

A Work Project, presented as part of the requirements for the Award of a Master Degree in  
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INTERNATIONALIZATION STRATEGY OF PORTUGAL BY VAN TO SPAIN

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## Internationalization Strategy of Portugal by Van to Spain

Portugal by Van is a campervan rental company currently operating in Portugal, and this work project develops the internationalization strategy of the company to Spain. For this purpose, firstly I analyzed the company internally, as well as the external environment where it operates. Additionally, I developed the strategies for the internationalization of the company to Spain, the selected region, as well as the financial projections for this project. Finally, after this analysis, I concluded that Portugal by Van should enter the Spanish market, as it will grow significantly.

Keywords: Strategy; Internationalization; Campervan; Spain

## **Index**

Abstract .....	2
Company Overview .....	4
Perspective on Business Mission and Strategic Objectives .....	4
Methodology .....	5
International Overview on Travel and Tourism Sector .....	5
Portugal's Tourism Industry .....	6
Industry Mapping .....	6
Value Chain .....	8
VRIO Analysis .....	8
Porter's Five Forces .....	9
SWOT Analysis .....	11
TOWS .....	12
Criteria for Region Selection- Spain .....	13
Mode of Entry .....	14
Implementation Plan .....	15
Financial Projections .....	19
Risk Analysis .....	22
Conclusion and Recommendations .....	23
Bibliography .....	24

## **Company overview**

Portugal by Van is a small low cost campervan rental company founded in 2012. The company has four partners with equal shares.

They operate in three locations in Portugal: Lisbon, where they are based, Oporto and Faro. The company has only one full-time employee, in addition to the four partners that work for the company in part time in three areas: administration, marketing and maintenance. As this is a seasonal business in Portugal, they hire one more employee during the Summer.

In 2012, they started with only one campervan and now they already have thirteen. All campervans are Fiat Ducato customized by the company, internally and externally. They have three types of campervans: three and four seats vans and the Premium Van. The three and four seats vans have gas stove, cooler or fridge, living room, beds, water tank, first aid kit, kitchen with sink and running water, all the kitchen appliances and utensils, table for meals, electricity, cable to connect to camping, fire extinguisher and privacy curtains. The Premium van includes everything above mentioned plus a bathroom with shower and hot water, and an awning.

Portugal by Van's core function is to hire simple campervans that have an easy maintenance, focusing on the quality of the service to the client. In addition to the campervans, they also rent extra material for the trip.

Nowadays, the company has approximately 25% of market share in the Portuguese market, but they believe they can achieve a huge growth through internationalization.

## **Perspective on Business Mission and Strategic Objectives**

Portugal by Van's mission is to give to the client the most unforgettable road trip experience through our country.

The company's vision for the next three years is to share the Iberian campervan tourism market equally with Indie Campers, their biggest competitor.

In what concerns the strategic objectives for 2017, Portugal by Van expects to achieve a growth rate five times higher than in 2016 and to be recognized internationally in the market. The company also expects to achieve 1.000.000€ in Revenues, from which 65% would come from the Spanish market.

### **Methodology**

This work project was developed with a close follow-up of the company's operations in Portugal and it is divided in two parts. In the first part, I will analyze the company internally and the external environment where it operates. In the second part, I will purpose a strategy for the internationalization of Portugal by Van in the selected region.

For the development of this work project, I attended several meetings with the partner of the company that is in charge of the administration.

Additionally, I did a research on the competitors' websites, in order to understand their business model, the locations where they operate, their prices, as well as the services included in their offer.

Furthermore, during the process of development of the present work, the University's library and the internet were very important information sources.

### **International Overview on Travel and Tourism Sector**

According to the World Travel and Tourism Council (WTTC), in 2015, the growth of Travel and Tourism sector reached a value of 2,8%, which was greater than the growth of the global economy (2,3%). In fact, this has been happening for five years in a row.

Moreover, Travel and Tourism generated US \$ 7.2 trillion, globally, which corresponds to 9,8% of GDP. This sector also supported 284 million jobs.

For 2016 the predictions remain very positive, as it is expected that Travel and Tourism’s growth will again outpace the global growth of the economy.

Furthermore, the outlook for the next decade is that this tendency remains present, and that the number of jobs supported by the Travel and Tourism sector reaches a number of 370 million by 2026.

### Portugal’s Tourism Industry

In the Travel and Tourism Competitiveness Index of 2015 provided by the World Economic Forum, Portugal was ranked 15, which shows the competitiveness of the services offered in our country.

According to 2015 data, the tourism revenues in Portugal continued to increased, and the country received 19,2 million tourists, coming mainly from United Kingdom, France, Spain and Germany.

Regarding the camping market, we only have information about Algarve’s campsites. In the last years, the number of nights in motorhomes at campsites have been increasing. It’s important to point out that the great majority of the occupants are foreign tourists.<sup>(1)</sup>

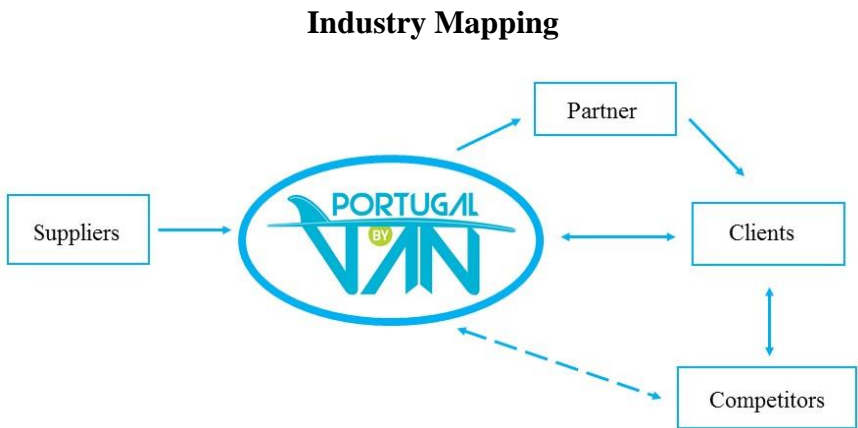


Figure 1- Portugal by Van’s Industry Mapping

(1) [http://www.ccdr-alg.pt/site/sites/ccdr-alg.pt/files/eventos/20160227\\_apresentacao\\_articular\\_intervir\\_josebrito](http://www.ccdr-alg.pt/site/sites/ccdr-alg.pt/files/eventos/20160227_apresentacao_articular_intervir_josebrito)

Portugal by Van positions itself in the campervan tourism market, and the main players in this industry are:

### Suppliers

Portugal by Van has different suppliers.

Instead of buying the vans, the company uses leasing. So, to lease the vans, the suppliers are Fiat, as all of the company's vans are Fiat Ducato, and the several leasing companies in the market, as they choose them based on the best deal they can achieve.

Afterwards, Portugal by Van customizes all their vans, both internally and externally. The firm that customizes the vans externally is MGuido Design Publicidade. For the internal customization, in order to save money, the company buys the materials to a firm called REIMO and then hires another firm, Caravanas à JF, in order to apply the desired changes.

For the maintenance of the vans, the suppliers are Fiat and little workshops where they can find more affordable prices.

### Partner

Nowadays, Portugal by Van has only one partner, Campanda. This is a website that works like a tourism agent, contacting directly with the customers.

### Clients

Portugal by Van's clients are young travelers, between 25 and 35 years old, mainly foreigners coming from Germany, Switzerland, Netherlands, United Kingdom, New Zealand, USA, France and Australia.

### Competitors

Regarding Portugal by Van's competitors, we can think of direct and indirect competitors.

The direct competitors are the companies which rent campervans. In Portugal there are several direct competitors, like Indie campers, Westcoast campers, Siesta campers, Wildside campers, The getaway van, Wicked campers, Soul campers, Free spirit campers, Puravida campers,

Camper Tales, Surf in Portugal, Atlantic coast campers and Hangloose campers. However, despite the high number of competitors, the biggest ones are Indie campers and Westcoast campers. In the Spanish market, direct competitors are Indie campers, Soul campers, Chili campers, Wicked campers, Flamenco campers, Surf-cars, Vanyou, Caracolvan.

The indirect competitors are any company that rents any type of accommodation on wheels, like motorhomes, RV's, caravans. Examples are Motorhome Republic, McRent, Camperline or Calcampers.

### **Value Chain**

Portugal by Van outsources the internal transformation and the external customization of the vans, even though they have done the projects internally.

The primary activities are inbound logistics, rental and marketing, outbound logistics and customer service. The support activities are the maintenance of the vans, human resources management and the firm infrastructure, like accounting and general management.

The process begins with the inbound logistics, with the company receiving the contacts of the clients for information, quoting and reservation. The next activity is rental and marketing. Marketing is present even in the rental, as the company trades “likes” on their Facebook page and photos with the vans for discounts in the price. Afterwards, the outbound logistics take place when the company delivers the van to the customers in a determined location. Finally, after the delivery, the customer service is always available to solve any issue during the trip and to help customers in whatever they need.

### **VRIO Analysis**

The core competence of the company is to hire simple campervans that have an easy maintenance, focusing on the quality of the service to the client.



Portugal by Van's products (the vans) and service are valuable, as customers appreciate the quality of the vans and the premium service they receive during their trip. However, they are not rare, as other companies have very similar vans. They are also imitable, as there is not a patent for the van's design. Finally, they are organizationally embedded, as the company is able to take advantage of their resources, having profit in their activity in the market.

So, to conclude, Portugal by Van doesn't have a competitive advantage in their core competences, they only have a competitive parity.

### **Porter's Five Forces**

The Porter's Five Forces Analysis will be used to understand the industry in which the firm operates.

#### Suppliers' power

Portugal by Van's suppliers are automobile stands, leasing companies, van's transformation companies and customization companies.

Regarding automobile stands and leasing companies, the number of suppliers in the market is high and they can easily be substituted. There isn't any cost of changing and the automobile stands sell similar vans. So, these suppliers have a low power in the market.

On the other hand, considering the van's transformation and customization companies, the number of suppliers in the market is very low. They are not easy to substitute, because the majority of these suppliers charge very high prices, so the ones that are affordable and have good quality become very rare. There isn't any cost of changing too, but as they can be differentiated by the quality and price charged, the ones that concentrate these two aspects have a high power in the market.

#### Threat of New Entry

In Portugal, the rental of any vehicle without driver included is considered by law a “rent a car”, and it is regulated. So, according to the Portuguese law <sup>(2)</sup>, in order to start an activity of “rent a car”, a company must have a minimum fleet of seven vehicles (in the case of light passenger vehicles, the category in which campervans are integrated) and, at least, one physical location for customer service. So, if a company wants to enter the market, it needs to make a moderate investment, as it needs to get at least seven vans, transform them into campervans and legalize them. In addition, the new entrant will also have to get a physical location, which also includes additional fixed costs.

On the other hand, to enter the market, a firm doesn't need specialist knowledge, only an entrepreneur spirit willing to learn.

Regarding barriers to entry, we can consider the “rent a car” legislation a barrier to entry, as it enforces the fulfillment of several requirements that will deter the entrance of firms with low capacity of investment.

However, as the investment is not huge, the threat of new entrants is high in the market.

### Competitive rivalry

In this market, there is a high number of competitors, but the power is concentrated in the three biggest firms (Indie Campers, Westcoast campers and Portugal by Van) as the three combined have more than 80% of market share.

The quality differences between the competitors' vans are little, so the differentiation is done mostly with customer service. Moreover, the customers may switch between competitor firms without any costs.

Furthermore, customer loyalty is not very common in the sector, as there are very few clients that return in the subsequent year for another trip, because the majority of campervan users

(2)- Decreto-Lei n°181/2012, 6<sup>th</sup>August

wants to discover new countries and places. So, a client may return two or three years later, but it's not a common practice.

Due to these characteristics, competitive rivalry has a very high power in the market.

Threat of substitution

The threat of substitution in this market is very low, as a campervan trip includes a vehicle, accommodation, a place to prepare meals, and also an experience, so it cannot be easily substituted by another product or service.

Buyer power

In this market, there is a high number of low size buyers, as usually they will rent only one van. As the differences between competitors are very small, the buyers are highly price sensitive. Moreover, the buyers can easily substitute between competitors and they don't have any cost of changing, so they have a high power in this market.

**SWOT Analysis**

It's very important to perform a SWOT Analysis, in order to develop a consistent strategy for the company. In this analysis, we will look at Portugal by Van's internal strengths and weaknesses, as well as the opportunities and threats that the company faces in the market.

SWOT Analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Premium service</li> <li>• Low costs, as the partners have a lot of the competencies needed by the company (marketing, maintenance, administration, finance)</li> <li>• Funding capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Price is above the one from the major competitor (Indie Campers)</li> <li>• Low differentiation in the van's offer</li> <li>• The Google search ranking is not good (8th)</li> <li>• Low capacity to grow in terms of time from the management, as the partners have other jobs and work in the company only in part-time</li> </ul>
Opportunities	Threats

<ul style="list-style-type: none"> <li>• Increase in the demand for campervans</li> <li>• Expectations that Travel and Tourism's growth will outpace the global growth of the economy in the next decade (WTTC)</li> <li>• Development of an e-commerce store</li> <li>• Low differentiation of all competitors opens room for a big differentiation if the firm does something new.</li> <li>• Increasing youth travel. Young people undertake longer trips and spend more, looking for a life-changing experience <sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• New entrants in the market</li> <li>• International competitors (a company that gives to the customer the possibility of renting the van in one country and delivering it in another one has clear advantage)</li> <li>• High number of competitors</li> <li>• Possibility of a price war and consequent reduction in the price</li> <li>• Prohibition by law of parking the campervans outside camping parks</li> <li>• Terrorism</li> </ul>
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Table 1- SWOT Analysis

## TOWS

### SO- Maximize Opportunities using Strengths

- Use Portugal by Van's advantage in its cost structure to invest in an e-commerce store, to make the process of reservation more easy for the customers, ending up also reducing costs for the company.
- The company should invest more in the differentiation of its premium service, in order to stand out from the competitors.
- Use the company's funding capacity to internationalize it to Spain and take advantage of the increase in the demand for campervans.

### ST- Minimize Threats using Strengths

- Use Portugal by Van's funding capacity to internationalize it to Spain and minimize the threat of international competitors by becoming an international company in the market.
- The company should take advantage of the premium quality of its service to keep its prices and don't enter in a price war that would reduce prices.

### WO- Minimize Weaknesses by taking advantage of Opportunities

(3) <http://ttr.tirol/sites/default/files/upload/UNWTO%20Youth%20Travel%20Matters.pdf>

- By taking advantage of the increase in the demand for campervans and entering the Spanish market, Portugal by Van's would be able to increase its awareness and improve its Google search ranking.
- By investing more in the differentiation of its premium service, in order to stand out from the competitors, the company would be able to minimize one of its weaknesses (the low differentiation in its product and service offer).

#### WT- Minimize Weaknesses and avoid Threats

- Do not enter price wars that reduce the price to a very low limit but adjust the price taking into consideration the number of nights booked and the occupancy rate of that time of the year, to be able to come closer to competitors' prices. Through the investment in the e-commerce store, the customer would be able to get the fairest quote instantaneously, what would be an advantage.

#### **Criteria for Region Selection- Spain**

The region selected for the internationalization of Portugal by Van is Spain because tourism has a major importance in this country. According to UNWTO (World Tourism Organization), Spain is the third most visited country and the second in what concerns tourism revenue. In 2015, the country received 68 million tourists. For 2016, it is predicted that tourism will grow by 4,4%, which is more than the predicted growth for the overall Spanish economy (3,2%), according to Exceltur. In the first ten months of the year, Spain already received 67.483.478 visitors. The foreign visitors' main destinations are Catalonia, Balearic Islands, Canary Islands and Andalusia. The majority of the visitors come from United Kingdom, France and Germany. The UK already has some tradition regarding campervans, as this activity has a high importance in the country's economy, according to NCC, so the visitors from UK may be of great value for Portugal by Van.

Moreover, according to Philip Moscoso, Professor at Madrid's IESE Business School, tourists are spending less when compared to 2015, as they are trying to save money <sup>(4)</sup>. In fact, there is an increase in the number of people that fly to Spain in low cost airlines and then opt for alternative types of rentals, instead of going to a hotel. This may be a great opportunity for Portugal by Van in the Spanish market.

Furthermore, Spain has a lot of characteristics that attract tourists, from the good weather and wonderful coast, to the great cultural attractions and monuments, as well as the nightlife.

Finally, Spain is also part of the Iberian Peninsula, so close to Portugal, which is a main advantage in terms of logistics for Portugal by Van.

### **Mode of Entry**

After the analysis of the firm, I concluded that the best mode of entry in the Spanish market is by Foreign Direct Investment. In a long-term perspective, FDI is the most powerful mode of entry in an international market, as it allows the company to reduce its distribution costs and to be closer to its customers.

The strategy will be to invest in a wholly owned subsidiary, replicating the business model that Portugal by Van has applied the Portuguese market.

A wholly owned subsidiary has some advantages, if we compare it with a joint venture, for example. The most important advantage is the higher level of control of a wholly owned subsidiary, as the company doesn't have to share the control with a partner, being able to control all the strategic and operational decisions, which confers much more flexibility to adapt to changes in the business environment. Moreover, with a wholly owned subsidiary, the company is able to lower the risk of dissemination of highly important assets that are transferred to the subsidiary, like technology and know-how.

(4)- <http://www.thelocal.es/20161023/spain-worries-about-tourism-future>

The company will replicate the business model that it has applied in the Portuguese market, so it will have a location open to the public, to receive the customers, with a warehouse to park the vans and to do their maintenance when needed. The wholly owned subsidiary will have the name “Spain by Van”, an adaption of the original name to the Spanish market.

According to National Statistics Institute, the foreign visitors’ main destinations are Catalonia, Balearic Islands, Canary Islands and Andalusia. So, the chosen location for the penetration of Portugal by Van in the Spanish market will be Malaga, in Andalusia. Through Malaga, Portugal by Van can deliver vans in Seville and Granada, having in mind a distance lower than 350km. Another mode of entry that was considered was an alliance with a rent a car, in which the other company would already be established in the Spanish market and would receive a commission for every van rented. However, this option was not chosen because the vans need maintenance, like cleaning and electrical repairs, and the perfect accomplishment of these tasks is also part of the premium service that Portugal by Van ensures to its customers, so the company doesn’t want to compromise the quality of the service.


### **Implementation Plan**

Portugal by Van needs to use a differentiation strategy to penetrate into the Spanish market. In order to stand out from competitors, they need to focus on their premium service to the clients. Moreover, the company should contact local suppliers, like workshops, in order to get the best conditions for the maintenance of the vans. The vans’ leasing contracts could be done in Portugal, as well as the transformation and customization, as the company already searched for the best deals and was able to find the best suppliers in terms of their quality-price relationship. Additionally, the company should also invest in an e-commerce store, in which customers from whole over the world could directly book their trip, defining their start and end locations as they prefer, between Spain and Portugal.

The promotion should be done using Digital Marketing, through the internet, investing in SEO (Search Engine Optimization) and Google Adwords, in order to increase their Google search ranking, and using social media, like Facebook publications and adds. Furthermore, Portugal by Van should be present in the International Tourism Trade Fair, which takes place in Madrid every year, and in the Lisbon Travel Market, in order to promote themselves and increase their awareness in the Spanish market. Moreover, the company should do partnerships with surfers, as these athletes can use the vans to go through all the good beaches for surf, and they will be showing off the vans.

Regarding the pricing strategy, the company should keep the dynamic pricing strategy that it uses in the Portuguese market, charging a higher price in the high season, when the demand is higher and the company may face supply constraints, and charging a lower price when demand is lower, to attract customers. Furthermore, the price will then be adjusted for the number of nights booked, and the advance in booking.

Thus, the prices will be the same that are charged in the Portuguese Market:

**TABLE RENT\_2016** 

CHOOSE YOUR CAMPERVAN	LOW SEASON	MEDIUM LOW SEASON	MEDIUM HIGH SEASON	HIGH SEASON	EXTRA HIGH SEASON
<b>Fiat Ducato (3 berth)</b>	<b>€55</b> <small>(no restriction)</small>	<b>€70</b> <small>(min. 3 days)</small>	<b>€90</b> <small>(min. 3 days)</small>	<b>€115</b> <small>(min. 7 days)</small>	<b>€120</b> <small>(min. 7 days)</small>
<b>Fiat Ducato (4 berth)</b>	<b>€65</b> <small>(no restriction)</small>	<b>€80</b> <small>(min. 3 days)</small>	<b>€100</b> <small>(min. 3 days)</small>	<b>€125</b> <small>(min. 7 days)</small>	<b>€130</b> <small>(min. 7 days)</small>
<b>Premium Van (4 berth)</b>	<b>€95</b> <small>(no restriction)</small>	<b>€105</b> <small>(min. 3 days)</small>	<b>€125</b> <small>(min. 3 days)</small>	<b>€150</b> <small>(min. 7 days)</small>	<b>€165</b> <small>(min. 7 days)</small>

In this prices are included the "Standard" insurance, chairs, table for exterior, and shower.  
The electronic toll reader is not included and adds €10 per trip, if used.

Figure 2- Actual Price List



Besides the vans' rental, the company also has Revenues with the rental of extra products for the trip, extra services, like pick up and drop off from/to the airport, and the insurance, as the vans already have an insurance covering everything (Extra Premium) but in the price is only included the standard. These prices will also be kept as they are applied in the Portuguese market. (Exhibits 1 & 2)

For a better decision regarding the implementation plan, I will conduct a 4 M's analysis: Men, Money, Minute and Memo.

### Men

Portugal by Van will need to hire one full-time employee to work in Spain. This employee will work in the company's physical location, being responsible for all the tasks related to the vans as well as delivering it to the clients. During the summer, as the flow of customers increases, there will be hired one more full-time employee.

These employees will be Spanish people trained by the company, and it is an absolute requirement that they are fluent in Spanish and English. It would also be an advantage if they could speak other languages, due to the high percentage of international customers that the company receives.

### Money

For the implementation of this project, Portugal by Van will need to make some investments. Firstly, the company needs to rent a warehouse with space for the vans and customer service. A warehouse with 230 m<sup>2</sup>, 15min away from Malaga Airport, will have a cost of approximately 650€ per month. Additionally, for the vans, the company needs to make an initial investment of 7500€ per van, approximately, including the initial payment of the van, the transformation and the legalization. Portugal by Van will start with 13 four-seats Fiat Ducato vans in the Spanish market.

The company will also need to pay the salary to its employees and it will have an initial training cost, estimated in 1000€.

Moreover, the company will have the cost of developing an e-commerce store in their current website, estimated in 5000€.

Furthermore, Portugal by Van will have the costs with digital marketing, including SEO, Google Adwords and Facebook adds, totalizing 3000€.

Finally, they will also have a cost of 1662,25€ with their presence in the Lisbon Travel Market, and a cost of 3.385€ with their presence in the International Tourism Fair in Madrid- For this last one, they will also need to pay for the plane tickets to Madrid.

### Minute

	Activity	Duration (months)
1	Internally prepare and structure the internationalization strategy	2 weeks
2	Develop the e-commerce store	2 months
2	Define the specific location of the warehouse in Spain and rent it	1 month
3	Get the vans and transform them	1 month
3	Hire the new employees and train them	1 month
4	Contact local suppliers (workshops)	1 month
5	Invest in SEO, Google Adwords and Facebook adds	5 months
6	Participate in International Fairs	Every year

### Memo

	Objectives	Target	Measurement	Initiative
<b>Financial</b>	- Increase in Revenues	-Achieve 1.000.000€ in Revenues - 65% of Revenues will come from the Spanish market.	- National and International Revenues	- Enter the Spanish market with a physical location and digital marketing
<b>Customer</b>	- Increase the number of customers	- Share the Iberian campervan	- Market share - Market research	- Presence in International Tourism Fairs

	-Increase the international awareness of the company	tourism market equally with Indie Campers, their biggest competitor.	- N° likes on Facebook page	-Digital marketing (Goofle Adwords, Facebook adds)
<b>Internal</b>	- Improve differentiation from competitors through the service quality	- Increase customers' preference and recommendations	-Customer satisfaction surveys - Facebook page's rating	- Special offers to customers who book several nights - Special offers for a customer who recommends the service to a friend - Train employees for customer service, maintenance and cleaning
<b>Learning</b>	- Improve the company's website - Develop an e-commerce store to add to the website -Train employees	-Capture more customers through the e-commerce store - Enter the Spanish market keeping quality service through the employees	-N° of customers booking through e-commerce store - N° of hours of training	- Hire an informatics technician to improve the website and develop the e-commerce store - Send a member of the company to Spain to train employees

### Financial Projections

In order to evaluate if the project should be implemented or not, I performed financial projections.

The company disclosed information regarding the year of 2015, and based on that information and on the knowledge I have about the company and the market, I estimated the values for 2016. Afterwards, I estimated the revenues and costs for the three subsequent years, from 2017 to 2019.

Portugal by Van was operating with 9 vans in 2015 and they increased this number to 13 vans in 2016, so I estimated a growth of approximately 50% in the revenues, following the increase in the number of vans and the market's growth. Regarding variable costs, like the vans' rent and maintenance, I estimated an increase proportional to the increase in the number of vans- The fixed costs were kept constant, as there weren't changes in them between the two years.

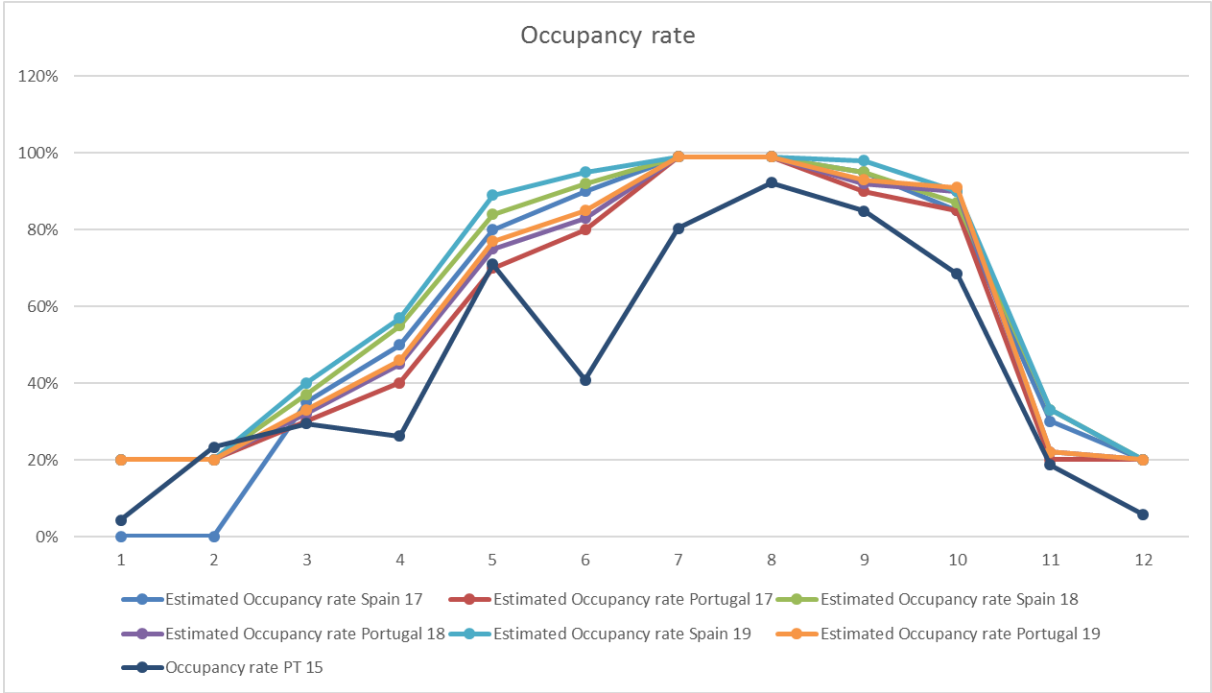
To enter the Spanish market, the initial investment needed will account for 108547,3€, including the initial investment in the vans, the development of the e-commerce store, the company's presence in the tourism trade fairs and the training of the Spanish employees. (Exhibit 3). The vans' and office's rents, the employees' salaries and the investment in digital marketing will be included in the estimated P&L, as they will be monthly costs.

Moreover, as the company needs approximately 2 months and a half to start operating in Spain, I estimated the occupancy rates for 2017 starting in the second half of March. The estimated occupancy rates for Spain and Portugal regarding the year of 2017 are higher than the ones from 2015 (Exhibit 6), as Spain by Van will be operating with more vans and the business is expanding. Using the estimated occupancy rates, I calculated the estimated revenues from the vans' rental. For the extras' revenues, I assumed they would grow at the same rate as the vans' rental revenues. For the estimation of the variable costs, I used the same proportion per van and then I increased them a little bit for safety reasons.

Additionally, I performed the same analysis for the two following years, taking into account that Spain by Van will continue to grow, with the acquisition of new vans every year (Exhibits 7 & 8). As the activity of the company will grow, by 2019 a new employee will also be hired and trained.

Finally, I calculated the estimated profit for the three years and I concluded that the initial investment of the implementation plan will be fully recovered during the first year. Considering the investment that will be made by Spain by Van in the following years (Exhibits 4 & 5), it

will be recovered in the same year in which they are made. Moreover, the company will be able to increase its global profit and to assume a strong position in the two markets in which it will be operating.



Graphic 1- Occupancy rate

2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>Estimated Occupancy rate Spain</b>	0%	0%	35%	50%	80%	90%	99%	99%	95%	85%	30%	20%
<b>Estimated Vans' Rental Revenues Spain(€)</b>	0,00	0,00	4584,13	15600,00	25792,00	35100,00	50868,68	50868,68	46312,50	27404,00	7605,00	5239,00
<b>Estimated Occupancy rate Portugal</b>	20%	20%	30%	40%	70%	80%	99%	99%	90%	85%	20%	20%
<b>Estimated Vans' Rental Revenues Portugal (€)</b>	5239,00	4901,00	7858,50	12480,00	22568,00	31200,00	50868,68	50868,68	43875,00	27404,00	5070,00	5239,00

Table 2- Estimated occupancy rates and revenues (2017)

P&L	2015	2016	2017		2018		2019	
	Portugal	Portugal	Portugal	Spain	Portugal	Spain	Portugal	Spain
	(10 vans)	(13 vans)	(13 vans)	(13 vans)	(14 vans)	(16 vans)	(15 vans)	(19 vans)
Revenues	(€)	(€)	(€)		(€)		(€)	
Van Rentals	144298,84	216448,26	267571,85	269373,98	296726,50	358167,36	321162,00	435119,19
Insurance	10488,08	15732,12	19350,51	21285,56	23801,12	25542,67	29275,38	28096,94
Partial extra insurance options	718,83	1078,25	1326,24	1458,87	1794,40	1750,64	2207,12	1925,70
Pick up and drop off	6203,97	9305,96	11446,32	12590,96	15486,88	15109,15	19048,86	16620,06
Extra Rentals	6944,77	10417,16	12813,10	14094,41	17336,13	16913,29	21323,43	18604,62
Bedding	1782,35	2673,53	3288,44	3617,28	4449,25	4340,74	5472,58	4774,81
Damaged items	1589,22	2065,99	2541,16	2795,28	3438,19	3354,33	4228,98	3689,77
Payments by customer account	9366,99	14050,49	17282,10	19010,31	23382,68	22812,37	28760,69	25093,60
General Cleaning of campervan	54,99	82,49	101,46	111,60	137,27	133,92	168,84	147,31
Electronic Toll Reader	997,90	1496,85	1841,13	2025,24	2491,04	2430,29	3063,98	2673,31
<b>Total Revenues</b>	<b>180663,59</b>	<b>273351,07</b>	<b>337562,30</b>	<b>346363,47</b>	<b>389043,47</b>	<b>450554,76</b>	<b>434711,87</b>	<b>536745,33</b>
Costs	(€)	(€)	(€)		(€)		(€)	
Water and Electricity	-422,82	-422,82	-422,82	-422,82	-422,82	-422,82	-422,82	-422,82
Gas	-3067,37	-3987,58	-3987,58	-5000,00	-3987,58	-5000,00	-3987,58	-5000,00
Communications	-1498,48	-1498,48	-1498,48	-1498,48	-1498,48	-1498,48	-1498,48	-1498,48
Legal expenses	-135,08	-135,08	-135,08	-135,08	-135,08	-135,08	-135,08	-135,08
Travel expenses	-853,03	-1000,00	-1000,00	-2000,00	-1000,00	-2000,00	-1000,00	-2000,00
Bank expenses	-208,51	-208,51	-208,51	-208,51	-208,51	-208,51	-208,51	-208,51
Parking	-46,50	-60,00	-60,00	-50,00	-60,00	-50,00	-60,00	-50,00
Taxes	-8042,73	-7800,16	-18429,19		-24925,51	-30518,49	-31193,15	-37842,64
VAT	-18783,76	-40474,06	-63121,41	-60112,67	-72747,97	-78195,45	-81287,59	-93154,15
Vans' Maintenance	-22819,00	-29664,70	-29664,70	-29664,70	-31946,60	-36510,40	-34228,50	-43356,10
Vans' material	-1801,23	-2341,60	-2341,60	-2341,60	-2521,72	-2881,97	-2701,85	-3422,34
office supplies	-392,09	-392,09	-392,09	-1000,00	-392,09	-1000,00	-392,09	-1000,00
Cleaning products	-55,50	-55,50	-55,50	-55,50	-55,50	-55,50	-55,50	-55,50
Fines and penaltys	-423,27	-423,27	-423,27	-423,27	-423,27	-423,27	-423,27	-423,27
Toll payments	-9973,15	-9973,15	-9973,15	-9973,15	-9973,15	-9973,15	-9973,15	-9973,15
Marketing	-1026,00	-1500,00	-1500,00	-3000,00	-1500,00	-3000,00	-1500,00	-1500,00
Meals	-208,30	-208,30	-208,30	-208,30	-208,30	-208,30	-208,30	-208,30
Wages and salaries	-16772,92	-16772,92	-16772,92	-16772,92	-16772,92	-16772,92	-16772,92	-2300,00
Other remunerations	-1876,50	-1876,50	-1876,50	0,00	-1876,50	-1876,50	-1876,50	-1876,50
Vans' rent	-30503,98	-39655,17	-39655,17	-39655,17	-42705,57	-48806,37	-45755,97	-57957,56
Office rent	-3478,59	-3478,59	-3478,59	-7150,00	-3478,59	-7150,00	-3478,59	-7150,00
Insurance	-7664,48	-9963,82	-9963,82	-7664,48	-9963,82	-9963,82	-9963,82	-9963,82
Specialized work	-10253,19	-10253,19	-10253,19	-10253,19	-10253,19	-10253,19	-10253,19	-10253,19
Clothing treatment	-454,12	-590,36	-590,36	-590,36	-590,36	-590,36	-590,36	-590,36
<b>Total Costs</b>	<b>-140760,60</b>	<b>-182735,86</b>	<b>-216012,23</b>	<b>-198180,20</b>	<b>-237647,53</b>	<b>-267494,58</b>	<b>-257967,21</b>	<b>-290341,76</b>
<b>Profit Before Taxes</b>	<b>40000,76</b>	<b>90615,21</b>	<b>121550,07</b>	<b>148183,27</b>	<b>151395,93</b>	<b>183060,18</b>	<b>176744,66</b>	<b>246403,56</b>

Table 4- Portugal by Van's P&L (estimated for 2016 and 2017)

### Risk analysis

Regarding the Financial Projections, I performed a risk analysis with two more scenarios: a pessimistic one and an optimistic one (Exhibits 9 to 12). The variables changing were the occupancy rates and the growth rate of the revenues coming from the extras.

In the pessimistic scenario, I estimated zero growth between 2017 and 2019. It's important to point out that the initial investment of the implementation plan will only be recovered in the project's second year, so Spain by Van will not have room to make any other investment in the subsequent years.

On the other hand, in the optimistic scenario, all the investments are recovered in the year in which they are made.

As the initial investment is moderate, there is no critical risk regarding the financial evaluation of the project, because even in a pessimistic scenario the investment will be recovered in a short period of time.

However, there are some operational risks that may compromise the success of the implementation plan. Firstly, the distance to Spain may cause difficulties in control, as the manager can't be as present there as he is in Portugal. Moreover, as the differentiation of Portugal by Van comes from its premium service, it's very important that the Spanish employees are very well trained and totally share the values of the company, to ensure that the level of quality is not at risk.

Finally, as Spain belongs to the European Union, there is no exchange rate risk, which is a big advantage.

### **Conclusion and Recommendations**

After the internal and external analysis of the company, the study of the industry, and the evaluation of financial projections and risks, I concluded that Portugal by Van should enter the Spanish market with foreign direct investment, through a wholly owned subsidiary.

The market is growing every year and there is a lot of potential in the Spanish market, so the company will be able to increase its global revenues. Moreover, the internationalization will indirectly influence the Portuguese market's revenues, as the customers will be able to rent a campervan in Portugal and deliver it in Spain, which is an advantage for them.

Furthermore, the internationalization along with the investment in digital marketing and the development of the e-commerce store, will increase the international brand awareness of Portugal by Van, which will be very positive to the company.

Additionally, the initial investment needed for the project is not very high, and it will be fully recovered during the first year, even in a pessimistic scenario, so that is clearly in favor of the implementation plan.

Finally, in the risk analysis it was recognized that the most critical risk of the project will be the maintenance of Portugal by Van's premium service and a possible loss of control. In order to mitigate this risk, the training process should be carefully designed and implemented, and the company should frequently control this issue, namely asking the customers to fulfill a satisfaction questionnaire after their trip, to ensure that the quality of the service is perceived as premium by the customers.

To conclude, I believe that, with the implementation of this internationalization project, Portugal by Van's profits and brand awareness will increase, and the company will be very successful in the Spanish market as it will grow significantly. If so, in the future, they should expand to other Spanish regions, being Barcelona the second-best option, as it receives a big number of tourists every year.

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