

A Work Project presented as part of the requirements for the Award of a Masters Degree in
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Integrated Work Project in Strategy
Small and Medium Enterprise Competitiveness

The internationalization of Abotoa/Skypro
to the European market

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Executive Summary

Skypro, a corporate footwear brand designed for airline professionals, is the subject of this integrated work project, which is focused on the expansion of the brand towards the European market, more exactly to Spain, France, Italy and Netherlands. In fact, its potential growth depends a lot on the internationalization, since the Portuguese market is practically explored. But before internationalizing the company some internal policies have to be changed, especially in terms of production in order to be well succeeded. Hence, during this report I will design a strategy to help Skypro expand its businesses, highlighting the risks, giving recommendations and defining an implementation plan.

Description of the firm

Abotoa is a small footwear company founded in 2004, whose headquarters are in Sao Joao da Madeira. At the beginning, the company had franchisees on two well-known brands: Lanidor and Aerosoles. Later on, in 2007, the firm developed a new line of products for Aerosoles, named Aerosoles/Pro in order to sell corporate occupational footwear for hospitals, hotels, health centers and for the airline industry.

In 2009, Investvar group, the largest footwear company in Portugal and the one that represented the brand Aerosoles, filed for insolvency. In that year, Aerosoles stores had several supply failures and consequently the revenues of Abotoa declined from 1 800 000€ to 900 000€ exhibit 1.

To overcome the crisis in Aerosoles and the terrible impact that it had on its revenues, Abotoa decided to sell all the Lanidor and Aerosoles stores and go on with its own project by creating two new footwear brands: Muffins and Skypro shoes. With these brands, the company could operate in two different business areas and have two distinctive target markets.

Muffins - delicious shoes - is a retail footwear brand designed for the upper middle class and for customers with an average age of 45 years old. With the purpose of offering the “best of” comfort shoes, Muffins sells in its stores not only Muffins shoes but also comfort shoes of other well-known brands already established in the market namely, Geox, Ecco, Stonefly, Rockport, Ara and Mephisto. This can be seen as a strategy to gain credibility, spreading the brand Muffins and at the same time encouraging consumers to buy its shoes because they are sold approximately 20% cheaper. Currently, there are 3 Muffins stores and 1 outlet in the area of Lisbon.

Skypro shoes - walk in heaven - is a footwear brand designed for airline professionals. The shoes don't whistle on the airports metal detectors (alarm-free), have a temperature control system, an innovative design, and they are extremely comfortable, antiskid and antistatic. The combination of these characteristics differentiates the brand and reduces the number of direct competitors. Abotoa understood the potential of this niche market with Aerosoles/Pro since it had a contract with TAP, with which sold approximately 500 000€ of shoes per year. In order to complement its business Skypro also sells accessories: gloves, belts and trolleys.

Skypro is the business and the brand that I will focus on during this internationalization plan due to its growing potential and less competitive environment.

In 2010, when Skypro first engaged in export sales development they quickly noticed the huge chances of growth, seeing sales abroad reach immediately 20% of the total turnover (after entering the air industry trade show in Dubai, ITCA). In that event Skypro was the only footwear company exhibiting and collected an important amount of interest and recognition. Future exhibition events could help lever up Skypro sales to

a never seen level, impossible to consider when only taking into account the internal market. Niche market leaders should always be global players.

The airline industry has to be considered a relevant niche market since it employs directly more than 5,5 million of people around the world and it is in continuous growth exhibit 2. One can find information about the Portuguese footwear and airline industry in exhibit 3 to help us understand and contextualize its position.

Even as a national leader, Skypro position is very vulnerable. Why? Skypro outsources all its production and doesn't establish any contract with manufacturers, what makes planning and keeping service levels a hard task. Furthermore, Skypro has no product patent, it only has a European registration of the brand name, so, there is the risk of vertical (forward) integration. All these factors combined converge into the biggest risk of all: any of the suppliers (manufacturers) could easily start manufacturing some of these shoes models for themselves or for some other brands or retailers.

However, Skypro, as a small company prefers to allocate its limited resources in increasing networking and developing the brand. Another problem is related to the complexity of the contracts with clients. The negotiations are usually exhaustive and take a lot of time, until the choice of the model, the customization of the shoes and the final price are defined.

Mission: “The mission of Abotoa is to create comfortable corporate and general footwear with an innovative design”.

Mantra: “Walk in Heaven”

Vision: “Abotoa, with its brand Skypro, aims to be a reference supplier of footwear for European airlines within 3 years and be present in all continents within the next 5 years.”

Strategic Objectives 2012/2014:

- 70% (900 000 €) of the turnover comes from external market sales.
- Increasing recognition by providing shoes to 10 new airlines with a target of 50.000 pairs.
- Developing and launching a more ecological and sustainable new leather.

Methodology:

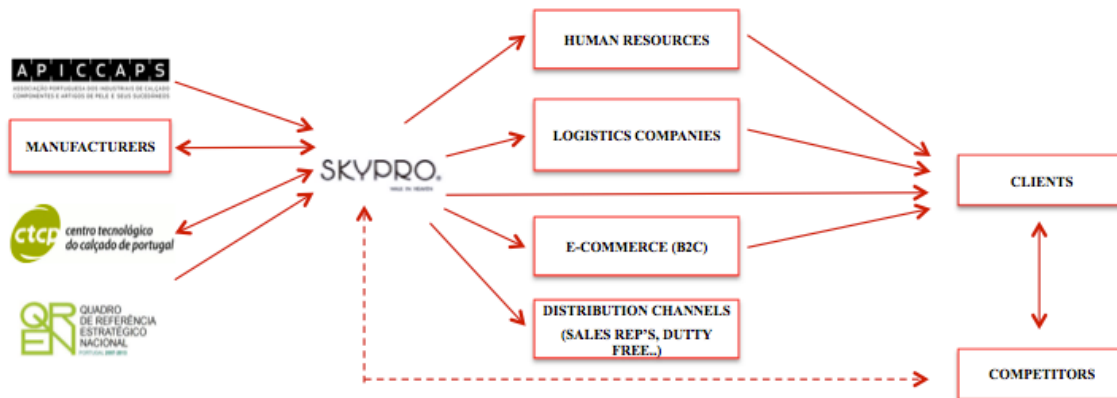
In order to get to know Skypro, the quality of the shoes and the level of the clients' satisfaction, my group conducted several interviews with the CEO Jorge Pinto, used the information available on the website and on the Facebook. Besides, we also interviewed 65 stewardesses at the Lisbon airport and the responsible of the commercial department of TAP and White Airways exhibit 4. Additionally, we put the questionnaire available online (survey monkey) and made reference to the link in several sites, blogs and Facebook of airline professionals, getting 13 more answers. LuzAir, as one of the three Portuguese airlines that doesn't wear the shoes was also questioned exhibit 5.

Moreover, I contacted and emailed all the Portuguese, Spanish, French, Italian and Dutch airlines to obtain further information, but the access to the airline industry information is quite complicated and in most cases they ignore the calls and don't answer emails. Furthermore, I emailed APPICAPS, AICEP and CTCP to understand the contribution of these Portuguese associations to Skypro, especially in terms of R&D and internationalization. Lavoro, as the only identified “direct competitor” of Skypro in the domestic market, was also approached.

Prof Sonia Dahab and Filipe Castro Soeiro, with their weekly feedbacks and workshops gave an important contribution, guiding the work project on the right direction.

Finally, the results obtained were discussed with the CEO to reach a final conclusion.

Industry Mapping:



Abotoa is a small and family company, founded by 4 persons exhibit 6 where the CEO participated with 56,6% of the initial social capital, 83 000€. The Skypro project counts directly with 5 people exhibit 7. Some of them allocate part of their work to Muffins too. Concerning the production of shoes, Skypro works in association with the list of suppliers in exhibit 8. The choice was made in accordance with some conditions: price, delivery time, payment terms, allowance given to Skypro quality technicians to control and monitor the production of the shoes in the suppliers' factories and the adherence of the manufacturer to the Skypro project.

APICCAPS - the Portuguese association of industrial footwear, accessories, leather goods and their substitutes – aims to increase the competitiveness and promotes the Portuguese footwear in the external market. Through its association with APPICAPS, Skypro receives community funds and operational support to exhibit in footwear trade

shows. AICEP also gives an important contribution, especially in the diversification of the export destinations and in the approach of new markets.

R&D, an important point of differentiation for Skypro shoes is outsourced for CTCP – Centro Tecnológico de Calçado de Portugal. This organization is responsible for the innovation in terms of the product design, creation of new solutions for soles and choice of the most adequate materials. In addition, it gives specific training and support to the Skypro staff, by implementing solutions on the producers' manufacturing facilities and processes.

Skypro has benefited from qRen support - funds from the Cohesion Policy of the European Union for the development of the country – and received 450 000 € in March 2011 to invest in software, product development, promotion of the e-commerce platform and internationalization (trade shows, promotional journeys and events). Another project of 95 807,25 € was approved to invest: 1,88% in intellectual property; 33,81% in design; 8,45% in digital economy and 51,63% in internationalization.

Regarding clients, Skypro is directed at a very specific target market: airline and ground handling companies, pilots, flight attendants and frequent passengers. Currently and according to the list of clients in exhibit 9, the company only negotiates with airline and ground handling companies - it doesn't sell directly to the final consumers.

The e-commerce is an online platform to sell Skypro shoes, important to reach the final consumers. This platform is already created but it is not working because it requires a special management process and a different logistic system.

In terms of regulators, the company has certificates of conformity with international

standards (EN ISO 20 345) for the footwear industry issued by CTCP, the authority empowered to do it in Portugal.

Regarding the distribution, the company uses preferentially two systems exhibit 10: Ex-works and CIF. Skypro usually works with FEDEX, DHL, TNT for the fast shipment of samples to new clients, 20€/pair and with AZKAR for the transport of shoes to the European airline companies, with a cost of approximately 7 € /pair.

Concerning the competition, one can differentiate two types of competitors:

- **Direct competitors**, which sell technical shoes specifically to the airline professionals: Crewshoes, Shoes4crews, Shoes n feet, Miller Rayner, Shoe Voucher, Standing comfort, Walk footwear and Van Dal shoes.
- **Indirect competitors:**
 - The airport friendly shoes – don't whistle on the airports metal detectors
 - The uniform companies, which usually subcontract footwear companies to provide classic shoes in order to complement their uniforms for airline professionals (Weil Corporate Wear, Forma Única, Veste Imagem, Itturri, ICWUK, Decomoda).
 - Brands that sell very comfortable classic shoes and are usually used by airline professionals: Easy Spirit, Clarks, Kelly and Katty, Moda Spana Nella, Sofft shoes, Gentle Souls, Mary Jane's, Ara, Helio, Via uno, Geox, Derby, Tesco, Baosro, Gabor (Amsterdam airport), Charles, Hush Puppies, Aerosoles, Rubrica and Hasley.

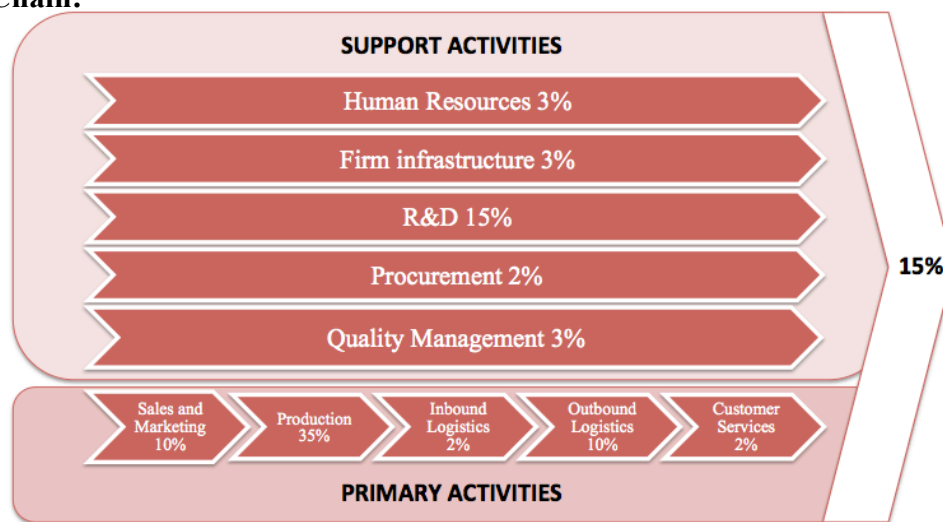
In the Portuguese market, there is only another brand, Lavoro that produces shoes for the airline industry. In spite of having more technical characteristics (namely a steel toe), Lavoro shoes are in need of comfort and design. Besides that, the brand doesn't sell

directly to the final consumers, doesn't have a significant position on this segment and is distributed by Abotoa like a complementary offer to its clients.

About partnerships, Skypro has already two business partners:

- Imagewear, a uniform company in Switzerland
- LSG sky Chefs, an inflight service company in Russia

Value Chain:



The previous value chain represents the chain of activities done by Skypro. The primary activities describe the flow of the production activity. As the firm works under a make to order process (MTO), firstly it has to promote the brand and receive the orders, then ask the manufacturers to produce them, subcontract logistic companies to distribute the products and finally give after-sales assistance (by accepting changes/returns and handling with complaints). The support activities are related to the management process, as the company sells a differentiated product R&D plays an important role but the quality management also deserves a special attention to avoid failures and the expedition of defected shoes to the clients. Although the quality control process of Skypro products is divided in 5 stages exhibit 11, it is inefficient and part has to be

assured by the producers, because Skypro only has a quality technician to deal with the different producers and at the same time, develop new products, customize the shoes, design the new models, receive training, find the more adequate materials and test a sample before the orders shipment.

Abotoa has the balance sheet and the IES of both brands, Muffins and Skypro together, so, I have to make some assumptions that I explain in exhibit 12 to allocate a percentage for each activity, taking into account the costs they represent for the company in order to estimate a final margin. Once more, the figures revealed the importance of a partnership with less shoe producers (preferably 2), because this can bring a relevant reduction in the main costs: production, R&D, logistics and quality management.

The Vrio Framework

Valuable	Rare	Costly to Imitate	Organized	Competitive Implication
Yes	Yes	No	Yes	Temporary Advantage

Skypro only has a temporary not sustainable advantage. The company has an important database containing the majority of the world airline companies, their contact and some additional information, for instance, if they provide employees with shoes or not, main purchasing manager, etc. The knowledge and prior experience of the management team (in the fashion and shoe industry), business knowledge (airline industry) and product knowledge (comfort, design and technical characteristics) help to differentiate the shoes and make them valuable and rare. But, on the other hand, Skypro shoes are not so innovative; they just combine a set of characteristics already existent in other footwear brands, separately. In this way, it is only a question of time until the competitors understand that this niche market represents a big opportunity that should be explored. However, Skypro believes that if that happens, it will already operate in the market for a reasonable amount of time and its leader position could create an important entry barrier.

Porter's Five Forces in Portugal exhibit 13:

This is an attractive niche market, which has not been explored, so the risk of new players' entry is considerable (medium). As the production is outsourced, there are low initial investments and low fixed costs. But, the Skypro experience, its know-how about this segment and the potential differentiation of the product might act as barriers to the entry of new firms in the market.

Any classic shoe could be considered a substitute. The substitutes are supposed to be cheaper but also not so comfortable, one of the most appreciated characteristics by the airline professionals. Consequently, the power of substitutes will be low.

The supplier power is high since the quantity of shoes bought by Skypro only represents 1-8% of the manufacturers annual production. In this sense, finding a producer that is willing to collaborate with Skypro is a demanding task. The project is directed at a new market segment so it involves high risks. Besides, as the orders are small and irregular, the profit is difficult to achieve because of the previous investment made in tools and production molds (2000€ for each model). Therefore, they have capacity of price discrimination what makes the cost of switching supplier higher. On the other hand, the negotiation capacity of Skypro is low, especially due to the low volume of orders.

The buyers are extremely concentrated and they don't have any cost associated with the changing of supplier. Skypro follows a strategy of price discrimination, it doesn't have a fixed price, it only has a limit under which it doesn't sell the shoes. So, the final price will depend on the size of the customers' orders and on their capacity to negotiate.

Regarding the internal rivalry, I may refer that the market is medium-high concentrated. As already explained, there is a considerable number of direct and indirect competitors,

which means that this market is gaining importance. But, when compared with traditional day-to-day shoe manufacture and retail, it is much less competitive.

SWOT exhibit 14 and TOWS analysis: Conclusions and Recommendations

	External Opportunities (O)		External Threats (T)	
	1.	E-commerce	1.	Being easily copy or danger of vertical integration
	2.	Seasonality of industry	2.	New players in this niche market
	3.	New niche markets: uniforms; shoes to maritime, railroad, casinos, hotels	3.	Substitute products
	4.	New forms of communication (Facebook, Twitter, inflight magazines)	4.	Global crisis
	5.	Duty free shops	5.	Exchange rate risk
	6.	Dimension of potential clients	6.	Barriers to the entrance of products in the boundaries of the countries (outside Europe)
	7.	Duration of uniforms: 15-20 years	7.	Mergers and acquisitions process in the market
	8.	Advertising in restricted areas to the staff in airports		
	9.	Contracts with shoe producers		
Internal Strengths (S)	SO		ST	
1. Differentiated product	1.	Use S6 to install O1 and O5 to reach new types of clients	1.	Use S1, S6 and S8 to improve the product and decrease the threat of substitutes T3
2. Leader in Portugal	2.	Use S8 to create new products and enter in new niche markets O3	2.	Use S2 to reduce T2
3. High markup	3.	Use S1 and S5 to provide shoes and accessories to the airlines during the period of the same uniforms O7	3.	Decrease the markup S3 to remain competitive and adapt to the actual economic situation T4
4. Low fixed costs (no stocks, no investment in factories)			4.	Use S2 and S6 to do partnerships with entities in the foreign countries T6
5. Customization				
6. Market knowledge				
7. After sales service				
8. Partnerships with CTCP				
9. Make to order process				
Internal Weaknesses (W)	WO		WT	
1. Low control on the delivery time	1.	Sell on e-commerce O1 and duty free shops O5 (more stocks, more power in the relationship with producers) to increase W1 and decrease W2	1.	Register patents and do contracts with manufactures to avoid T1, T2, T3 and improve W1, W2, W4 and W5
2. Dependency of factories	2.	Uses O4 to enhance W6, through questionnaires.		
3. Low capacity for financing	3.	Make a contract with 2 shoe producers O9 to gain control on the delivery time W1 and decrease the dependency of the factories W2		
4. No contracts with suppliers				
5. No product patent				
6. Default surveys to collect feedback from clients				
7. Few business partners				

Approximately 60% of the world airline companies provide their collaborators with shoes and wear the same uniform during fifteen - twenty years, purchasing on average 2 pairs of shoes for each collaborator per year as well as 1 belt, 1 trolley and 1 pair of boots every two years. This could represent an excellent opportunity for Skypro, because it could make a contract to provide those companies with shoes and accessories at least, during that period of time. Moreover, the airline industry has seasonality picks, especially in summer and at Christmas/New Year time, so more collaborators will be needed and consequently more shoes have to be provided.

In order to reduce the production dependency and assure a positive and fast response to new orders, Abotoa should establish a contract with preferably 2 shoe producers. Cort Gin and Fabrica de Calçado da Mata could be an option since they are the ones with which Skypro subcontract more orders, (taking into account the ones of Muffins too) and they have a good business relationship. With a partnership, Skypro has more guarantees and control in what concerns delivery time, production, distribution, quality management and the manufacturers' exclusivity towards Skypro.

As soon as Skypro is well established in the market, the company could expand its product line in two different directions: either producing uniforms for the airline industry or corporate shoes to other specific niche markets such as maritime railroad, casinos or hotels.

The enterprise also needs to promote its website, Facebook and Twitter because they represent important forms of communication and, judging by the number of viewers, they are not disclosed enough. The e-commerce platform could be of critical importance to reach users and clients working for companies that don't buy and/or don't oblige their staff to wear a certain shoe or brand. Of course, the experimentation process is fundamental and so, ways to show, present and try-outs of the Skypro shoes should be considered. Some of these could be: a) commissioning (ex)-stewardesses to promote, present and sell shoes to their airline colleagues, b) offering airline companies a display corner, showcasing the brand and the shoes (in convivial rooms) so that staff members could try them on and then order them on the website, c) negotiating staff discounts with airline companies so that their employees could benefit from that advantage – with some plus benefits for the company itself such as a commission for each pair of shoes bought. Another way to get more clients within these “*free of engagements*” companies

could be by offering some shoes to strategic staff within those companies – that would serve as references and opinion makers. Many of these measures would surely work well together and could/should be combined.

Above the line advertising on inflight magazines could be an important option, even if they reach a much broader target they also reach all staff members – that have them on their hands plenty of time during flights. Another benefit of this measure is the ability to lobby inside the airline companies latter on: getting good relations within the company, friends inside the marketing department (often responsible for the new dress code and corporate image), getting contacts within purchasing departments... The distribution of catalogs to the airlines or the advertisement in private zones only for staff in the airports, submitting to the visit of the website are alternative tools to promote the brand and create some buzz around it.

The economic recession can have a noticeable impact upon the purchasing power of the airlines. As the price represents a preponderant factor for the final decision, Skypro should analyze the potential of the business, study the target market carefully and if it is necessary, be more aggressive in quantity than in price (decrease the markup) to acquire dimension.

Finally, Skypro should do market surveys to its clients. This knowledge is a powerful weapon and will open up several new opportunities for the brand. We noticed a diverged opinion between buyers and users, which can be very dangerous as Skypro is preparing itself to target the end users. Buyers usually have a far better opinion on the brand than the user does. This problem should require a special attention, and possibly the brands and shoes mentioned in the surveys should be taken into account.

The internalization process:

The company is in an initial phase of its internationalization process. Actually, it has already some foreign clients in very different regions. However Skypro shouldn't export arbitrarily, since its dimension is too small to pursue the global market simultaneously. It will be far more profitable if the brand defines a plan, indicating the regions or the countries that should be explored first and the strategy that should be used for each region, allocating limited resources and timing to strategic regions/markets.

The Choice of the European Market: Spain, France, Italy and Netherlands

The short geographical distances and the existence of a common market make the entry in the European market and more precisely in the countries that belong to the Euro Area somehow facilitated. With the free movement of people, goods, capital and services within Europe, no tariffs charged for the products price and lower transportation costs, Skypro can practise a lower price and be more competitive in the market.

Furthermore, Europe is the second region in the world with more share of direct employment in air transport total, 29% exhibit 15 so, there is enough space to grow. Even the choice of Spain, France, Italy and Netherlands wasn't arbitrary. First of all, the CEO revealed interest in the study of these markets, which are considered some of the main European countries in several domains exhibit 16: population, gross domestic product, passenger air transport, number of airline companies, number of airports and also the monthly minimum wage of the population. Besides, the airports of Paris-Charles de Gaulle, Madrid-Barajas, Amsterdam-Schiphol and Roma-Fiumicino are respectively the 2nd, 4th, 5th and 6th European airports with more air passengers exhibit 17. Additionally, these countries have some of the main important European airlines.

Spain (information of Spanish airlines in exhibit 18):

The Spanish market should be the first market explored due to the physical proximity and solid relation with Portugal. The Spanish have some difficulties in speaking foreign languages so the promotion and negotiation of the shoes should be done in Spanish, using an informal approach.

Spain has a large number of airline companies, 29, resulting from its dimension but also from the existence of two archipelagos: Balearic and Canary Islands. This fact increases the need of transportation. Skypro should start to negotiate with the biggest companies because they are the ones with more employees. Moreover, having a deal with an important company could be an argument that Skypro could use to persuade the other companies to buy the shoes. Thus, Iberia, Air Europa, Air Nostrum (Iberia), Spanair, Iberworld and Vueling airlines should be seen as a priority. These are also some of the airlines that fly more to Portugal, and that the staff can be more in contact with communication and advertising of Skypro shoes reducing the buying risk and increasing the value of the products to those potential clients.

France (information of French airlines in exhibit 19):

France has 17 airline companies, being Air France the largest and the one with which Skypro should initiate the negotiations. The company has a workforce of 58.485 employees and provides shoes to its collaborators, so it represents a big opportunity for Skypro. Consequently, Skypro should visit the headquarters of the company, presenting the shoes, offering special pay conditions and a special price.

Netherlands (information of Dutch airlines in exhibit 20):

A formal business relationship is still preserved in Netherlands. There are only 11 airline companies in the country. Arkefly, KLM and Martinair are the largest ones. KLM is merged with Air France and is the unique owner of Martinair. KLM with more than 28.000 employees represents a relevant opportunity for Skypro. However, Arkefly and KLM don't provide shoes to their collaborators. Anyway, Skypro should schedule a meeting with the responsible of the commercial department of the Dutch airlines and try to negotiate and implement some of the measures mentioned before.

Italy (information of Italian airlines in exhibit 21):

In Italy, there is a lack of promotion of the Portuguese products, a strong domestic competition in terms of footwear and the access to the airlines and to the information available online is even more complicated compared with the other 3 countries in study. Italy has 22 airline companies. Air One (Alitalia), Alitalia and Volare Airlines are the ones that deserve a special attention to start the negotiations, due to their dimension.

Mode of entry:

1) Direct vs Indirect Exports

If Skypro explores the 4 markets through direct export, without the intervention of agents or intermediaries, the company will have more control, more profits, more market knowledge, a direct relationship with clients and a higher protection of the intellectual property because thus, it is not exposing its products to other players. At the first glance, the difficult access to the airlines, the frequent visits to their facilities, the shipment of samples, the after sales assistance and the return policy could be stressed as disadvantages of the direct exports, but due to the short geographical distances, the opportunity to travel to these countries in low cost companies in only a few hours, make

this mode of entry somehow facilitated.

Later on or at the same time the indirect export isn't out of question. The company could find an agent in each country to sell its shoes to other niche markets and target the smallest airlines, or even the biggest ones if Skypro fails to do that directly. Local agents often have the advantage of better knowing the market, the culture and the way to do business in those countries. Agents – sales representatives – can be remunerated according to the sales and contracts closed – not representing a fixed cost.

2) Stores at airports (Accessories stores or duty free shops)

The cost of opening its own store isn't affordable by Skypro right now, so, a possible option could be the negotiation with luggage/bags and accessories stores specializing in travelling and flights (in airports) or with duty free shops, with the purpose of having a representation of the brand there. The fact of not being a well-known and popular brand can complicate the negotiations. But, on the other hand, the shoes are specially designed for airline professionals, a special target market of those stores. The negotiations should start in Portugal. It is less expensive, and there is a large number of foreign stewardesses that pass in the national airports everyday. If it is viable and proved to work, Skypro should invest in the expansion of this option to other countries.

3) E-commerce

The online platform to support sales to direct users or to serve as a tool for repeated purchase of shoes could be of maximum importance, especially as the company moves to foreign markets. It helps and creates some proximity, promotes the brand at a low cost and for current clients it's an accessible and easy spot to repeat the purchase. But the immediate creation of its own online platform does sound a little hasty, because the company doesn't have an adequate logistic system nor is able to satisfy the

requirements that it implies: an efficient return policy, a 100% secure payment, stocks to dispatch the shoes on the same day, ship worldwide and submit the invoice to the company, because some airlines allow their collaborators to buy the shoes, but they have to present the invoice in the name of the company to receive the money back. In any case, measures should be taken to solve those problems immediately: create a good supply chain, develop a user-friendly Internet platform, conduct a more accurate manufacturers selection and close specific and well thought contracts with the chosen ones.

Implementation Plan:

Market research: main conclusions exhibit 22:

Although the sample is small, the questionnaires made to 78 Portuguese stewardesses were extremely useful to understand how much the airline professionals are willing to pay for their shoes, if they are willing to buy online, the opinion of collaborators who wear Skypro shoes and to know more about other airlines, for instance if they provide shoes or not and which footwear brand they use. The results are in annex but it is relevant to highlight some conclusions: the majority of airlines provide shoes to their collaborators; the most appreciated characteristic in a shoe is the comfort; the majority of people interviewed don't pay more than 50 € for the shoes and aren't willing to buy on-line due to the impossibility to test the characteristics that differentiate the shoes and the size. In general, stewardesses who don't wear Skypro shoes don't know the brand. For the ones who wear them, there are some aspects to improve: "the shoes enlarge with the usage", "they are uncomfortable", "too narrow at the front", "finishes poorly made" and the "heel must be lower". However, they recognized that the new model (this year's) is much better and has already improved some of these negative aspects.

Price:

On the table, one can find the average costs and prices practised by Skypro,

	Women Shoes	Men Shoes
Average Cost	22,70 €	37€
Average Price (Airlines)	45 €	74 €
Wholesalers	35 €	57 €
Stores	90 €	127 €
Online (e-commerce)	90 €	127 €

according to the type of client. The main purpose is to gain a margin of approximately 35% when there are intermediaries and an average margin of 45% in the direct sales to the companies. If the margin is under 30%, Skypro simply doesn't close the deal. In terms of direct sales to the final consumers, through stores or e-commerce, the target price is higher than I feel it should be. Analyzing the shoe market in general (and some players) I easily come to the conclusion that the target

margins are far higher than they should or could be in order that Skypro can reach an important dimension.

Competitor	Price
Miller Rayner	40,76€ - 93,19€
Shoes4crews	23,24€ - 32,58€
Crew shoes	29,11€ - 49,50€
Walk footwear	48,87€ - 52,36€

Looking closer at some internet platforms with corporate shoes for airline professionals, I notice that those prices can be considered again higher than the users are willing to pay and competitors are selling their own shoes, making it hard for Skypro to enter new markets. This question should be seriously dealt; otherwise the company can't take off.

4 M's:

Men and Minute:

The Skypro project counts with 5 people, but some of them also allocate a significant percentage of their work to Muffins. Hence, especially the CEO should only be focused on Skypro because this brand has potential to grow and according to him, all Muffins stores are at a loss.

In the 1st semester of 2012, and before expanding Skypro businesses, the CEO should make contracts with preferably 2 shoe producers. It is advisable to make a late entry assuring an adequate structure and pursuing the adequate arguments and resources

rather than a precipitated entry with which the risks to lose the credibility in the market can be really high. Additionally, the CEO should also invest in the promotion of the brand, through the participation in ITCA (March 2012, in Germany), improvement of the new forms of communication and advertising in exclusive zones for staff in the airports. Another action that might help in these negotiations, and if the company has the financial capability to do so, would be to start an advertising campaign in inflight magazines. The negotiations should start in Portugal and in the airports of the capitals of the 4 countries in analyze, as a way of creating the first contact with the brand.

In the second semester of 2012, and in the case of being well succeeded in the previous actions, Skypro should start the negotiations with the stores at airports and make the e-commerce running. This is also a way of spreading the brand, because in practical terms the negotiation with duty free shops could in some cases take less time and could be broader as the shops often belong to chains with presence in different countries.

In the beginning of 2013 and with a more solid strategy in the domestic market, the CEO and CCO should start to travel to the 4 countries to foster possible negotiations with the largest airlines and acquire more market knowledge. Due to the merger between Iberia and British Airways, Spain and Great Britain should start to be explored. The visit to the largest airlines headquarters and the send of samples are some of the main steps to capture their attention. After the first contact and if the airline revealed interest in the brand, Skypro could negotiate through videoconference to reduce costs. The approach should be intense and aggressive. If at the end of 6 months, there are no perspectives of closing a deal, Skypro should go on to another market.

In the second semester of 2013, due to the fusion between Air France and KLM, the negotiations with France and Netherlands should start, using a similar strategy.

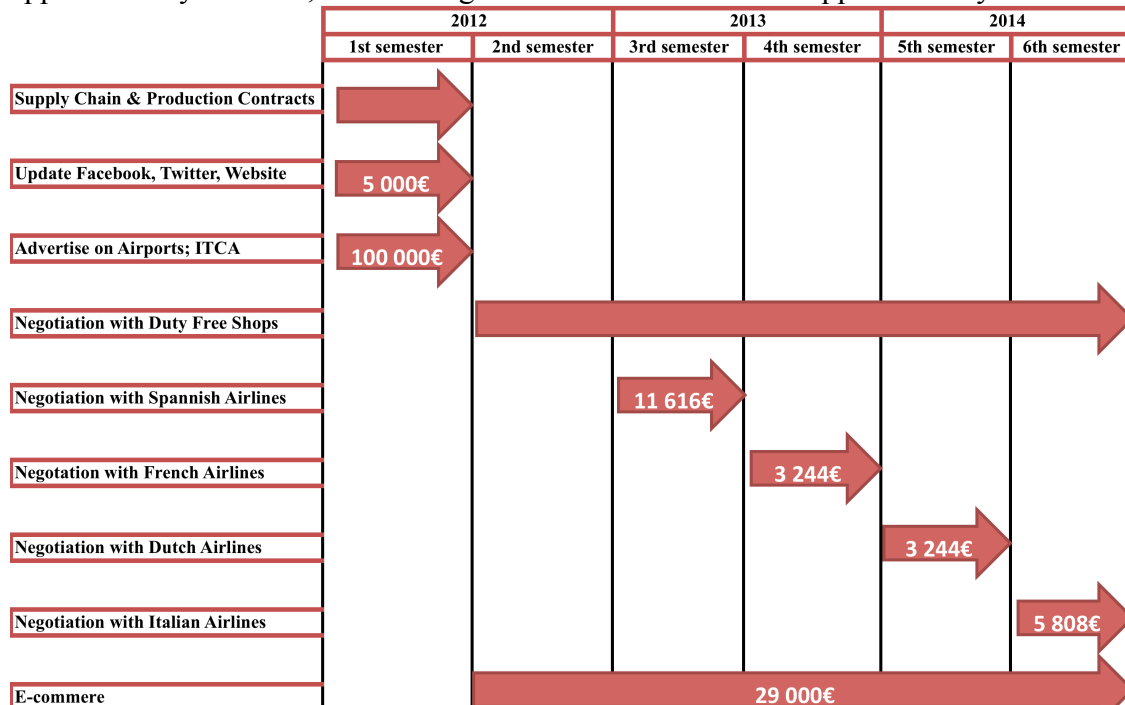
Finally, as Air France-KLM owns 25% of Alitalia, Italy should be the final country to be explored, maybe in the 1st or 2nd semester of 2014, according to the progress of the negotiation processes.

Money:

To initiate the internationalization process, Skypro should expect an increase in the level of costs, especially with the promotion of the brand (55.000€), international trade shows (45.000€, 45% financed by qRen funds), traveling expenses and accommodation. Taking into account the previous journeys to Europe, Skypro should expect an average cost of 300€ per journey plus an amount of 300€ per day for food and accommodation. In Spain, the responsible should travel to Madrid, Barcelona, Palma and Valencia because it is where the headquarters of the largest airlines are located. To take advantage of the journey, and if the time allows that, the CEO or CCO could also visit the facilities of the smallest airlines in these cities. Following the same strategy, in France they should go to Paris, in Netherlands to Amsterdam and in Italy to Milan and Rome (at least 3 times/ semester).

Furthermore, considering the figures of the international experience of the firm, it should anticipate a transport cost of approximately 7€/pair. During the visits to clients, the CEO or CCO could leave some samples, saving in the transport cost but also some catalogs and if possible, Skypro showcases, either in the clients' head offices or in strategic parts of the airports exclusive for staff. Based on the results of the questionnaires, the products still have some features, so the company should continue to invest in R&D (60.000€), training (10.000€) and quality management. According to CEO, the creation of the e-commerce platform had a cost of 4.000€, but it also requires a huge investment in stocks and storing. In exhibit 23, one can find the main costs of

Abotoa, the weight that Skypro has in those costs and a projection of its promotion costs in the 4 countries studied. In opposite of Skypro that had a positive net profit of approximately 35 700€, Muffins registered financial losses of approximately 31 700€.



Memo:

On the following table, there is a summary of the objectives of Skypro until 2014, as well as the control measures and the initiatives to achieve those goals.

	Objectives	Measurement	Target (2014)	Initiative
Financial	Expand sales; Increase the number of clients	Sales revenue; Profitability; Sales volume; Number of clients	70% turnover from the external market Duty free shops E-commerce	Promotional and communication strategy – fairs and advertising campaigns; R&D and technology; Price strategy Visit the airlines’ headquarters
Customer	Increase the number of clients Customized shoes; Increase customer satisfaction; Increase the variety of products per customer; Ensure customers’ loyalty; Create awareness among potential clients	Number of clients Number of returned shoes; Number of complaints; Number of products sold per client Number of years Skypro is the shoe supplier of the client; Number of samples sent; Number of visits to the clients;	Provide shoes to 10 new airlines (50 000 pairs) Visit and present the shoes at least to the largest airlines of the 4 countries in consideration Negotiation with duty-free shops to sell Skypro shoes E-commerce	Present the shoes in the airlines’ headquarters; Participate in international trade shows of inflight services; Send samples Distribute catalogs, Skypro showcases in the airlines headquarters and in exclusive zones for staff in the airports; Use the new forms of communication Negotiation with duty free shops Create the e-commerce; Commissioning (ex)-stewardesses to sell shoes to their airline colleagues; Offer shoes to strategic staff to serve as references and opinion makers Negotiating staff discounts with airlines, offering them a % of the sales

Internal	Partnerships with manufacturers and supply chain restructuring;	Number of contracts with producers; Supplier lead times; Weight of transport costs (%); Price paid per pair of shoes shipped; Price paid per shoe manufactured; Gross margin;	Contract with 2 producers; Renegotiating agreements with forwarding companies;	Blueprint of goals to negotiate with suppliers; Check list of requisites to evaluate manufacturers; Visit the producers, explaining the project;
Learning	More training; Improve the quality of the shoes Launch a more ecological and sustainable new leather	Level of training; Time of implementation; Investment in R&D	3 years	Training sessions;

Risk Analysis:

The next table represents the possible risks that may arise during the internationalization process and which can also affect the domestic performance of the company, presenting some solutions to circumvent them.

	Risks	Contingency Plan
Business Model & Partnerships	1. No control over manufacturing	1 - Partnerships with producers
Financial	1. Loss of a customer	1 - Frequent contact with companies/ quality management/ questionnaires/ work closely
	2. Difficulty to access credit (vs. huge need of cash flow)	2 – Serious analysis of Muffins business unit (stores, brand...). Take important decision on closing stores, making a spinoff and/or separating the two business units in order that Muffins don't compromise Skypro chances of success
	3. Supplier dependency / loss of a partner	3 - Partnership with 2 producers
	4. Raw material price variation	4 - Improve the efficiency of the production process/ Procurement of different or/and alternative leather and material suppliers
Operational	1. Quality management	1, 2 - Partnership with production
	2. Logistics inefficiencies	2 – Work always with the same distributor (AZKAR), to avoid failures
Commercial	1. Pricing	1, 2 - Revise the price strategy, taking always into account the competition
	2. Positioning	
	3. Create brand awareness	3 - Increase the advertising budget, diversify the ways of communication
	4. Customer satisfaction	4 - Return policy, Quality management, Customization, Close relationship
	5. Loss of the competitive advantage	5. R&D, Training, Expand the product line, Sell shoes to new segments, Start to producing uniforms
Implementation	1. Production with high quality	1,2,3 - Partnerships with production
	2. Product differentiation	1,2,3 - R&D
	3. Customization	1,2,3 - Training
	4. Loss of image/credibility	4 - Solid strategy on the internal market

Conclusion:

Having ambitious plans is part of what drives successful companies to the top, but Skypro must be prudent in its actions, not to jeopardize and put in risk its actual position in the market. Due to its small dimension and limited resources, the

internationalization plan should be implemented in stages, requiring multiple responsibilities and efforts of all the parties involved in order to be accomplished at the end of 2014. For Skypro, internationalization means an expansion of the sales that can take the company to another dimension. In order to answer effectively to an increase of the orders and have more control on the delivery time, quality management and advantages in the logistics, the company has to make a contract with preferably 2 shoe producers. There is no space to failure because this could mean the loss of an important client and therefore, the loss of an excellent business opportunity.

Due to its dimension, this niche market represents a big opportunity, but as the access to the airlines is really complicated, it is necessary to work closely to succeed.

The results of the questionnaires indicate that Skypro should continue to invest in R&D and training to improve the quality of the shoes. The next three years are years of strong investments, but they are also preponderant years that can make the company a reference and the leader of this niche market.

Selling a customized product at a competitive price will be essential to convince the airlines to purchase Skypro shoes. So, the price strategy should be reviewed in a regular basis, taking always into consideration the competition.

Finally, another aspect that will be decisive in the implementation of the whole project is connected to the future decisions to be taken about Muffins. A serious analysis of Muffins business unit (stores, brand...) should be done. After a careful study of the costs, Abotoa should take important decisions on closing stores, making a spinoff and/or separating the two business units in order that Muffins don't compromise Skypro chances of success.

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Exhibits

Exhibit 1: Evolution of Abotoa Sales

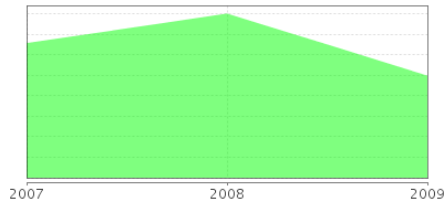


Exhibit 2: Air transport's economic and social benefits in 2007

	EMPLOYMENT Direct ('000s)	GDP Direct (US\$bn)
Africa	158	4
Middle East	143	6
Asia-Pacific	1,177	62
Europe	1,617	134
Latin America/ Caribbean	226	8
North America	2,333	212
Global	5,655	425

Source: Oxford Economics

Exhibit 3:

The Portuguese Footwear Industry

The footwear industry is the second more important industry in Portugal, immediately after the tourism and is the more internationalized sector of the Portuguese economy. It includes more than 1 300 companies and is also one of the most important sectors, in terms of the number of people employed, around 33 000.

However, the Portuguese footwear sector is very fragmented, it is mainly constituted by small and medium enterprises and there is a strong geographic agglomeration of this industry in the north of the country, with two clusters:

- Felgueiras and Guimarães;
- Feira, São João da Madeira and Oliveira de Azemeis.

Portugal has focused on the production of leather shoes with high added value, especially for women. In general, the Portuguese shoes are sold to the external market at a high price, only Italian shoes are priced above.

The Portuguese footwear industry exports approximately 95% of the total production (1 300 000€/year) to 132 different countries, in the 5 continents. But, the exports are highly concentrated in geographic terms. In 2009, 96% of the exports were directed to the European continent. Even within Europe, the exports are concentrated, 80% go to France, Germany, Spain, Netherlands and UK.

The entry of China in this sector as well as the end of the barriers to the international trade and the adoption of euro were some factors that have been conditioned the Portuguese exports recently.

“The economic downturn and the decline in consumers’ purchasing power have a noticeable impact on the performance of the Portuguese footwear industry” and on the way the foreign markets see Portugal and the Portuguese.

The future of the national footwear industry requires a constant innovation of the product, model business and technology used. In other words, Portugal has to assert itself in international markets by their ability to create fashion and not based on its merits as a producer, like in the past.

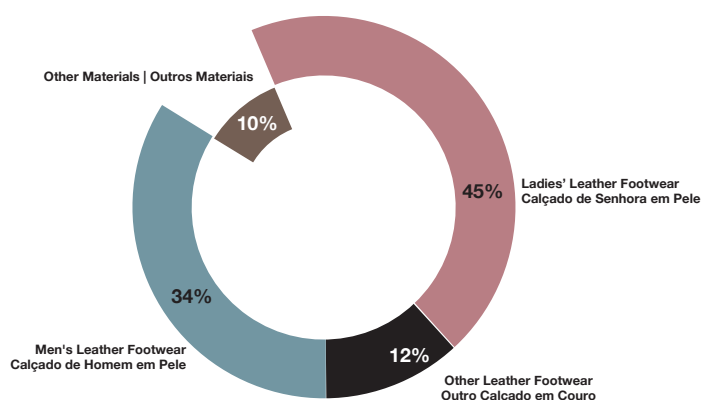
Statistics from the footwear industry in Portugal

	1974	1984	1994	2004	2005	2006	2007	2008	2009	2010**
Industry Indústria										
Companies Empresas										
number número	673	971	1 635	1 432	1 481	1 448	1 424	1 407	1 346	1 354
Employment Emprego										
number número	15 299	30 850	59 099	40 255	37 836	36 221	36 366	35 398	32 510	32 738
Production Produção										
thousand pairs milhares de pares	15 000	48 000	108 866	84 897	72 313	71 643	75 067	69 101	67 044	61 543
Gross Production Value Valor bruto de produção*										
thousand euros milhares de euros	12 330	318 891	1 620 001	1 471 214	1 307 357	1 338 555	1 336 979	1 397 617	1 417 509	1 376 381
Foreign Trade Comércio Externo										
Exports Exportações										
thousand pairs milhares de pares	5 200	31 100	89 368	75 159	64 344	63 784	71 830	64 651	63 346	68 133
thousand Euros milhares de Euros	3 093	164 060	1 283 867	1 273 252	1 138 195	1 166 116	1 268 401	1 290 991	1 232 027	1 295 531
Imports Importações										
thousand pairs milhares de pares	2 800	200	15 005	33 154	39 212	41 209	55 646	50 900	54 418	67 612
thousand Euros milhares de Euros	324	738	97 086	271 125	285 473	318 277	396 724	431 662	401 157	430 021
Trade Balance Balança Comercial										
thousand pairs milhares de pares	2 400	30 900	74 362	42 005	25 131	22 575	16 184	13 751	8 927	520
thousand Euros milhares de Euros	2 769	163 321	1 186 781	1 002 126	852 722	847 838	871 677	859 329	830 870	865 511
Apparent Consumption Consumo Aparente*										
thousand pairs milhares de pares	12 600	17 100	34 503	42 892	47 181	49 069	58 882	55 350	58 117	61 023
thousand Euros milhares de Euros	9 561	155 570	433 220	469 088	454 635	490 716	465 302	538 288	597 003	542 981
Coverage rate (value) Taxa de Cobertura (valor)	955%	22224%	1322%	470%	399%	366%	320%	299%	307%	301%
Share of Imports in Apparent Consumption (value)										
Peso das Importações no Consumo Aparente (valor)	3,4%	0,5%	22,4%	57,8%	62,8%	64,9%	85,3%	80,2%	67,2%	79,2%
Share of Exports in Production (value)										
Taxa de Exportação (valor)	25,1%	51,4%	79,3%	86,5%	87,1%	87,1%	94,9%	92,4%	86,9%	94,1%

Source: APICCAPS- monografia 2011

Production by type of footwear (value) 2010

Production by type of footwear (value), 2010
Produção por tipo de calçado (valor), 2010

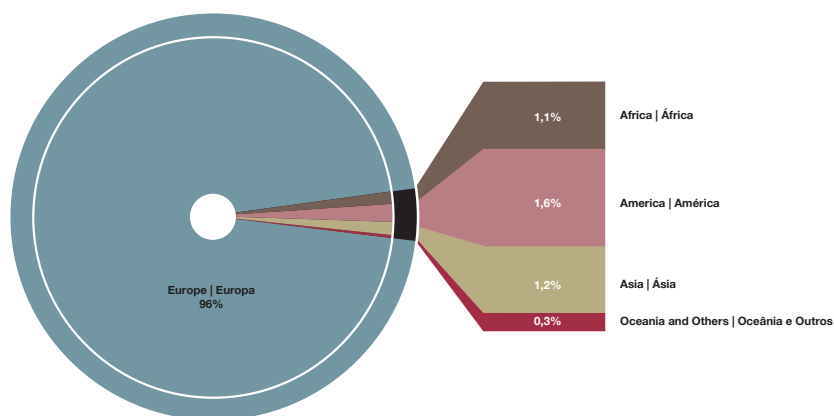


Source: APICCAPS- monografia 2011

Destination of Portuguese footwear exports (value) 2010

Destination of Portuguese footwear exports (value), 2010
Destino das exportações portuguesas de calçado (valor), 2010

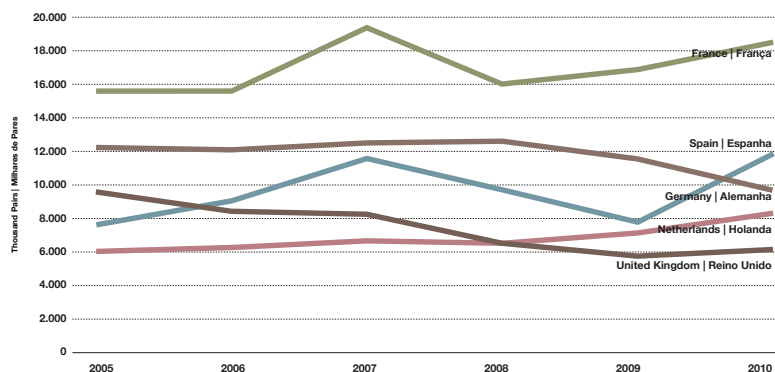
13



Source: APICCAPS- monografia 2011

Five main markets for Portuguese footwear exports (quantity) 2005-2010

Five main markets for Portuguese footwear exports (quantity), 2005-2010
Cinco principais mercados das exportações portuguesas de calçado (quantidade), 2005-2010



Source: APICCAPS- monografia 2011

The Portuguese Airline Industry

In 2010, the 12 Portuguese airlines and the 6 ground handling companies carried about 10.5 million passengers and employed a total of 11 300 collaborators, divided in two categories air (5 577) and ground staff (5 723).

Number of people employed on the airline industry in Portugal in 2010

Quadro V.1 - Pessoal ao serviço, por categorias

2010-12-31		Unidade: N°		
Categorias	Pessoal	Total	Homens	Mulheres
TOTAL		11 300	6 874	4426
Pessoal de navegação		5 577	3 329	2248
Técnico de bordo		2 273	2 206	67
Comandantes e pilotos		2 273	2 206	67
Outro pessoal técnico		0	0	0
Complementar de bordo		3 304	1 123	2181
Comissários		878	878	0
Hospedeiras		1 788	0	1788
Outro Pessoal complementar		638	245	393
Pessoal de terra		5 723	3 545	2178
De manutenção e técnico		2 457	2 181	276
Afecto às vendas e tráfego		1 501	633	868
Outro pessoal de terra		1 765	731	1034

Fonte: Inquérito às Empresas de Transporte Aéreo (INAC/INE)

Source: INE – Estatísticas dos Transportes 2010

Airline Companies in Portugal

Airline Companies	Main Base
Aero Vip	Portimão(PRM)
Airline Portugal	Lisbon(LIS)
Euroatlantic Airways	Lisbon(LIS)
Hifly	Lisbon(LIS)
LuzAir	Lisbon(LIS)
Omni Aviação e Tecnologia	Lisbon(LIS)
Orbest	Lisbon(LIS)
PGA - Portugália Airlines	Lisbon(LIS)
SATA Air Açores	Ponta Delgada(PDL)
SATA International	Ponta Delgada(PDL)
TAP Portugal	Lisbon(LIS)
White Airways	Lisbon(LIS)

Ground handling companies in Portugal

Ground Handling Companies	Main Base
Ground Force ONE	Tires
Ground Force Portugal	Lisbon
Portway Handling de Portugal SA	Lisbon
SATA Air Azores	Ponta Delgada
Servisair Portugal	Lisbon
TRIAM - Maderia Handling Services	Santa Cruz

Exhibit 4:

a) TAP interview

1. To which TAP employees are supplied footwear?

Footwear is only supplied to female employees from several categories- board assistants and land assistants that do client attendance. Although the pilots (male and female) use uniform, the footwear is not part of their kit.

2. Why did you choose SKYPRO as your footwear supplier?

The actual supplier was selected through market research, being chosen by having the product with best price/quality relation.

3. What are the characteristics taken into consideration on the choice of the footwear supplier?

The company image, comfort and durability of the product in function of an accessible price and also special characteristics for aviation, as for example have not materials that do the alarm whistling on the airports checkpoints.

4. Does the company do satisfaction surveys to the employees about the shoes quality?

There is an internal commission that controls the quality of all uniforms and does the monitoring of complaints.

5. When TAP launches a new tender for shoe suppliers, which companies tend to compete?

The selection criteria are variable and confidential. However, we can say that in the last tender a participation invitation was addressed to the companies included on the list received by APICCAPS – Associação Portuguesa dos Industriais de Calçado and also to the companies that are on the TAP suppliers file.

6. What is the average footwear quantity that TAP buys for year? And how much increase the number of flight attendants/pilots on the summer and Christmas? Do Tap supply footwear to these temporary employees?

Approximately 4000 pair/year. There is not data available about the increase of board personal on those seasons. The temporary employees also receive a uniform kit, although the quantity of pieces is limited.

b) White Airways interview

1. How did you know Skypro?

Through our uniform company, Imagem & Companhia, which provided us Skypro shoes. Later, we started to commercialize directly with Skypro to facilitate the process.

2. To which White employees are supplied footwear?

No, White only provides shoes for flight attendants, stewards and for some ground personal.

3. On average, how many pairs of shoes White purchases per year?

About 150 to 200 pairs: 2 pairs of shoes/year for women and 1 pair of shoes/year for men

4. Besides the shoes, White purchases other Skypro products?

Yes, belts, globes and lady bags.

5. How long Skypro provides shoes for White?

Directly, Skypro is our shoe supplier since 2009/2010.

6. How do you classify Skypro shoes? Comfortable?

The quality of the shoes is good as well as the leather. Furthermore, we value the fact of the treatment be more personalised and the ability to easily make changes. It is a little bit subjective, but in general the collaborators like the shoes.

7. In terms of the price, do you consider Skypro shoes more expensive than the other shoes? If yes, it compensates to pay more, for more quality?

There is not much difference in price. Quality is important, but the price is the preponderant factor that we take into account on the choice of our shoe supplier

8. Do you know other shoe suppliers for aviation professionals?

No.

9. Do you have any contract with Skypro?

No, we usually make the order one month in advance, which is the time that we have to wait to receive the shoes.

Exhibit 5: Luz air interview

1. Does your company provide footwear to its employees?

Each employee buys its footwear, according to a model/pattern, color and value chosen by the company. That value is reimbursed subsequently to collaborators.

We take this option because our collaborators give extremely importance to footwear, but they have different needs and requirements, and each one values different characteristics in their shoes. For experience, it is very difficult to find an ideal footwear to collaborators that work aboard on an aircraft, mainly for women. The time that a flight attendant spends wearing its shoes, the pressure inside the planes, its preferences, possible problems of posture and/or spine, are important factors that our collaborators take into account.

2. Does your company know SKYPRO SHOES brand?

Yes, we were already addressed by one representative of the brand.

3. Are you a client of this brand? If not, who is your footwear suppliers/brand?

We don't have a specific supplier.

4. Does that supplier is the same for men and women?

Answered in question 1.

5. Before being supplied by the actual brand, which was your previous supplier?

Our uniforms supplier, Decomoda.

6. How much are you willing to pay for a comfortable shoe with technical characteristics?

less than 50€

between 50€ and 80€

between 80€ and 100€ ✓

between 100€ and 200€

more than 200€

7) In average, how many pairs of shoes do you buy per year?

80 for men and 80 for women.

8) Who is your uniform supplier? What is the footwear brand that she/he suggests you?

Our uniform supplier is Decomoda. The footwear brand used is answered in question 1.

Exhibit 6: Capital Structure of Abotoa:

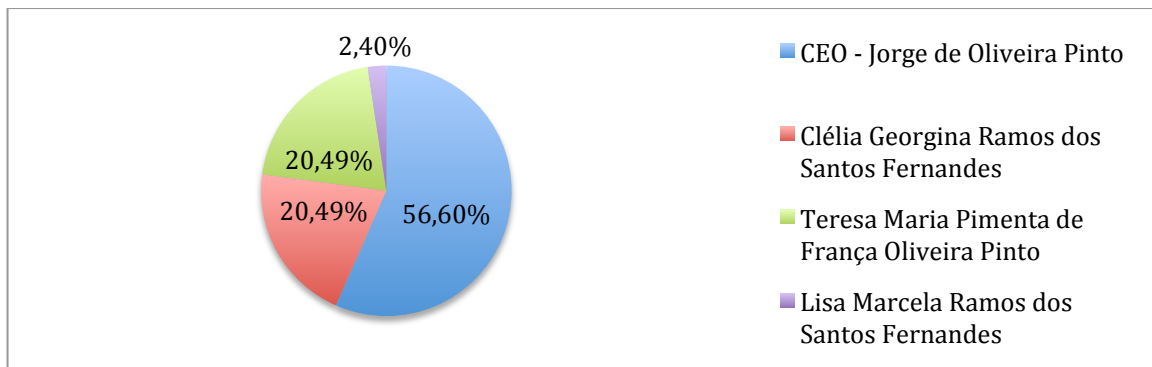


Exhibit 7: List of collaborators

Person	Skypro	Muffins	Wage
CEO - Jorge Pinto	50%	50%	2 500 €
CCO - Ricardo Oliveira	90%	10%	1 200 €
Designer - Vera Silva	40%	60%	1 300 €
CHRO and CAO - Lisa Fernandes	25%	75%	1 000 €
Client Manager	100%	-	800 €

Exhibit 8: List of Skypro Suppliers

Supplier	Purchases	Products
HMC - Indústria de Calçado Lda	153 483,45 €	Women shoes
CORT GIN-Indústria de Cortes e Sapatos de Ginástica Lda	126 519,30 €	Women shoes
Zilam - Fábrica de Arigos de Marroquinaria Lda	86 547,70 €	Bags and belts
Francisco Alves Barbedo & Filhos, Lda	30 793,50 €	Gloves
Fabrica de calçado da Mata. Lda	12 637,55 €	Men shoes
Iva Oliveira Unipessoal Lda.	7 432,80 €	Gloves and Belts
Luismor Lda	464,98 €	Belts

Shoe Suppliers of Abotoa (Muffins and Skypro)	Products
Cortgine, HMC, Identidade Clássica and Mestra	Woman shoes
Fábrica de calçado da Mata, Centenário and Valuni	Man shoes

Exhibit 9: List of Skypro Clients

Company	Country	Status
TAP	Portugal	Client
TAAG	Angola	Client
Euro Atlantic	Portugal	Client
Portway	Portugal	Client
Groundforce	Portugal	Client
BH air	Bulgaria	Client
Orbest	Portugal	Client
Transaero Russia	Russia	Client
Air 26	Angola	Client
White Airways	Portugal	Client
Whitejets	Portugal	Client
PGA	Portugal	Client
Brussels airlines	Belgium	Client
Amiri flight	Qatar	Client with order
Air Astana	Kazakhstan	Client with order
Aegean Airlines	Greece	Client with order
RoyalAir Jordania	Jordan	In negotiations
Australian Airlines	Australia	In negotiations
Ethiopia Airlines	Ethiopian	In negotiations
Kenya Airlines	Kenya	In negotiations
Qatar Airlines	Qatar	In negotiations

Exhibit 10: Two alternative ways of delivering the shoes

Ex-works: “the seller delivers the goods at his or her own place of business. All other transportation costs and risks are assumed by the buyer.”

CIF: “Cost, Insurance and Freight – means that the seller delivers when the goods pass the ship’s rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. However, in CIF the seller has also to procure marine insurance against the buyer’s risk of loss of or damage to the goods during the carriage.”

Obviously, if clients require the delivering of the shoes on their business place, Skypro assures the distribution, but it will charge a higher price to cover the transportation costs and risks.

Exhibit 11: Quality management process

All SKYPRO products pass through a quality control process divided in 5 stages:

I. Raw materials control – In this first stage we control the stock levels of all raw materials, quality and give the approval of usage for production. Everything is checked with the exception of the leather.

II. Leather quality and colour match control – This second stage check is meant to control the quality of the leather (thickness, imperfections, tanning, elasticity, softness etc.), colour and brightness check, at the moment of arrival to the factory.

III. Cut & Stitching quality control – In this quality check is evaluated the efficiency and quality of the leather cutting and stitching process, as well as if all the production frame schedules are being met.

IV. Assembly quality control – In this check phase are controlled all the steps of assembly. The objective is to track very early in the assembly phase any problems that would result in an uneven or unbalanced product, or a less resistant product.

V. Trim and packaging control – This is the final check of the production, therefore we incremented a very rigorous control, meant to check again all the prior checked details and also, fitting, glue excesses, stains, packaging and labelling specifications.

Exhibit 12: Assumptions

Due to the lack of Skypro financial data, the estimation of the percentages in the value chain was made taken into account the importance and the average costs of each activity for the company.

More relevant activities (70%):

- Production (35%) - The production costs represent the Skypro main costs and they are around 25€ per pair
- R&D (15%) - As the company sells a differentiated product, there is a constant need to innovate in order to introduce in the market something new
- Outbound logistics (10%) - Skypro has a cost of approximately 7€ per each per of shoe shipped to Europe and 20€ per each pair of sample shipped
- Sales and marketing (10%) - Promotion of the brand, promotional journeys, improvement of the new forms of communication, advertisement on exclusive zones for staff in the airports, distribution of catalogs and flyers, display corners, showcasing the brands and the shoes

Less financially demanding activities (15%):

- HRM (3%) – it is not relevant – 1 collaborator

- Inbound logistics (2%)– It will depend on the contract celebrated with the supplier. With a good contract, the goods can be stored on the manufacturers facilities until be distributed to the clients
- Procurement (2%)– Skypro already collaborates with various producers, there is no need to find more
- Firm infrastructure (3%)– financing and commercial department; accounting (outsourced) – 2 collaborators
- Customer service (2%)– costs with changes and returns
- Quality management (3%) – it’s essential for the success of the company, but actually, it only involves 1 Skypro collaborator, part of the control quality is assured by producers

Margin: 15%

Exhibit 13: Porter’s five forces

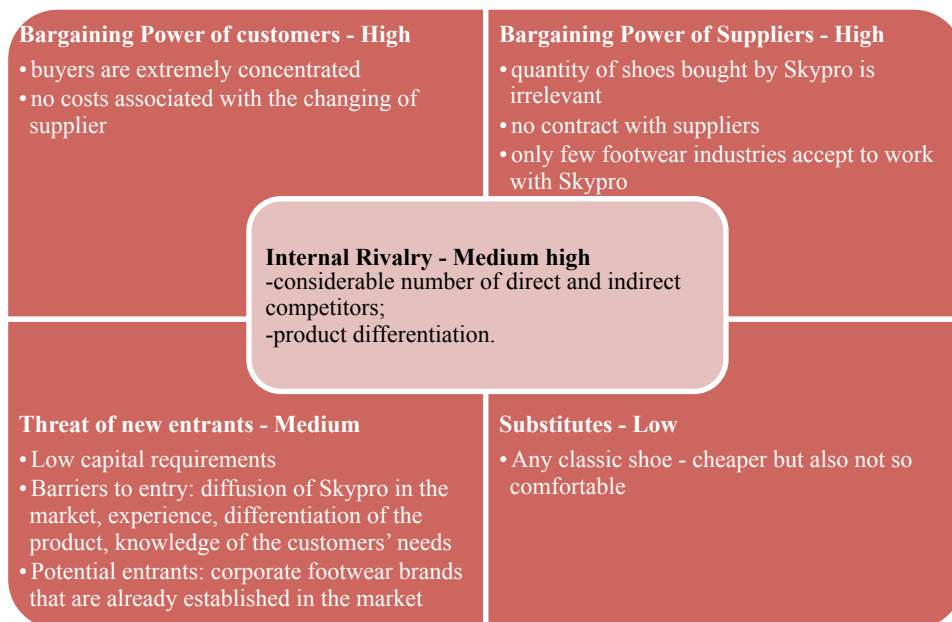


Exhibit 14: SWOT

<p>Strengths (S)</p> <ul style="list-style-type: none"> • Differentiated product • Leader in Portugal • High markup • Low fixed costs (no stocks, no investment in factories) • Customization • Market knowledge • After sales service • Partnerships with CTCP • Make to order Process 	<p>Weaknesses (W)</p> <ul style="list-style-type: none"> • Low control on the delivering time • Dependency of factories • Low capacity for financing • No contracts with suppliers • No product patent • Default surveys to collect feedback from clients • Few business partners
<p>Opportunities (O)</p> <ul style="list-style-type: none"> • E-commerce • Seasonality of industry New niche markets: uniforms; shoes to maritime, railroad, casinos, hotels • New forms of communication (Facebook, twitter) • Duty free shops • Dimension of potential clients • Duration of uniforms: 15-20 years • Advertising in restricted areas to the staff in airports • Contracts with shoe producers 	<p>Threats (T)</p> <ul style="list-style-type: none"> • Being easily copy or danger of vertical integration • New players in this niche market • Substitute products • Global crisis • Exchange rate risk • Barriers to the entrance of products in the boundaries of the countries (outside Europe) • Mergers and acquisition process in the market

Exhibit 15: Shares of direct employment in air transport in world total

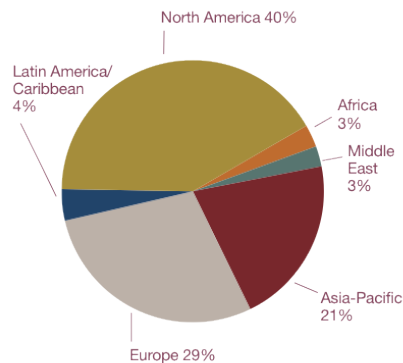
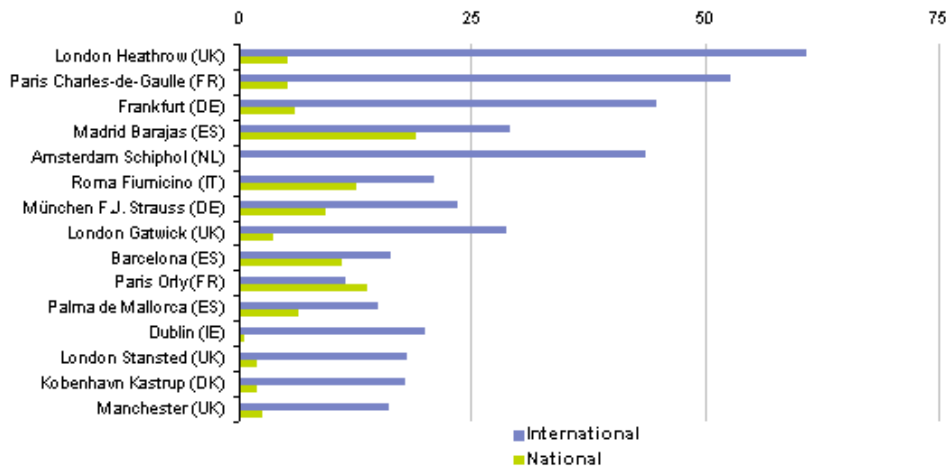


Exhibit 16: Economic information about the countries in analyze

Region/Country	Population	%	# Airports +15000 passengers	Air passengers	Monthly minimum wage	Number of airlines	GDP
EU (27 countries)	502519978	1		796 362 804			24 400
EU (17 countries)	331996617	66%		561 882 122			26 400
Spain	46152926	9%	42	153 386 749	748,30 €	29	24 500
France	65075373	13%	63	123 020 665	1 365€	17	26 100
Italy	60626442	12%	43	109 170 164	1 000€	22	24 500
Netherlands	16655799	3%	5	48 616 883	1 435,20 €	11	32 600
Portugal	10636979	2%	3	25 732 352	485 €	12	19 800

Exhibit 17: European airports with more traffic



Source: Eurostat (avia_paca)

Exhibit 18: Airlines in Spain

Airline	Main Base	Telephone	Mail	Start	Employees	Offer shoes
Aerodynamics Malaga	Malaga	+34 637 87 34 16	chartersales@aerodynamics.es	2001	500	
Aeronova	Valencia (VLC)	+34 96 166 5402	chartersales@aeronova.com	1996		
Air Europa	Palma (PMI)	+34 971 178 105	recepcion.globalia@air-europa.com	1984	3 000	Yes (Kolfles)
Air Nostrum (Iberia)	Valencia (VLC)	+34 96 196 0200	direccion@airnostrum.es oaguar@airnostrum.es	1994	2 000	
Alaire	Madrid (MAD)	+34 91 485 0127	jalbinana@alaire.aero	2001		
Alba Star	Palma (PMI)	+34 971 575 072	info@albostar.es	2010		
Binter Canarias	Las Palmas (LPA)	+34 928 579 601	dirgeneral@bintercanarias.es	1989	406	
Bravo Airlines	Madrid (MAD)	+34 917 454 970		2004	400	
Calima Aviation	Las Palmas (LPA)	+34 928 70 60 21		2008		
Gadair European Airlines	Madrid (MAD)	+34 91 301 0234	info@gadair.com	2007		
Gestar Airlines	Madrid (TOJ)	+91 91 312 3000	info@audeli.es	1977	1 500	
Gestair Cargo	Madrid (MAD)	+ 91 91 312 3060	info@cygnusair.es	1994		
Hola Airlines	Palma (PMI)	+34 971 491 419	info@holairlines.com	2002	35	
Iberia	Madrid (MAD)	+34 91 587 8787	infoibl@iberia.es j.perez@iberia.es	1927	20 671	Yes(Uniform company Iturri)
Ibertrans Aérea	Madrid (MAD)	+34 91 485 0127	sales@ibertrans.net	1991		
Iberworld Airlines	Palma (PMI)		iberworld@iberworld.com paz.ortega@iberworld.com	1998	533	
IMD Airways			info@imdairways.com	2009		
Islas Airways	Tenerife (TFN)	+34 922 389 933	info@imdairways.com	2003		
NAYSA	Las Palmas (LPA)	+34 902 100877	naysa@naysa.es	1969		
Orionair	Valencia (VLC)	+34 96 347 1882	info@orionair.es	2006		
PAN Air (TNT)	Madrid (MAD)	+34 91 312 0422	jpanair@tnt.com	1988		
Privilege Style	Palma (PMI)	+34 971 40 8900	privilegestyle@privilegestyle.com	2003		
Pronair Airlines	Valencia (VLC)	+34 90 220 2575	samia@pronair.es	2007		
Pullmantur Air	Madrid (MAD)	+34 91 418 8700	pullmanturair@pullmanturair.com	2003	53	
Pyrenair	Huesca	+34 902 106 400		2007		
Saicus Air				2009		
Spanair	Palma (PMI)	+34 971 745020	spanair@spanair.es sespinosa@spanair.com	1988	2 665	Yes(El corte inglés, Aeromoda, Alberana, 400 pairs)
Swiftair	Madrid (MAD)	+34 91 748 0760	swiftair@swiftair.com	1986	400	
Vueling Airlines	Barcelona (BCN)	+34 93 378 7878	info@vueling.com elias.aguilar@vueling.com	2004	1 405	No

Exhibit 19: Airlines in France

Airline	Main Base	Telephone	Mail	Start	Workforce	Offer shoes
Aigle Azur Transportes Aériens	Pairs Orly (ORY)	+33 1 41 51 00 00	info@azurplus.fr	1970	697	No
Air Corsica	Ajaccio (AJA)	+33 4 95 29 05 00	ccmvoyages@ccm-airlines.com	2010	671	
Air France	Paris (ORY/CDG)	+33 1 41 56 78 00	mail.internet.afc@airfrance.fr phpoinas@airfrance.fr mabravo@airfrance.fr sedenost@airfrance.fr julegaudu@airfrance.fr	1933	58 485	Yes
Air Méditerranée	Tarbes-Lourdes (LDE)	+33 5 34 48 20 00	operations@air-mediterranee.fr	1997	400	
Airlinair	Paris (ORY/CDG)	+33 1 45 12 17 17	airlinair@airlinair.com	1999	400	
Atlantique Air Assistance	Nantes (NTE)	+33 2 40 84 37 37	contact@atlantique-aviation.com	1989		
Brit Air (Air France)	Morlaix (MXN)	+33 2 98 62 10 22		1973	1 257	
Corsairfly	Pairs Orly (ORY)	+33 1 49 79 49 79	servicegroupe@corsairfly.com	1981	1 612	
Europe Airpost	Paris (CGD)	+33 1 48 17 75 66		1991	520	
Finist' Air	Brest	+33 2 98 84 64 87	info@finistair.fr	1981		
Hex' Air	Le Puy (LPY)	+33 4 71 08 62 28	a.rouchon@hexair.com	1991		
OpenSkies	New York (JFK)	+33 (0) 3 60 74 20 04		2008		
Pan Européenne Air Service	Chambery Aix Les Bains	+33 4 79 54 42 68	contact@paneuropeenne.com	1977		
Régional (Air France)	Nantes Atlantique (NTE)	+33 2 40 13 53 00	contact@regional.com	2001		
Transavia France (60% Air France)	Pairs Orly (ORY)			2007		
Twin Jet	Marseille (MRS)	+33 4 42 90 12 14	infolignes@twinjet.net	2001	60	
XL Airways France	Paris (CGD)	+33 1 70 03 19 79		1995	476	

Exhibit 20: Airlines in Netherlands

Airline	Main base	Telephone	Mail	Start	Employees	Offer shoes
AIS Airlines	Lelystad (LEY)	+31 320 268 799	sales@aisairlines.nl	2010		
Amsterdam Airlines	Amsterdam (AMS)	+31 206 586 172	info@amsterdam-airlines.com	2007		
Arkefly	Amsterdam (AMS)	+31 20 892 1400	info@arkefly.nl	2005		No(miscellaneous)
Denim Air	Amsterdam (AMS)	+31 297 230 690	info@denimair.nl	1996	242	
Interstate Airlines	Maastricht (MST)	+31 43 308 8120	info@interstateairlines.com	2005	25	
Jet Netherlands		+31 (0)20 40 56 600		2001		
KLM	Amsterdam (AMS)		margolin.de.nood@klm.com smartsat.nl@sodexo.com jeroen.stok@sodexho-nl.com	1920	28383	No (Uniform company - Sodexo)
KLM Cityhopper	Amsterdam (AMS)			1991		
Martinair (KLM)	Amsterdam (AMS)	+31 20 601 1222	charter@flymartinair.com	1958	1900	
SolidAIR				2002		
Transavia Airlines (KLM)	Amsterdam (AMS)	+31 20 604 6555	info@transavia.com	1966	1911	

Exhibit 21: Airlines in Italy

Airline	Main Base	Telephone	Mail	Start	Employees	Offer shoes
Air Dolomiti (Lufthansa)	Verona (VRN)	+39 045 860 5211	info@airdolomiti.it	1989	602	
Air Italy	Turin (TRN)	+39 0331 211 011	info@airitaly.it	2005	700	
Air One (Alitalia)	Milan (MXP)	+39 06 656 811	info@airone.in	1983	2100	
Air Vallée	Rimini (RMI)	+39 0165.303303	info@airvallee.com	1987		
Alidaunia	Foggia (FOG)	+39 0881 617961	info@alidaunia.it	1976		
Alitalia	Rome (FCO)	+39 06 65 621	cantagallo.simone@alitalia.it	1946	14154	
Alitalia Express	Rome (FCO)	+39 06 65 621	segretaria.ad.xm@alitalia.it	1997		
Blue Panorama Airlines	Rome (FCO)	+39 06 487 71318		1998		
Blu-Express	Rome (FCO)	+39 06 60 21 4577	marketing@blu-express.com	2005		
Cargo Italia	Milan (MXP)	+39 0331 6638	cargoitalia@cargoitalia.it	2005		
Easy Islands	Palermo			2002		
eVolavia	Ancona			2002		

Fly Wex	Brescia (VBS)	+39 030 281 1188		2001	
Itali Airlines	Pescara (PSR)	+39 085 430 8215		2003	100
Link Air Express	Milan (LIN)	+39 02 95000		2006	10
Meridiana Fly	Olbia (OLB)	+39 0789 52801		2010	1414
MiniLiner	Bergamo (BGY)	+39 03 531 6865	info@miniliner.com	1981	90
Mistral Air	Rome (CIA)	+39 067 90451	mistralsales@posteitaliane.it	1984	
Neos	Milan (MXP)	+39 0331 232 890	neos@neosair.it	2001	330
On Air	Pescara (PSR)	+39 085 4322238	info@flyonair.it	2006	
Volare Airlines	Milan (LIN)	+39 0331 713 111		1998	
Wind Jet	Catania (CTA)	+39 095 723 2063		2003	

Exhibit 22:

Survey

1. Gender

Gender	Number	%
Female	63	0,84
Male	12	0,16
Total	75	1

2. For which company do you work?

Company	Number
TAP	34
Portway	4
British airways	5
White	1
Brussels airlines	1
Turkish airlines	2
Aigle-azur	3
Spring events	1
Airpass	3
SPDH	1
TAAG	2
KLM	1
lufthansa	3
SATA	2
Air Moldova	2



Air Europe	3
Air France	3
Olympic air	1
Easy Jet	1
Thomson Airways	1
Emirates	1

3. Does your company provide shoes to collaborators? If yes, which one? If not, which brand do you buy?

Does your company provide shoes to collaborators? If yes, which one? If not, which brand do you buy?	Number	%
yes	54	0,72
No	21	0,28
Total	75	1

4. Do you know the brand Skypro Shoes?

Only the ones who use the shoes, knows the brand.

5. What are the characteristics of shoes that you value more? Classify in a scale from 1 to 5:

▪ Comfort	X
▪ Anti-Skid	
▪ Anti-Static	
▪ Temperature Control System	
▪ Alarm-free (do not whistle in airport)	
▪ Others. Which? _____	

Comfort was the most valued characteristic in all the questionnaires done.

6. How much are you willing to pay for corporate shoes?

How much are willing to pay for corporate shoes?	Number	%
less 50€	44	0,59
50-80€	19	0,25
80-100€	12	0,16
100-200€	0	0
more than 200€	0	0
Total	75	1

7. Are you willing to buy shoes from on-line stores?

Are you willing to buy shoes from on-line stores?	Number	%
yes	29	0,39
no	46	0,61
Total	75	1

Opinions from the ones who use Skypro shoes:

“Uncomfortable”, “to narrow on the front”, “the new model is much more comfortable”, “the shoes enlarge with the usage”, “Bad shoes (they should be larger and the heel must be lower)”, “Not comfortable but not bad”, “the shoes should be larger on the front”, “they are more or less comfortable”, “they whistle on the airports metal detectors”, “comfortable and good design”, “finishes poorly made”, “bad control temperature system”, “paint socks”.

Other brands mentioned on the questionnaires:

Rubrica, Aerosoles, Prww, Hush Puppies, Era, Bata, Charles, Gabor (Amsterdam airport), Ara, Aldo, Kolflex, Helio, Comodus, Via uno, Geox, Derby, Tescos and Baossro.

Exhibit 23: Money

	Abotoa	Weight of Skypro	Skypro	Muffins
Actual clients	1 170 015,99 €	40%	468 006,40 €	702 009,59 €
COGS	703 000,09 €	40%	281 200,04 €	421 800,05 €
R&D	100 000,00 €	60%	60 000,00 €	40 000,00 €
Training	10 000,00 €	50%	5 000,00 €	5 000,00 €
Rents	84 948,75 €	17%	14 158,13 €	70 790,63 €
Gas, Water, Electricity, Telephone	16 806,20 €	17%	2 801,03 €	14 005,17 €
Travels and Accomodations	6 800,00 €	70%	4 760,00 €	2 040,00 €
Wages	212 117,84 €	20%	42 423,57 €	169 694,27 €
Promotion	25 119,28 €	70%	17 583,50 €	7 535,78 €
Transport of goods	7 265,61 €	60%	4 359,37 €	2 906,24 €
Send of samples	0,00 €	0%	0,00 €	0,00 €
			35 720,77 €	-31 762,55 €

	Base	# cities	# visits	Spain	France	Holland	Italy
Travel	300	1200	3600	3600	900	900	1800
Accomodation	300	600	2400	7200	1800	1800	3600
Samples	34	4	136	816	544	544	408
Total				11616	3244	3244	5808

E-commerce	Costs
Creation	4000
Stocks	25000
Total	29000

Assumptions:

- Average cost per shoe: 25 €
- Number of visits per city: 3 visits/semester
- Number of days per city: 2 days/ journey
- Stocks: 10 models, 10 numbers (size: 35-45), 10 pairs = $10 \times 10 \times 10 \times 25 = 25\ 000\text{€}$
- Price of each journey: 300€
- Dairy costs – food, accommodation, dinner with clients: 300€
- Weight of Skypro
 - Rents, Water, Gas, Electricity and Telephone
 - 2 offices (Muffins + Skypro) + 4 Mufins stores $\approx 1/6 \approx 17\%$
 - Travels and accommodation = 70% because Skypro is the only brand internationalized
 - Wages
 - Abotoa has 15 employees, 5 work on Skypro project, but also allocate a % of their work to Muffins, so $3/15 = 20\%$
- For simplification, and taking into account that these costs were from 2010, lets assuming that there is no shipment of samples, because Skypro only starts the internationalization process on that year
- The Weight of sales, COGS, R&D, training, promotion, travels and accommodation and transport costs were estimated taking into account information given by the company