in products and packaging and maintaining high standards of quality and price. In buyer-driver chains, the demands and expectations of the consumer market are crucial to the success of value creation for companies. The process of finding foreign markets and suitable standards imposed by these markets ultimately changes the entire value chain.

The internationalization phenomenon does not occur just in large companies, but it can also be an option for value creation in small and medium enterprises (SME) and for the supply chain they are a part of (Chetty & Holm, 2000; Mort & Weerawardena, 2006; Othman, Vandenbempt, & Hendrickx, 2010). In small and medium companies, supply chains can be short and controlled by only a few actors, which creates an advantage for the generation of value. Linked to this, in these kinds of firms the use of networks is also an important influence towards internationalization. Chetty and Holm (2000) state that the internationalization process of SME firms is influenced by several stakeholders, such as other companies, suppliers, customers, governments, and particular entities that are connected by diverse relationships and form the company's network. The internationalization can arise from the firm's initiatives to respond to the *stimuli* found in the existing relationships in this network. Amal and Freitag (2009, p. 611) believe that:

> "the internationalisation process ends up depending on the firm's capacity of coordinating its activities inside a present network, but expansion will depend on its capacity of forming new networks and establishing cooperation processes among the networks in which it is already engaged".

Thus, it becomes important to present a short review on the theory of stakeholders, who are part of the companies' relationship networks.

2.2 Stakeholder theory

Among the changes that companies have implemented, one can observe the engagement in partnerships and collaborations not only with other companies but also with other types of stakeholders who represent the different interests and expectations that exist beyond the traditional corporate interests (Freeman, 1984; Rowley, 1997). Stakeholder theory postulates that regardless of the final aim of one corporation or any other organizational initiative, the managers need to account for the interests of groups or individuals that can affect and be affected by the business activities (Donaldson & Preston, 1995). According to Svendsen and Laberge (2005), the emphasis on managing stakeholders is to avoid or reduce risks to the company, enhance reputation, improve the bottom line, and develop new business opportunities.

Henriques and Sadorsky (1999), and Andriof and Waddock (2002) classified stakeholders into four groups: 1) the regulatory (government, regulatory agencies, associations, and other entities that can influence the norms and standards interfering with the organizational activity), 2) the organizational (the public directly involved with the company, such as clients, suppliers, employees, and shareholders), 3) the societal/communitarian (environmental organizations, social, and communitarian movements), and 4) the media (mass communication technologies used to inform the society about corporative actions).

The emergence of new stakeholder engagement strategies, including strategic alliances and partnerships, social partnerships, and multi-sector collaborations, means that collaborations have become a critical basis for stakeholder engagement (Andriof & Waddock, 2002; Co & Barro, 2009). Collaboration in stakeholders' relationships can be analysed in a *network* perspective Rowley (1997). According to this author, firms tend not to respond to each individual stakeholder, but instead to the interaction of multiple influences. To comprehend how organizations respond to their stakeholders, it is necessary to analyse the influences and interdependent relationships inside the group and among its members.

Svendsen and Laberge (2005, p. 1) define the stakeholder network "as a web of groups, organizations and/or individuals who come together to address a complex and shared cross-boundary problem, issue or opportunity". When the process of collective dialogue and decision-making involves multiple stakeholders at the same time, a multi-stakeholder interaction exists. Worley and Parker (2011) share this concept, stating that when the individually oriented firms are confronted with problems or opportunities arising from their network, they can choose to act alone or collaborate with other stakeholders to address the issue or opportunity. They, therefore, engage in multiparty collaboration, defined by Gray (1989, p. 5) as: "the process through which parties who see different aspects of a problem can constructively explore their differences and search for solutions that go beyond their own limited vision of what is possible".

In sum, the value creation arising from internationalization strategies combined with the firm's network and the discussions on multi-stakeholder interactions can be used as a manner to understand how the internationalization of the *cachaça de alambiques* occurs in South Brazil. This sector is constituted by small and medium companies that are facing the challenges of designing a value chain in an industry that is not regulated but has a network of actors working together to add value to the product. There is an emergence in the regulatory activity in the country, aiming to strengthen the domestic and foreign markets of Brazilian *cachaça*. Therefore, in this study we first explore how these small companies are structured and how the relationships with their stakeholders are occurring in the network around them. We aim to investigate if internationalization has generated value for these companies and determine the stakeholders' view on this process.

3 THE *CACHAÇA* PRODUCTION

Cachaça is probably known worldwide through the famous Brazilian drink called *caipirinha*, a cocktail that uses this distillate drink from sugar cane as its principal component, combined with lime, sugar, and ice. *Cachaça* is a typical Brazilian drink born in the colonial period (1530-1815), and, during those times, it had high economic importance to Brazil and Portugal. The drink became popular and, during the Brazilian Independence (1822), it was used as a symbol of resistance and liberty. Yet, even with a strong Brazilian identity, the *cachaça* "golden times" suffered with the growing economic and social importance of the "Coffee Barons" (by the end of the nineteenth century). The economic development based on coffee brought new conduct to the independent society, and the European style was the most valuable one. As a result, *cachaça*, once a national symbol, started to be considered as a drink for slaves or for poor and uncultured people (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas [SEBRAE], 2008; Confederação Nacional das Indústrias [CNI], 2010). Such stereotypes ended up defining the market and its consequences in terms of low appeal and competitiveness in the sector.

This identity followed the drink through the years and today a large proportion of the Brazilian population still see *cachaça* with prejudice and as a product with no quality. Nevertheless, in the 1990s a new perspective for the *cachaça* sector emerged, serving as a process of regaining the prestige and the image of the product. It started from governmental development programs targeting the producers of *cachaça* in order to establish a new strategy in the sector. Those programs took different paths, but overall they contributed to the sector's growth and to the market opening, mainly to large producers (Nascimento, 2006).

Other initiatives that helped with the recovery of *cachaça*'s prestige and image were the National Decrees 4062/01 and 4072/02, which established the denomination of *cachaça* as official and exclusive to the rum made from sugar cane in Brazil, following defined specifications in regard to the alcoholic degree and special characteristics of the fermented juice (*mosto*) from sugar cane. This definition provided a significant contribution to the promotion and communication process in the international market, highlighting *cachaça* as a truly Brazilian drink.

In terms of strategies to add value to the product, it is important to distinguish the two existing types of *cachaça*: The first one is the industrial *cachaça*, which is characterized by a large production scale, and whose distillation process is obtained from column stills, also called "continuous stills". In the fermentation process, some chemically synthesized products are added. To keep high productivity, the industrial producers require large sugar cane plantations (even from third parties), with mechanized harvest, agrochemical use, and sporadic burning of the straw. On the other hand, the *cachaça de alambique* (still) is crafted via traditional workmanship, handmade through natural fermentation, and the raw material (sugar cane) is usually from the producer's own plantation, without agrochemical or burning, and the harvest is manual. This production system is normally associated with family farming and a small producer scale (SEBRAE, 2008).

It is estimated that the national market for *cachaça* was around 1.4 billion liters per year in 2006, and 70% of this volume (980 million/year) came from the industrial system, which offers a product with popular appeal and affordable prices. The other 30% was obtained from artisanal *cachaça* production (SEBRAE, 2008), where value adding strategies can be seen. Nevertheless, informality is common in the sector, and it is not rare to see products with low technology and quality, which has a negative impact over the entire production chain. As a result, in the year 2000 many Brazilian states initiated a specific action to promote the formalization of *cachaça* production in order to increase competitiveness in national and international markets (CNI, 2010).

The state of Minas Gerais is the largest *cachaça* producer within the country, with 15% of the total volume (industrial and artisanal) and, when looking at the artisanal *cachaça*, this proportion gets larger, around 50% (SEBRAE, 2008). The second most important producer is the state of Bahia, followed by the state of Rio Grande do Sul (CNI, 2010), where this study was conducted. Detailed information about the production in Rio Grande do Sul will be provided in the sub-section 3.1.

Regarding the international market, the major part of the exported *cachaça* is industrial. In 2013, Brazil has exported almost 9 million litters of cachaça, which is approximately $17 USD million dollars. The industrial *cachaça* production chain has more than 40 thousand producers (mostly SME companies) and 600,000 employees. Currently, the product is exported to 70 countries. The major international market of *cachaça* is the European Union (EU), with almost 55% of the volume commercialized. The main destination countries, in value, are: Germany, USA, France, Portugal, Paraguay and Italy (Instituto Brasileiro da Cachaça [IBRAC], 2013). Despite this, South American and African markets are increasing their product imports, being another potential consumer of the Brazilian *cachaça*. In the sector, the industrial *cachaça* represents more than 70% of total production and commercializes almost 50% of the exported *cachaça* in bulk.

With regard to artisanal *cachaçarias* selling their product in international markets, estimates show that less than 2% of the total production has been sold to other countries (SEBRAE, 2008). With the objectives to mitigate the conflicts between the two segments of *cachaça* in Brazil, i.e. industrial and artisanal, and to contribute to the internationalization of this product, in 2006 the IBRAC – Brazilian Institute of *Cachaça* – was created. The institute has been engaged in the negotiations regarding a technical regulation defining the specifications of *cachaça*, identifying where it can be produced, who can use this name, and even the possibility of being granted a protected designation of origin status – with the ultimate goal being to improve the international recognition of *cachaça*. With a proper definition of *cachaça*, how it must be produced, and who can use this title to label it, more protection is guaranteed to a product that is genuinely Brazilian.

It is therefore possible to infer that the international market is an important opportunity for this sector, considering the growing exportation values and the stable demand in the national market for the industrial *cachaça*. Multiple stakeholders in Brazil have lately been investing in projects with the purpose of increasing the export volume. One of these projects was called the *Integrated Project of the Cachaça Sector*. The project's goal was to increase exports of *cachaça*, and some of the actions were the organization and consciousness of the sector and the offering of courses and seminars about technical issues and foreign trade, actions directed at adding value and changing the negative image of the *cachaça* in Brazil through the institutional promotion of the drink overseas (SEBRAE, 2008).

Another action taken by stakeholders was an in-depth "Sectorial Analysis" made by the SEBRAE, the Brazilian Micro and Small Business Support Service, that aimed to qualify entrepreneurs and support their development. This sectorial analysis was very important to increase the knowledge of the sector and to develop specific actions in selected Brazilian regions, such as in South Brazil.

Today this sector does not have a specific national project to promote itself, but the sector benefits from other broad actions headed by the government and particular institutions, like MAPA, MDIC, APEX, IBRAC, and SEBRAE. Support is provided mostly for international food and beverage fairs, called *missions* by the support institutions. This will be further explained in the discussion section. The last beneficial achievement to *cachaça* was its recognition as a Brazilian exclusive and genuine drink by the United States. This commercial agreement will help the Origin Designation negotiation of the *cachaça* with the World Trade Organization (WTO), which will be a critical step for amplifying the internationalization of *cachaça*. The recent recognition of *cachaça* as a national protected geographical indication gave an important boost to the product's added value.

3.1 The cachaça in Rio Grande do Sul State

In the state of Rio Grande do Sul, the first register of mills processing sugar cane and its derivatives dates around 1800. Today, the state occupies the third place in artisanal *cachaça* production but, even in this position, the state is responsible for only 1% of exports, behind São Paulo, Pernambuco, and Paraná (MDIC, 2011). Rio Grande do Sul produces 10 million liters of *cachaça* per year from 35,000 hectares of sugar cane plantation and has approximately 3,500 *alambiques* (CNI, 2010).

The expansion of industrial *cachaça* in the 1990s resulted in the market opening for Brazil and allowed for a significant change in technologies, cost reduction, and a movement towards *cachaça*'s valorization, also stimulated by the creation of APRODECANA (*Association of Sugarcane and its Derivatives in the State of Rio Grande do Sul*) in 1999. This entity emerged with the goal of defending the political and economic interests of this sector, working to organize specific actions and articulate strategies to add value to the *cachaça* made in Rio Grande do Sul. For this purpose, the entity made a partnership with FIERGS (*Federation of Industries of the State from Rio Grande do Sul*) and SEBRAE/RS (*Support Service for small and micro enterprises in Brazil* Rio Grande do Sul Unit) to develop a project within this sector. In 2001, the study conducted by these organizations mapped 3,000 *cachaça* producers, but less than 50 were legal at the time (formally constituted firms), and showed that the state did not have the tradition and the scale to compete with other Brazilian states. After this diagnosis, an action plan was built with the following goals: to work on the associative aspects, to provide the technological improvement of production processes, to help with the management of companies, and to expand the participation of *cachaças* from Rio Grande do Sul in the domestic and foreign markets (CNI, 2010).

Another initiative to promote the *cachaça* sector in Rio Grande do Sul was the creation of the Project of "*Local Productive Arrangement of Cachaça and its derivatives*" inside the Al-Invest Program, sponsored by the European Union. Al-Invest is an economic cooperation programme that aims to support the internationalization of SMEs in Latin America, in collaboration with their European partners, in order to contribute to the social cohesion in the region. The objectives of the research made by this project were to identify the local productive arrangements of *cachaça* in the southern region of Brazil (Paraná, Santa Catarina, and Rio Grande do Sul states), to characterize this region and its states with a focus on the export profile, and to identify and characterize the *alambique cachaça's* producers (CNI, 2010). The study revealed that the *cachaça* exported from Brazil has a low price and low aggregated value because the product exported is the industrial *cachaça*, and, in this scenario, the producer of artisanal *cachaça* of Rio Grande do Sul has difficulties when competing in the international competition due to its low volume and lack of quality recognition.

Even so, the *cachaça* producers in Rio Grande do Sul are looking for new strategies and conditions to promote their product, and one method has been the internationalization of products. These strategies will be throughly discussed throughout this article. In the next section we present the research method.

4 METHOD

The aim of this paper is to analyze how internationalization can contribute to value creation of the artisanal *cachaçarias* from a multi-stakeholder perspective. To achieve these objectives, a multiple-case study was applied in two artisanal *cachaçarias* in Rio Grande do Sul, and qualitative data was collected from different agents involved by analysing members of the same stakeholder network. The cases allowed for the exploration of the relations between internationalization and value added in the *cachaçarias* from Rio Grande do Sul.

To obtain data we have used Snowball sampling, defined as a technique for gathering research subjects through initial subject identification. These subject then provide the names of other actors that belong to the sector the researchers are investigating. These actors should themselves open possibilities for an expanding web of contact and investigation (Faugier & Sargeant, 1997). Therefore, we first contacted the manager of APRODECANA, which led us to the two artisanal *cachaçarias* and also a representative of APEX. When interviewing the managers of the *cachaçarias*, they led us to the institution SEBRAE-RS.

Thus, the artisanal *cachaçarias* were selected due to their importance considering their frequency and volume of *cachaça* exportation in Rio Grande do Sul, and because they were, at the time, the only artisanal *cachaçarias* in Rio Grande do Sul with internationalization initiatives. Stakeholders were selected considering their role in the network and in the export markets: APRODECANA was selected for being the link between national and international stakeholders; SEBRAE-RS held a project directed at the *cachaça* sector in the Rio Grande do Sul state, which contributed to its organization and to the improvement of production processes; and APEX is the national actor involved in the promotion of Brazilian products abroad and the internationalization of Brazilian companies.

As this research has a qualitative nature, we have applied in-depth interviews to the respondents. The interviews were carried out over 4 months during the year 2012 and lasted around one hour each. All the information provided in the interviews was recorded, and its content categorized according to the theoretical background developed in the paper. These categories also guided the interviews scripts; therefore, the interviews were semi-structured. The categories were: (i) relationship between stakeholders, (ii) roles and contribution of stakeholders in the internationalization process, (iii) strategies for internationalization, (iv) *cachaçarias*' internationalization process, (v) main motivations to start an internationalization process, (vi) problems and difficulties regarding the internationalization process, (vii) value creation through internalization, and (viii) *cachaça*'s production process and market. We further analysed these categories considering the paper's objectives (Miles & Huberman, 1994).

5 RESULTS

The results section starts with the presentation of the two investigated *cachaçarias* regarding their strategies on added value through internationalization. Thereafter, we present the main stakeholders in the artisanal *cachaça* sector and their influence on the value creation process throughout the product's exportation.

5.1 Case 1: Cachaçaria Casa Bucco

This industry is located in the Rio das Antas valley, a touristic region settled by Italian immigrants. The artisanal *cachaçaria* was founded in 1925 and is run by the same family. Currently, it comprises a still, a venue, and a small guesthouse (for customers), and here the *cachaça* made is situated in the main wine-producing region of the country. The distillery has an annual production of 45 thousand liters of *cachaça* and an expansion project that will enable its production to reach 180 thousand liters of *cachaça* per year. The area comprises 16 hectares, 6.5 dedicated to sugar cane production. There are 8 people working in the business (between partners, family, and staff) and a number of croppers who are hired seasonally for harvesting sugar cane.

The company invests in the local sugarcane production, use of new technologies, and in packaging and labeling processes seeking to produce drinks with higher quality and, therefore, higher prices. The company is certified by the National Institute of Metrology, Quality, and Technology (INMETRO) and is pursuing an organic production certification as well. As the interviewed manager stated: "*We want to offer to our clients products that they can taste and verify as "cachaças" that can be considered as fine beverages for an international standard, without being intimidated by other good drinks in the world*" (interviewee Casa Bucco).

The supply chain is vertically integrated. The company controls the beginning of sugar cane production to the final bottling and sales. The main suppliers provide bottles, corks and labels, and any product needed to maintain the infrastructure of the industrial plant.

In the domestic market, the company provides *cachaça* to restaurants, steakhouses and specialties liquor stores, mainly in São Paulo and in the Brazilian capital (Brasília), beyond the state of Rio Grande do Sul. The company started to internationalize its products a few years ago, in 2007, focusing on European markets, mainly Germany and United States of America. In these markets, the consumption of the artisanal *cachaça gaúcha* has increased, according to the industry manager.

The company has won the *2011 Cachaça National Award*, the prize for best white *cachaça* in Brazil in 2011 (called white because it does not go through the process of aging in barrels, so its colour is transparent, e.g., "white"). The company has also the aged *cachaça* that undergoes a double distillation process to become smoother, especially recommended to be used in fruit cocktails. The firm also sells these products in foreign markets and they developed a second brand called *Calor Brasilis*, that is especially used to prepare *caipirinhas*. In addition, the company exports a rum liqueur, and the owner foresees a great potential for sale expansion with this product.

The internationalization process started with their participation in international exhibitions of food and beverages (such as Anuga, in Germany, and Sial, in France), with the help of FIERGS (*National Federation of Industries*) and APEX. Initially, the sales were held abroad through contacts made at fairs with representatives of European countries and the United States. Currently, in addition to continuing to attract potential customers in the fairs, trade negotiations are also made through trading companies. The international integration is still negligible (around 5%), but the company's project is to increase its participation in foreign markets, so that 50% of production is sold internationally.

When asked about the main reasons for the start of the internationalization process, the company says that they saw business opportunities, mainly due to the fact that the internal market leads to a high tax (80%), which is practically non-existent in the foreign market. Therefore, it becomes a form of compensation to operate in both markets (that's also why they are looking for foreign market expansion). With the inclusion of products in international markets and because they have won the national award, the respondent asserts that there was also considerable brand value spilling over in the domestic market, which constitutes an important opportunity. Good economics in Brazil and the attraction of social classes A and B[1] to added value products is also something to be considered.

The major difficulties in the company's value chain refer to the informal sector, which covers companies whose production and standardization are not legalized, but compete in the market with cheaper products (due to not paying taxes), negatively impacting in the market for legitimate businesses. The restricted distribution and supply of glass bottles formats were also cited as difficulties. Since the commercial structure of the organized sector sales is made primarily with clients at trade shows in distant regions, lower volumes of purchases end up increasing the product price, reducing its competitiveness.

Regarding future challenges, the company highlighted that they want to maintain their quality standards while increasing the production, standardizing the process and investing in technology and certification (of the organic production process). These future projects are mainly aimed at foreign markets because they are fundamental to creating value for the company.

5.2 *Cachaçaria* Weber Hauss

Located in Vale do Rio dos Sinos, the region settled by German immigrants, this *cachaçaria* was founded in 1948. It is also a family company that preserved the tradition of producing *cachaça* over the generations. Eight people work in the business (mostly from the family), and 11 hired people are responsible for the sugar cane fields.

As in the first *cachaçaria*, this one is also located in a tourist area called the Romantic Road. It has an annual production of 100 thousand liters of *cachaça*, which is partly sold and partly stored for aging. They are also certified by INMETRO, that audits and applies a traceability check from the management of cane fields to the bottling and the delivery of the final product. Since 2005 they are certified by Ecocert[2] as organic producers of *cachaça*, following high international standards of quality.

In a similar way as the first case, the production chain can be characterized as vertical and the main suppliers are limited to the supply of bottles, corks and labels. In the domestic market, the commercialization of the products takes place in specialized stores, specific supermarkets, steakhouses and selected shops. The company also manufactures "kits" of *cachaça* and *caipirinhas* (the bottle plus a set of special glasses, for example) that are used by medium and large companies to present the product to their customers.

The product portfolio includes the white *cachaça*, the *cachaças* aged in wood barrels of North American and French oak, and Brazilian woods, such as Balsam, Amburana and *Cabriúva*. There are also spirits and liqueurs.

International integration began in 2006 with the sale of *cachaças* for *caipirinha* in the Bermuda Triangle. Later, other markets were accessed, such as Canada, USA (primarily California), Ireland, Germany and Italy. Contacts with these markets began mainly in the international fairs of food and beverages. However, unlike the previous company, they do not rely on trading companies, but are involved in the entire export process, including following product delivery to final destination.

For the foreign market, the company has created a specific brand, aiming at future contacts and increasing their participation in these markets. The brand was launched with a series of compounds with Brazilian fruit brandies alongside the football World Cup held in Brazil in 2014.

Regarding the importance of internationalization, just as the previous company, the manager of the second *cachaçaria* interviewed stressed the reduction in tax payments as a financial advantage and the value creation linked to the brand, with recovery in the domestic and foreign markets. In addition, he stressed that the international integration processes do not influence quality, but in the requirements to provide a premium product (it ends up forcing the company to improve its overall quality and management requirements) and in more specific and targeted marketing strategies.

5.3 The main stakeholders of the *cachaçarias* gaúchas.

In this section, we will present the main stakeholders that contribute to the internationalization of the investigated *cachaçarias*.

5.3.1 *APEX*

The Brazilian Agency in Promotion of Investments and Exportation (APEX) is related to the Ministry of International Market, Industry and Development (MDIC), and has the role of promoting Brazilian services and products abroad. In the food and drink segment, APEX works in two different ways: developing sectorial projects and helping the companies to participate in relevant international events.

The sectorial projects are signed between APEX and the entity that represents a productive sector nationally. From this partnership APEX contributes to the dissemination of products, communication abroad, study of markets, participation in international events, and disclosure directly with experts and opinion leaders. The aim is to ensure strategically effective actions in relation to disclosure and initial marketing of the products. The establishment of this type of project with the agency is considered very positive since the agency provides the structure and initial knowledge for the companies involved, which are monitored by the authority representative. The sector of *cachaça* was awarded in this project for the period 2002 to 2006 and currently is in negotiations with APEX so that a new project can be established.

Following the actions of Brazilian products promoted abroad, APEX promotes the participation of companies in major international fairs of food and beverages. The agency plans, organizes and runs events enabling any industry that has interest to become part of this group. Then the agency is responsible to negotiate the structural conditions for exposure of the companies' products at these fairs.

Thus, APEX is the stakeholder that gives the initial conditions for the sectors to organize themselves and seek for business opportunities in international markets. The agency notes that the work has intensified in the face of greater exposure and recognition of Brazil in an international scenario. By the time of the interviews, the agency was developing special strategies to disseminate Brazilian products in world events such as World Cup Soccer (there was a special line of products) and also for the Olympic Games that will occur in 2016.

Companies from the sector of *cachaça* are among the most assiduous participants in missions offered by APEX and other entities that work in collaboration, as this is the main route of exposure and opportunities to establish international contracts.

5.3.2 *SEBRAE-RS*

The Support Service to Micro and Small Companies – SEBRAE – is a national private entity with public interests that aims to stimulate entrepreneurship and promote the sustainable competitiveness and development of small businesses that have representation in all Brazilian territories. Through partnerships, SEBRAE promotes training programs for specific processes as well as marketing strategy design, territorial development and market access, work for the tax load and bureaucracy reduction to facilitate new markets opening, and access to credit, technologies and innovation of micro and small companies.

In Rio Grande do Sul, SEBRAE has worked in collaboration with the *cachaça* sector in projects and strategy design to improve the sector's competitiveness, including actions along the whole production chain. In 2003, SEBRAE-RS initiated a project directed towards the sugarcane and *melado* (syrup) sector, but the focus has changed to the *cachaça* sector due to the drink market potential, as stated by a SEBRAE-RS representative. The aim of this project was to improve management and technical capacities and therefore develop better productive conditions related to quality and volume issues. It is also relevant to reveal that SEBRAE-RS training was centered in the management of knowledge to help the *cachaça* producers not only with technical skills, but also management skills needed to create strategic partnerships with other agents. The other actors involved in these project were FIERGS, State Government, National SEBRAE, MAPA – Ministry of Agriculture and Livestock – and INMETRO – National Institute of Metrology, Quality and Technology.

INMETRO and MAPA had an important influence on *cachaça* quality improvement with the formulation of conformity assessment and new regulations for *cachaça* production. These regulations were implemented along the production chain, seeking to improve quality through a better sugarcane selection and a standardization of the final product, the *cachaça*. The quality achieved from the initiatives of the project is recognized by the interviewed as a value aggregation to *cachaça* from Rio Grande do Sul and a contribution to internationalization success.

According to a SEBRAE-RS representative, there are no specific actions coordinated by this institution focusing on the internationalization of *cachaças gaúchas*. The current initiatives are mostly directed to support the *cachaça* producers to participate in international fairs, like the ANUGA and SIAL, with a spotlight based on opening new markets. It is worth mentioning that these initiatives are not formal, do not have a defined period, and are not directed to the *cachaça* sector. At state level, SEBRAE-RS representatives interact with the State Government through the SDPI – Secretary of Investment Development and Promotion – searching for financial resources and communication with the APRODECANA that is the link between SEBRAE-RS and *cachaça* producers, and at the national level has relationships with National SEBRAE to enable and assist those *cachaçarias* in international fairs. Another important partner to SEBRAE in the actions and projects oriented to the *cachaçarias* at the state level is FARSUL – Federation of Agriculture of Rio Grande do Sul State – and the SENAR – National Service of Rural Learning. Together they promoted and developed the program "Together to Compete". This program is may be taken back this year.

Even without a formal relationship between SEBRAE-RS and APRODECANA, there is constant interaction; the first one is always looking for opportunities for the sector in order to disseminate it to the *cachaça* producers through APRODECANA, in addition to being open to the solicitation and necessities from this sector. In this relationship, SEBRAE-RS acts as interface between APRODECANA and National SEBRAE, passing the sector demands to National SEBRAE and disseminating the opportunities and projects available to the *cachaçarias gaúchas*. The IBRAC – Brazilian Institute of *Cachaça* – was also cited as a partner of SEBRAE-RS and National SEBRAE in the promotion and development of the *cachaçarias de alambique*. SEBRAE-RS also maintains partnership with National SEBRAE in a certification and recertification convention; in this, the *cachaçarias* from the *Alambiques Gaúchos* project have the opportunity to be recertified in INMETRO and to certify their products as organic.

One of the challenges identified in the artisanal *cachaça* sector is the non-recognition of the *cachaça*'s quality and its value among customers. Based on this challenge, SEBRAE-RS is trying to develop a project looking for the training establishments that sell *cachaça de alambique* to make this drink known as a drink with aggregate value and quality. Regarding the perspectives for the sector, a SEBRAE-RS representative highlighted this problem in the national market and the opportunities abroad. Being aware of this scenario, some producers are exporting and adapting their product to the external markets, for instance, by adjusting their label and barcode. The representative from SEBRAE-RS believes that the *cachaçarias de alambique* in Rio Grande do Sul have the capacity to adapt and adjust themselves to international requirements; however, he acknowledges that *cachaça de alambique* is a product that still needs international recognition. There is a necessity for strategies that communicate to the final consumers about the product quality and taste singularity.

Last but not least, the SEBRAE-RS representative pointed out the sector difficulties for internationalization with regard to the production volume. As it is an artisanal production, marketing strategies have to be carefully designed because once companies get international market recognition, consumer demand can be bigger than production capacity.

5.3.3 *APRODECANA*

APRODECANA is the entity that represents the producers of cane and its derivatives in the Rio Grande do Sul. It emerged from the need that artisanal *cachaçarias* in the state had to organize the sector and to create awareness in the market. This entity has been working since 1999 in the struggle for the development of the artisanal *cachaçarias* productive chain in the state, and it comprises 21 companies. *Cachaçarias* participating in APRODECANA that have the quality standards required use the corporate brand *Alambiques Gaúchos* in activities promoting the *cachaça gaúcha* in Brazil and abroad. This entity is linked to IBRAC that, with a set of other regional institutions, represents the *Cachaça* companies in negotiations.

APRODECANA sees the brand *Alambiques Gaúchos* as an important asset to make the group strong, to promote them to the market and to inform the consumer and other companies that the *cachaçaria* under this label is consistent with the quality criterion required by the association; it also helped the association to be recognized in the country. The APRODECANA is a way that *cachaçarias* have to access different kinds of resources, such as information on the domestic and foreign markets, financing opportunities, better organizational skills, and a network of contacts, something they could hardly get if playing alone in the market.

APRODECANA has the role of creating strategies for both domestic and international markets. In the domestic market, it negotiates the placement of the products in supermarkets, steakhouses, and specific drinks stores. Furthermore, the entity created the project of a tourist trail of *cachaça* in Rio Grande do Sul. As some *cachaçarias* are located in tourist areas, consumers can join the tour with *cachaça* tasting, something considered strategic to the *cachaçarias*' marketing.

Concerning the international market, the association helps *cachaçarias* by linking the companies to other stakeholders such as SEBRAE (national end specifically the one from Rio Grande do Sul state), APEX, MAPA, MDIC, FIERGS, SDPI, FARSUL, and others.

All these entities (private or governmental) support internationalization in different ways. For instance, they support *cachaçarias* to participate in international fairs, such as ANUGA (in Germany) and SIAL (in France). In this action, APRODECANA acts in partnership with National SEBRAE, SEBRAE-RS, SDPI, APEX, MDIC, MAPA and FIERGS.

According to the representative of APRODECANA, there are lots of challenges that the sector has faced in its trajectory. At the national level, the weakness lies in the fact that this sector is very small compared to others: "*we need to work despite the companies and also the sector size, as we want to be noticed and respected*". Yet, this leads to the dependence problem highlighted: "*because we are small, we are dependent on the aid from the government*" (APRODECANA Manager).

Other problems are related to the tax burden, the non-recognition of *cachaça* in the international market, the gaps in commercialization and distribution, the absence of a regulation with geographic indication, the informal character of the sector, the lack of specialized staff in the process of internationalization, the lack of recognition of *cachaça* as a prime drink and the high volumes needed to export. In the foreign markets, consumers know *caipirinha*, but they do not know *cachaça*. It is seen as the raw material to the famous drink, not as a drink in itself, even less as a prime drink. "*Foreigners do not really buy cachaça; they buy the spirit to prepare caipirinha. They do not know genuine cachaça*" (APRODECANA Manager).

This problem is a consequence of the government and industry failures in recognizing *cachaça* as a genuinely Brazilian drink. Until recently, there was no regulation or international decree to define *cachaça*. "*There is this new regulation of cachaça, establishing a geographical link to the product; there is now an official decree defining that cachaça is Brazilian. Cachaça is now internationally recognized as Brazilian and protected by law*" (APRODECANA Manager). Nevertheless, there are joint efforts looking for this recognition, and there is some progress, like the current recognition from the USA of the *cachaça* as a genuine Brazilian drink.

Regarding government failure, there is no distinction between the artisanal *cachaça* and the industrial one in exportation, creating difficulties to *alambiques* in terms of volume. This product is commoditized because most of the producers that export it are industrial and sell the product in bulk to be bottled by other brands abroad.

APRODECANA has some plans for the artisanal *cachaça*, such as: (i) acting in political and taxing issues, working with IBRAC defending the political and economic interests of the *cachaçarias gaúchas*, (ii) working in terms of legal issues, defending the *cachaça* as a whole, and legalizing this drink as genuine Brazilian, (iii) continued work on the commercial recognition of *cachaça gaúcha*, and (iv) continued searching for a solution to the logistics and distribution issue.

6 THE ROLE OF THE MULTI-STAKEHOLDERS OF *CACHAÇA GAÚCHA* IN THE PROCESS OF CREATING ADDED VALUE

The productive chain of the two interviewed companies is similar and comprises vertical supply chains from production of sugar cane in the crop fields to manufacturing and marketing. The main suppliers are companies that supply bottles, labels, corks and packaging. The second *cachaçaria* interviewed (Weber Haus) also has an advisory service specialized in strategic marketing planning. Both companies are associated with APRODECANA and are members of *Alambiques Gaúchos* project. They take part in meetings organized by government stakeholders to discuss the challenges of the *cachaça* industry and market in Brazil.

As stated by the managers of these companies, supported by opinions of representatives of APRODECANA, APEX and SEBRAE, the main challenges to develop the *cachaça* market in the internal market are to deal with: (i) high taxation of the product, (ii) differentiation of artisanal *cachaça* from the industrial one, and especially, (iii) problems of deregulation and the informality of the sector. However, the recent recognition of *cachaça* as a nationally protected geographical indication has provided an important advantage for the product, and there are expectations in the sector regarding the increase of market demand.

In the same way, for companies that produce artisanal *cachaça*, there are many challenges associated with exporting: the high volume needed to export and the informality of specialized staff to seek for potential international markets for *cachaça*. However the main challenge regards the fact that although *caipirinha* is known in external markets, *cachaça* itself as a drink still not widely known. And since there is no information about the differences between industrial *cachaça* and artisanal *cachaça* in these markets, a major obstacle for small and specialized firms (as the cases we present here) is to "sell" to the international markets the unique characteristics of flavor that *cachaça* has when produced in an artisanal way. So the main questions are: how to develop strategies to differentiate these two types of *cachaça* and how to add value to artisanal *cachaça* in international markets? With these objectives in mind, Brazilian stakeholders are therefore organizing their strategies.

Nevertheless, even with the challenges in the industry, *cachaça* producers have seen the possibility of creating value for its products in international markets, as we identified in the artisanal *cachaçarias* representatives answers. This was also evident in the discourses of the main sector stakeholders investigated in this research. According to the respondents, the union of stakeholders who support these companies has been instrumental in creating value for the supply chain of *cachaça*. So the value created from internationalization can be linked to several primary causes: new markets, lower taxation and significant image improvements in the domestic market after internationalization. The two companies we studied have sought internationalization of their products, looking for value creation for their supply chains, and to reach this objective they count on some important stakeholders that have supported those companies to increase the range of *cachaça gaúcha* in international markets, while stressing the characteristics of an artisanal product. Based on the interviews, a relationship map was drawn in Figure 1; it shows the main stakeholders involved in the internationalization of *cachaça* and to whom they are connected. It is not our aim to analyse these relations at this point, but based on this map, we will discuss the contributions of multiple stakeholders to international initiative.

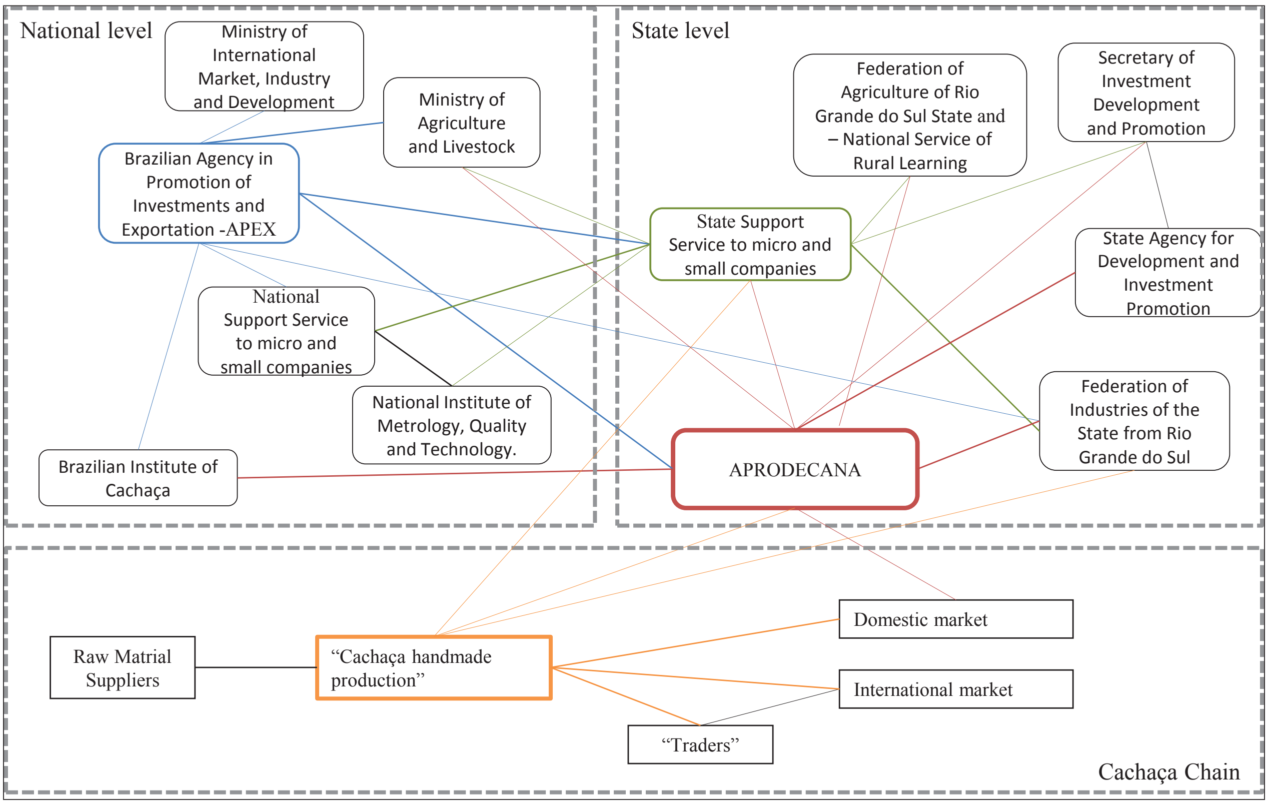

FIGURE 1 – The main *cachaçarias* stakeholders during the internationalization process.

As can be seen, there are interactions among the stakeholders and a process of collective dialogue and decision-making involving multiple stakeholders. Each stakeholder identified in the map has a role in the internationalization of the artisanal *cachaças.* Participation in the international fairs was an effort by various stakeholders connected to the *cachaça* sector to join efforts to promote the products, and develop strategies for the acceptance of the *cachaça* product in foreign markets. At these fairs, producers could make contacts with potential clients and mainly promote a product with high quality in its natural characteristics and not only as an input for the *caipirinha*.

The process of internationalization began with governmental entities promoting missions to the major food and beverage trade shows in the world (e.g, Anuga fair, in Germany and Sial, in France). Some sectors considered promising in foreign markets were therefore selected, and *cachaça* was considered as an important one. So the participation occurs this way: APRODECANA decides which *cachaçarias* are going to participate (*cachaçaria*s are the beneficiaries), and then APEX provides the resources to structure the exposition at the fair. The Federal Government, through AGDI – State Agency for Development and Investment Promotion. Regarding SEBRAE – Support Service to Micro and Small Companies – gives financial resources to help achieve the mission. Finally, FIERGS follows the companies and organizes round table negotiations with prospective clients at the fairs. The interaction among stakeholders and *cachaça* producers through these fairs creates some resources that are very important to *cachaçarias,* among those we can highlight: *information, organization, sponsor to missions or promotions, network contacts and marketing capacity.*

The information resource given by APEX, AGDI and SEBRAE is to understand the international *cachaça* market. It is related to the market research, prospecting for new buyers, specialized staff in international markets, knowledge about international regulations and sanitary regulations of different countries. The organization refers to the work that begins from the production chain that must be prepared with high production capacity and quality. Some *cachaçarias* are looking for standardization of processes and these stakeholders, especially APRODECANA, give support to producers to help them acquire it. Another resource is related to sponsor resources that the stakeholders involved in promoting the sector provide to the companies, including travel costs, fair entrance tickets, and other expenses. The network refers to the possible contacts by business roundtables in the fairs. The stakeholders involved establish contacts in advance and enable the *cachaçarias* companies to sign commercial contracts with global buyers. At the end, it is possible for *cachaçarias* companies to prepare themselves well before the fair; various stakeholders provide preparation courses and capacity.

Nevertheless, the study showed that Rio Grande do Sul state has potential to enter with a very singular product in international markets, and even with a small volume, the first step to export the artisanal *cachaça* has been made. The industry sector has raw materials and qualified technologies to support *cachaças*' exports. Also of great importance, the stakeholder network has helped qualify and promote the *cachaça* product and to contribute with scientific, technical and market knowledge, such as industry federation, SEBRAE-RS, producer associations, research institutions, universities, government organizations and suppliers. The support coming from those stakeholders can contribute to the sector competitiveness in the domestic and also international markets.

Some of the *cachaça* producers located in the state took advantage of the sectorial programs and projects, increasing their competitiveness, product quality and standardization. Also, some of them have implemented traceability systems and quality certification, developing better conditions to expand in international markets.

Among all the problems that the stakeholders and *cachaçarias* emphasized, the biggest problems are the non-recognition of *cachaça* as a product with quality, value and that is genuinely Brazilian. Also, non-existence of a regulation defining and distinguishing *cachaça de alambique* from industrial *cachaça* interferes with international recognition. The absence of this identification makes even harder the internationalization process of artisanal *cachaça*, since the market does not value it as being fundamentally different. What is needed is a greater interaction between the stakeholders to strengthen the industry and to gain bargaining power in the political sphere.

7 FINAL REMARKS

One of the main findings identified was that the major challenge of the sector is related to its structure. The fact that the industry is not yet fully regulated causes a negative impact for the artisanal *cachaça*, both in domestic and international markets. Companies therefore cannot generate sufficient value in order to gain bargaining power in the political sphere as other sectors of drinks already do in Brazil.

Based on the definition of Andriof and Waddock (2002) regarding the main stakeholders groups that influence companies, we can relate here that there is significant influence in the *cachaça* sector of regulatory stakeholders (government entities, regulatory agencies and associations) that have performed a crucial role for standardizing production processes and in developing strategies seeking for market opportunities in international markets. The investigated artisanal *cachaçarias* have demonstrated the importance of these stakeholders in supporting their initiatives.

In relation to the internationalization process, we realize that it is still in the very early stages, mainly driven by individual initiatives of a small scale. Yet, this process deserves special attention, mainly due to the fact that these are small and medium companies that do not have financial resources or market knowledge like the large corporations in the beverages sector (see, for instance, the expressive power of the breweries, such as the Brazilian Ambev, part of the ABInBev group, the largest in the world). The constraints already pointed out in the discussions section are in line with Hollenstein's (2005) findings that small and medium companies have serious financial, technological and operational constraints to entering international markets. The internationalization process of SME *cachaçarias gaúchas* is influenced by a stakeholder network, and their relationships help reduce the risks to the companies, enhance their reputation (at national and international level), improve their bottom lines, and create opportunities to develop new business (Co & Barro, 2009; Svendsen & Laberge, 2005). Thus, we can see in this sector how stakeholder influence competitiveness when organized in a network that is linked to these companies and provides them with strategic knowledge to explore new markets.

Even with a small international presence, it appears that this process is key to generating value in these companies for two reasons: the fact that there is less tax on the exported product, rather than when it is sold in the country (up to 80%), and also by the fact that the product has been further evaluated and most respected in the national market from the internationalization of *cachaça* companies. Participation in international markets and receiving international awards every year became essential for the product in the state of Rio Grande do Sul, which now competes with other top producers and states with more tradition in the production of *cachaça* in Brazil.

Support of the stakeholder network in this sector is in early stages, but it offers a promising future because there is a new consumer market in development. Political power is needed to regulate the industry, allowing the *cachaçarias* to legitimize a genuine Brazilian product. As Foo (2007) remarks, emerging economies are less dependent on formal rules, but rely heavily on informal constraints (North, 1990). In this case, businesses can protect themselves by building informal networks or relationships with stakeholders that help secure trust, commitment and loyalty in the absence of an effective regulatory framework.

The most important findings can be seen in Table 1, where they were classified by themes in four groups: industry and organizational structure; stakeholders; internationalization process; and internationalization and value creation.

TABLE 1 – Summary of the most important research findings

Themes	Findings
Industry and organizational structure	*Cachaça* industry is not yet fully regulated; it causes a negative impact for the artisanal *cachaça.* *Cachaçarias* have difficulties generating significant value in order to gain bargaining power in the political sphere. Political power is needed to regulate the industry, allowing *cachaçarias* to legitimize a genuine Brazilian product.
Stakeholders	Support of the stakeholder network is in early stages, but is promising. The regulatory stakeholders (government entities, regulatory agencies and associations) have strong influence in the *cachaça* sector, which plays an important role in the standardization of production processes and the development of strategies directed towards international markets. They give support to *cachaçarias*' overseas initiatives.
Internationalization process	They are still in the very early stages. Driven by individual initiatives of small scale, but also by the *stimuli* and collaboration that in the relationships in the stakeholder network. Being a sector with small and medium companies without financial resources, market knowledge and cutting edge technology is a constraint to entering international markets. The relationship with the stakeholder network can help *cachaçarias* during their internationalization process by reducing their risks, enhancing their reputation at national and international levels, improving their bottom lines, and creating opportunities to develop new business.
Internationalization and value creation	Internationalization appears to be central to generating value in *cachaçarias* because there is less tax on the exported product and the product becomes more respected and better evaluated in the national market due the internationalization. This process put *cachaçarias* from the state of Rio Grande do Sul at the same level of competition of the top producers and states with more tradition in the production of *cachaça* in Brazil.

We have carried out an exploratory study and it provided an overview on the organization and structure of two exporting artisanal *cachaçarias* in Rio Grande do Sul, and how the internationalization is adding value to this network, from a multiple stakeholder perspective. We intend to conduct further research to deepen these discussions, integrating them with a greater number of stakeholders connected to the industry, as well as adding consumer market research.

Confirming what Chetty and Holm (2000) said about the influence of stakeholders in the process of internationalization, and Co and Barro (2009) regarding the importance of collaboration with stakeholders, we can see in our research that *cachaçarias gaúchas* had support from government agents and other regulatory stakeholders in their process of internationalization. Internationalization came not only from the firms' initiatives, but also from the *stimuli* and collaboration found in the existent relationships in their stakeholder networks. The concepts of internationalization and stakeholders, as presented in the literature review and the research findings, are not new. However, empirical evidence of internationalization cases in developing countries, and especially with reference to small and medium companies, is still very limited (Amal & Freitag, 2010). Particularly, in the *cachaça* sector there is even less empirical work. Thus, in this paper we have demonstrated that companies can benefit from considering a special organization in the sector when developing relationships with multiple stakeholders in their networks. In terms of increasing competitiveness, better access to international markets and consumer recognition, the whole chain benefits. It could be argued that these implications could be applicable to the formation of any supply chain network, not just the case of *cachaça*.

Given the exploratory nature of this research, more research is needed. Researchers could provide a closer examination of the objectives and outcomes of the stakeholders' projects and initiatives presented in this research. Another useful research project could examine the international clients of artisanal *cachaça* to investigate how international markets have accepted the product. Investigating consumer markets is a fundamental source of information for companies as they design new and more appropriate marketing strategies seeking for value creation in the sector.

NOTAS

1. The Brazilian Institute of Geography and Statistics – *IBGE* divides the social class based in the monthly family, Class B include people with family income between US$ 2,824 and US$ 3,682 and Class A defines families with larger incomes.
2. Ecocert Brasil is a branch from Ecocert S.A. (France). ECOCERT is accredited to provide service of international certification according to the guide ISO 065. This assures that the products certified by the company have full access to main organic markets worldwide. ECOCERT BRASIL is accredited by MAPA – Ministry of Agriculture in Brazil and INMETRO.

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