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INTERNATIONALIZATION STRATEGY OF GUAVA

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Introduction

Guava is a Portuguese footwear startup, specialized in architectural shoes and accessories for women, which targets an upper-class segment. Inês Caleiro, the CEO and founder of the company, has recently expressed her desire for a greater presence in international markets. Given that, and with the guidance of Professor Sónia Dahab, the purpose of the group part of the project was to study Guava's current situation and industry environment, with the ultimate goal of assessing its overall readiness to further internationalize to other countries. For that, an analysis of the Portuguese footwear cluster was made, followed by an internal analysis of the company, a value chain and competitive analyses, and finally, a literature review. Besides, this work project, composed of five members, was responsible for providing an internationalization strategy to **France, United Kingdom, Japan, China** and **Saudi Arabia**. A limitation of the group work, however, was the difficulty of coordinating five different countries' analysis. Therefore, it was only possible for each group member to perform an internationalization plan for a country, while not being able to present a sequential country entry for the company.

Methodology

To perform the group part of the underlying project, primary and secondary research was conducted. Regarding the primary research, interviews with Guava's CEO, Inês Caleiro, took place, focusing on both quantitative and qualitative data. Also, an interview with APICCAPS was performed, regarding the footwear industry and Guava's support from the Association. With regard to secondary research, it included information from books, articles, reports, online databases, and other web resources.

Portuguese Footwear Cluster Analysis

The footwear industry is one of the oldest industries, with an age that goes far beyond the Industrial time frame. However, over time, technology, new trends for new designs, use of e-

commerce and human needs, such as healthy lifestyles, have impacted our lives, which has been also influencing the footwear industry. From the typical pieces of leather cut and sewed together, to the more sophisticated ones with the perfect combination of technology and hand-made features, the footwear industry has suffered a revolution in the past decades.

The global footwear market is mostly divided into three different categories: types of footwear – sport and non-sport; consumer group – men, women, and kids; geography - North America, Europe, Asia Pacific and Rest of the World. In terms of the non-sport footwear group, it is also divided into casual, fashion and formal.

In order to better understand the Portuguese Footwear Cluster, an interview with APICCAPS was conducted, and the main conclusions from it and APICCAPS' data will be presented over this section, while the interview questions and answers can be found in *Appendix A and B*, respectively.

The Portuguese footwear industry is characterized by mostly a B2B relationship, in which companies can benefit from the help of APICCAPS - Portuguese Footwear, Components and Leather Goods Manufacturers' Association that wants to make Portugal a “sexy” footwear industry, which means an appealing, competitive internationally, and known through brands B2C, helping therefore companies thrive. This means that Portugal has most of the footwear companies not selling branded shoes, but instead, investing in manufacturing shoes to well-known companies. Over the years, with the appearance of younger and eager designers who want to have their own brand of shoes, it has been possible to see that this “industry-dynamic” has been changing; however, this is still not a significant change.

Moreover, because of the intense changes that this industry has been going through to outperform international competitive footwear clusters - change of its facilities in terms of better machinery and technology, better information on production methods to keep up with other segments of the industry and gain competitive advantage - these companies are recognized

worldwide for their high-quality products, design, innovation and manufacturing abilities. The changes have been allowing companies to see payoffs, since now they can quickly and with flexibility respond to the European market and have the most technologic development – more productive and have as competencies the service of modelling, choice of suppliers and others. Furthermore, another core feature of Portugal’s footwear is the creation of the Portuguese stamp – a representation of the “made in Portugal” symbol that is put on shoes. As Portuguese shoes gain more relevance, the Portuguese stamp becomes more valuable, benefiting the companies who hold it, since they are associated with the country and the underlying shoe’s high-quality. Additionally, all these changes and inclusions of features have proven to be essential, since they have created a constant growth rate over the years in the values of exports. For instance, in 2016, it was exported 81.6 million pairs of shoes, which corresponds to 1,900 million euros and a growth of 3.2% when compared to the same period of the previous year (APICCAPS 2017). Overall, Portugal exports more than 95% of its annual production to over 150 countries on all 5 continents. Its main destinations continue to be countries in Europe, such as France, Germany, the Netherlands, Spain and the UK. However, destination countries such as China, New Zealand, and the United States have started to become relevant importers of Portuguese footwear (World Footwear 2017). Furthermore, the industry growth is also being seen in the number of players in the market. While in 2010, there were 1,245 companies that employed 32,132 people and were responsible for exporting 69 million pairs, in contrast to 66 million pairs imported – 45% from Spain, 12% from China, 12% from Belgium, 10% from Italy, 6% from the Netherlands and 15% others; in 2016, there were 1,473 companies, that were responsible of employing 38,661 people and exporting 82 million pairs, in contrast to 57 million pairs imported – 47% from Spain, 23% from China, 7% from the Netherlands, 7% from France, 5% from Germany and others. Also, these imports do not correspond in total to Portuguese consumption, as the industry faces a strategy of re-exporting part of its imports. In terms of

labor productivity, it has been growing 10% since 2010, exceeding, in 2016, 2,000 pairs of shoes. On the other hand, the gross production value per employee has also grown 31% since 2010, reaching 52,000 euros in 2016. In respect to prices, the continuous growth of Portuguese footwear exports has not caused its price to increase, having it stabilize at an average of 23€ to 24€ per pair. Meanwhile, the average price of imports is 10.56€. This difference is mainly caused by the composition of the flows; while in Portugal is mainly leather footwear, the external is predominantly composed of humbler materials.

When looking deeply into an industry there is a need to define its cluster and its surroundings, to understand the aspects that can impact the industry. A cluster is a regional concentration of related industries in a given location (Porter 1998). They consist of companies, suppliers, service providers, government agencies, universities and institutions that can provide training, research, and technical support. Portugal has highly implemented, concentrated and developed footwear clusters, that are responsible for two main hubs in the North of the country and for one less relevant in Alcobaca/Alcanena, composed by shoe, machinery, leather, components and material companies, plus knowledge centers, universities, tanneries, and apparel industry. One of the main hubs is in Felgueiras and Guimarães, while the other one is in Santa Maria da Feira, Oliveira de Azeméis, and São João da Madeira. These five cities are responsible for the employment of $\frac{3}{4}$ of the industry and are located within 60 kilometers of each other, therefore allowing companies to have full access to the manufacturing process – products and services – within the same geographical location. The hub of Santa Maria da Feira is one of the world's largest cork and footwear manufacturing center, that focuses on foreign markets. Oliveira de Azeméis hub has the Business Management Innovation Center, which is responsible for helping companies' marketing, sales, and administrative needs. On the other hand, São João da Madeira hub is the oldest and the center of the hubs and of the Portuguese footwear industry. At last, the Felgueiras, Alcobaca/Alcanena hubs are the younger ones and they are focused on

entrepreneurial spirit and expansion to international markets. All of these clusters are mainly composed by micro and small and medium-sized enterprises (Banco de Portugal 2016) that employ a small number of employees (*Appendix C*) and also by companies of footwear components and leather goods. In 2016, the footwear components were represented by 277 companies, 4,952 employees, and 178 million euros exports, while the leather goods were composed of 120 companies, 1,546 employees and 47 million euros exports. Both related sectors have been presenting growth just as the footwear companies.

In respect to adversities, throughout the years, this industry has suffered from lack of qualified labor, due to its “lack of appeal” to younger and well-educated people. However, the knowledge centers collaboration with APICCAPS has been trying to reverse the situation by promoting studies for younger people in its knowledge centers, which has been resulting in an increase of 3% to 9% of employees with secondary education or university diploma. In respect to Portugal’s technology centers, there are two: The Portuguese Technological Centre and the Academy of Design and Footwear. The first one has been helping companies to find producers that have a technological capacity of production, while the latter is the one responsible for the formation in this area.

In terms of competition, it mainly competes with other foreign producers through product differentiation, instead of focusing on a low-cost strategy. As low-cost productions increase through the Asia segment, Portugal’s footwear industry is not capable of those types of costs, therefore it focuses its energies in competing with a quick response, small batches and product differentiation combined with the logic of e-commerce and digital. These qualities are the result of the Portuguese presence in the high-cost shoes’ segment and the classification of a high average shoe price, that is only overthrown by Italy.

In respect to the future of sales, even though e-commerce is being a positive combination for the micro and small companies inside this cluster, one of the biggest challenges for their future

and for the future of Portuguese companies will be their ability to integrate the physical with the digital channels – creating an Omni-channel – since the global brands will have an easy transition; and also, the ability of micro and small companies to switch to a B2C business and create a brand with high quality and brand awareness internationally.

In the premium segment, the products can create an impression of exclusiveness, however, when customers choose a premium brand it is because they care about the quality of the products. To be in the premium sector, like Guava, it is necessary to create goods with high-quality raw materials and with a superior functionality. The higher price is justified by the extra quality of its raw materials, but also the fact that Guava's shoes are handmade, one by one, just-in-time, creating a sort of exclusivity and rarity into its products. Being part of both the Portuguese cluster and APICCAPS, allows Guava to have access to suppliers that have the ultimate technology machinery.

Overall, taking in consideration all the previous information, the Portuguese cluster sustainable competitive advantage should be able to enforce several sectoral policies, namely R&D investment in radical and continuous products' innovations, processes and intensive qualification of the labor force and management skills.

Internal Analysis

Company Overview

Guava is a footwear and accessories startup that was created in 2010 by Inês Caleiro. It is described as “a fusion of geometric seduction, urban experience, and new design perspective” (Portugal Confidential 2017). The vision for Guava's product line was conceived while Inês was living in the U.S. and then, when she returned to Portugal, she began developing and building her brand. Her first prototype was made in Spain, due to the difficulty she faced in Portugal to find manufacturers that would believe in her products and that would produce such exquisite and delicate heels which required high technology. Regarding the CEO career path,

Inês Caleiro is a Portuguese designer that studied graphic design in IADE, in Lisbon. After this, she pursued a Fashion and Product Design course at the London College of Fashion, where she won the “Best Student” award, leading to an invitation to work at Jimmy Choo. This served as the inspiration to start her own footwear brand.

From the start, Inês was supported by APICCAPS, which helped her create a brand that showed Portugal had a say in the footwear industry, not only with classic models but also with new designs. In terms of product portfolio, Guava has to offer footwear, bags, and necklaces (*Appendix D*). It has women shoes, with high heels mainly, leather bags, sandals, low heels and a line of boots. Besides its core products, the shoes, Guava’s concept also relies on a lifestyle accessory brand for independent, confident women who want to boost their confidence and feel empowered with accessories. Thus, Guava’s main target is women with ages between 25 and 35, with medium to high disposable income. In terms of geographical presence, besides Portugal, Guava has stores located in Lithuania and Norway. When it comes to e-commerce, the company is present in Germany and Poland, via a multi-brand B2C website. Moreover, through its own website, Guava has been able to reach customers from markets such as France, United Kingdom, Germany, Canada, the US and Australia. Within all these international markets, the US, UK, and France are the most important ones. While initially the brand focused on physical points of sale, at the end of 2016, it decided to start relying on B2C e-commerce, given the consistent losses and the emerging e-commerce trend. Besides, the company’s headquarters moved from Lisbon to Porto, to get closer to its manufacturer. Currently, each month, Guava sells an average of 5 to 10 pairs of shoes and in some months 20 pairs, with an average price of 300 euros.

Business Model

Guava’s main strategy is to focus on e-commerce sales, as previously mentioned, which is achieved by insourcing design and concept, and outsourcing both the manufacturing and

distribution. Thus, procurement is of prime importance, as the ability to negotiate, supervise, and control for the quality and the costs is crucial to Guava's success. The first stage of the supply chain corresponds to the design and concept of the products, which Inês is responsible for. However, in the cases in which Guava performs a partnership with a designer, this person is also part of this stage and the following ones. In terms of the manufacturing process, it relies on one main manufacturer in São João da Madeira, with 20 workers, that further outsources by purchasing materials, such as heels and zippers, from suppliers. Furthermore, Guava does not hold inventories as its production is based on the method Just-in-time, resulting in the production of small batches. This, besides increasing the relevance of the suppliers, also provokes a possible trade-off for Guava between the cost of having inventory and the cost of losing customers due to the possible long deliveries - with a normal functioning it usually takes two weeks for the product to reach Guava and more or less three days to reach the final customer. Consequently, the close monitoring of quality and costs, the continuous information sharing with the manufacturer and the necessity to involve suppliers in Guava's product development has been recognized by the company as key success factors, as its absence in the past has led to manufacturing problems. Given that, Inês is deeply involved in this whole process and the majority of her time is spent on searching and assuring that the materials used give the product the look and the quality wanted, allowing at the same time for the desired profit margin. Moreover, this quality control is a continuous process, in the sense that it is done when the materials are received, during the manufacturing process itself, and after the product is finished. Once the last stage of quality control is over, the product can either go directly from the factory to the customer or go to Guava's showroom so that it can be properly packed before being sent to the customer. In both scenarios, a distributor - DHL - is in charge of getting the products from the manufacturer to customers.

Apart from Guava's main strategy of using e-commerce to sell its products, and aiming to have a stable revenue, the company also develops consulting services, mostly related to follow-ups of production and quality control, and that can also involve, in some cases, design. To initiate this, companies directly contact Guava, to expose their necessities and define the aspects Guava will be responsible for. Then, Guava mostly works as a bridge of information between its client and the manufacturers and suppliers, in the aspects defined in the contract. However, this service will not be covered in the internationalization strategy, as it is not Guava's core business and it does not belong to the project's scope.

Guava Value Chain Analysis

A value chain is a model used to describe the process by which businesses receive raw materials, add value through different processes to create a finished product and then sell that end product to customers (Porter 1985). The analysis of the value chain is important as it allows companies to examine the value chain's efficiency and also which steps' improvements would allow a higher value – and competitive advantage – for the least amount of cost.

Although financial data was not given by Guava, Inês estimates the gross profit margin of the products' sales to be around 50% to 70%. According to her, less than 50% of gross profit means company's variable costs will not be covered. This section provides an overview of the primary and secondary activities Guava performs to deliver its product to customers, while the competitive advantages that arise from these activities will be considered in the SWOT analysis performed in the next section.

Primary Activities

The primary activities can provide a competitive advantage for the company in any of these five activities presented, as its goal is to create enough value to exceed the cost of conducting the activity and generate a higher profit.

Inbound Logistics: It involves the relationships with suppliers and includes all the activities required to receive, store and disseminate inputs (Kristina Zucchi 2017). The responsible for this activity is Guava, as it provides to the manufacturer all the procurement management, by supplying leather and accessories to his production.

Operations: Guava only creates the design and mold of the shoe, since all the manufacturing is outsourced, as it was mentioned above. This manufacturer is characterized by a high level of technology and quality processes, maintaining this way a high-quality production of Guava's shoes. Furthermore, it also must be able to produce low quantities, as Guava demands exactly the number of orders it holds and must be flexible with the production, as Guava intends to ship worldwide quickly. This factor is key to the company since it wants to offer a premium product to its customer, and as it ships anywhere, it needs to be able to produce unique shoes and send them as soon as possible.

Outbound Logistics: Storage and packing are done by Guava to ensure the quality of the package and the personal touch added with the handwritten signature of a card that goes with the shoes. The shipping is then outsourced to DHL, as mentioned earlier.

Marketing and Sales: The marketing done by Guava is a mix of traditional marketing with online and social network marketing. Guava relies on APICCAPS to ensure the traditional showrooms and fairs attendance. APICCAPS does this for all shoe brands and manufacturers in Portugal which benefits all of them. Press advertising is also done by Guava and APICCAPS in fashions magazines to leverage on the influential power over trends and future consumers. The online part is ensured by Guava, normally through Inês' blog, and through Guava's website, Twitter, Instagram, and Facebook. The company also tried Google AdWords but gave up, since results were not being tracked. Besides, Guava Lovers' World is a blog that Inês writes every week about fashion, using it to communicate promotions and new collections, but mostly to speak to women directly about Guava. However, according to Inês, Instagram has been the

best way to advertise. She learned from her past mistakes (blurry pictures, posting a lot in one day and then months of no activity), and now she only presents high-quality professional pictures throughout the season, to get more clicks, likes, and awareness.

After-sales Service: Guava wants to guarantee that everything that happens after the purchase is taken care quickly to minimize clients' effort. An example of this is the case in which the shoe does not fit the buyer's feet, as Guava ensures that the customer can send it back free of charge and get the right size as soon as possible. Moreover, the company has always one person online to answer every question in case the customer faces any problem.

Secondary Activities

The secondary activities, also known as overhead costs on a company's income statement, are responsible for facilitating the efficiency of the primary activities in the value-chain. The increase in the efficiency of any of the support activities will increase the benefit of at least one primary activity (Porter 1985).

Procurement: Guava used to trust the supplier of raw materials and the manufacturer to deliver the final product within Guava's standards. During the first years of activity, this created losses and inefficiencies for the company, as only a few of the outsourcers would control the quality of components and maintain the standards, which led to the need of implementing a Total Quality Management plan in the company. This is a recent process within Guava's value chain and consists in checking the product every step of the operation so that flaws are detected at an earlier stage. Thus, this analysis is intended to prevent that any mistakes interfere with forwarding stages of the value chain. More information on Procurement can be found in *Appendix E*.

Human Resource Management: In Guava, this secondary activity is not significant given the fact that the company only employs three people, including Inês, the founder and CEO, so hiring and firing are very uncommon. However, training and developing are fundamental to the

success of the company, being aspects that not only Inês but also the rest of the team work on by themselves, learning from other companies and their own mistakes.

Technology R&D&BM (Research, Development, and Business Management): On one hand, there is a lack of business management and technology expertise, mainly in tasks like social media coordination and online data gathering, which causes Guava to miss on opportunities, like tracking down prospective new customers. On the other hand, as seen by the creativity displayed by Guava's models, Inês and her team dominate design software, which enables the creation of the models pictured in Inês' mind.

Infrastructure: Guava has a small office in the center of Porto city, with space for two or three people working on a full-time basis, and developing all support activities. In this office, some storage and packaging are performed, as well as CRM tasks (customer relationship management). As it is a small team, they are divided per function, yet they work in a very interrelated way. Although it is not a key support activity like procurement, this makes information flow very smoothly, generating little to no inefficiencies.

Competitive Analysis based on SWOT

The competitive advantages associated with each activity of the Value Chain (*Appendix F*), or the absence of them, may constitute a strength, or a weakness, respectively. Given that, a competitive analysis based on the SWOT was performed (*Appendix G* for complete analysis). SWOT examines internal processes (strengths and weaknesses), and also external forces that may create opportunities or become threats to the company. From this analysis, it was possible to understand that Guava's strengths are mostly based on the differentiation and functional benefits of its products, as well as on its customer service and balance between manufacture traditions and technology development through its e-commerce business model. Concerning its weaknesses, it is important to emphasize its low brand awareness, manufacturing process demanding characteristics and lack of digital knowledge, which is leading to a waste of

consumers' information. Regarding the opportunities, the “Made in Portugal” quality stamp, and the increasing trend towards premium products stand out. When it comes to threats, these are mainly related to the high competitive rivalry among the segment, the existence of players with marketing budgets significantly larger than Guava, and the ageing of Portuguese population and lack of skill transfer which can pose serious challenges to the industry.

Table 1: SWOT Analysis of Guava (summarized)

Strengths	Weaknesses
S1: Differentiation S2: Functionality S3: Flexibility given the limited number of workers S4: Tradition and contemporary S5: “Made in Portugal” S6: Just-in-time production S7: Customer service S8: Efficient product return and refund practices	W1: Low brand awareness W2: Manufacturing process of the product is very demanding W3: Dependency on supplier's stock and availability W4: Low volume of sales W5: Lack of digital knowledge
Opportunities	Threats
O1: “Made in Portugal” trend O2: Increasing trend towards this market segment O3: Portuguese tradition on the footwear industry	T1: High competitive rivalry T2: Players with high marketing budgets T3: Ageing of Portuguese population and lack of skill transfer T4: Difficulties in attracting skilled employees

Competitive Advantage Analysis: VRIO

VRIO model is a tool developed to analyze the company's resources and decide whether they have a sustainable competitive advantage or not (Barney 1995). This is based on VRIO's acronym, Valuable, Rare, Inimitable, and Organizationally Embedded, and sequential questions

about these dimensions. “Is it valuable?” is the first, because no resource matters if it’s not valuable. “Is it rare?” follows up, because if rarity is not present in this resource, competitors may also have access to it. This would result in a non-existent competitive advantage, with the best-case scenario being a competitive parity. If the resource is valuable and rare, then the question “Is it possible to imitate?” will follow. If it is a positive answer the firm will only have a competitive advantage until competitors replicate the company’s resource. Therefore, it is not a sustainable competitive advantage, but possibly a temporary one, if the resource is also organizationally embedded. All in all, to have a sustainable competitive advantage the resource must be valuable, rare, inimitable and organizationally embedded.

For Guava we can analyze a mix of tangible and intangible assets. Possible competitive advantages are, for example, the geometric heel, accumulated experience, supplier’s relationship, or even Inês’ creative design process.

Table 2: VRIO Analysis of Guava

	Is valuable?	Is rare?	Is inimitable?	Is the firm organized around it?
Brand	NO			
Geometric Heel	YES	YES	NO	
Accumulated Experience	YES	YES	YES	YES
Supplier's Relationship	YES	YES	YES	YES
Guava’s Design & Creative Process	YES	YES	YES	YES

It can be observed that Guava’s brand is not yet valuable enough and the geometric heel is easy to imitate. However, the accumulated knowledge of the footwear industry (from Inês’ career and Guava’s path), the relationship Guava has with its suppliers (of both materials and outsourced processes) and Inês’ creative process are crucial assets Guava has. These allow the company to currently have a temporary competitive advantage. Nevertheless, in the future, it is recommended that Guava develops isolating mechanisms against imitation and replication,

such as patents, special rights to inputs or distribution channels, intangibles such as reputation, to be able to have a sustainable competitive advantage.

Organizational Resources' Platform

Specialized Assets: It refers to scale and learning economies, experience curb, reputation, patents or any other tangible/intangible asset that by its idiosyncratic characteristics is not available to the firm's competitors or it is, but at a price that will not allow capturing abnormal returns anymore. Cash-to-burn, reputation, and brand awareness are all essential assets for a company to be able to thrive in this business. However, Guava is not able to have any strengths in these categories, which results in key weaknesses, meaning major disadvantages against its competitors. For more information, a table with an overview of Guava's specialized assets is available in *Appendix H*.

Competences: It includes knowledge accumulation, normally resident in the company human resources, but not only (e.g.: New Product Development, Brand Management, Tax Management, Managing Across Cultures, Integration of New Companies, etc.). In Guava, people management, product portfolio management, and product development are strategically important and relatively strong (also strong on complementors' management through its range of accessories, although it's not relevant for the footwear market). Moreover, even though financial management, brand management, and new industries knowledge are helpful competences that could bring a competitive advantage for the company, Guava shows a lack of knowledge in these areas of expertise. Additionally, a table with Guava's overall competences is available in *Appendix I*.

Architecture of Relations: It refers to the internal and external network of relations that provide knowledge creation for the firm and its members as well as flexibility and adaptability. While the most common relations, like university partnerships, research institutes or new shareholders are not significant for the premium market to which Guava belongs, one major

relation the company holds is the strategic alliances, both with the distributor as well as the manufacturer. However, a core weakness Guava faces, in relation to its competitors, is the non-existence of a network of financiers to allow for a funding of research, marketing, and product development. A table with Guava's architecture of relationships is available in *Appendix J*.

Literature Review

With the aim of deepening the understanding of the industry's segment in which Guava operates and its e-commerce business model, a literature review was performed and will be presented in this section. It comprised the current knowledge of luxury and premium products, e-commerce in general, and also e-commerce specifically targeted at luxury brands.

Luxury and Premium Products

Luxury can be generally defined as anything that is desirable and which exceeds necessity and ordinariness (Heine 2012). In a narrow sense, a luxury brand is "a very exclusive brand that is almost the only one in its product category and that can appear as a very selective symbol of scarcity, sophistication, and good taste" (Chevalier & Mazzalovo 2012). However, the nature of luxury has evolved during these years, as sophistication remains, but the functionality of selectivity is less apparent (Tungate 2009). Luxury offers an easy way to build socially desirable identities (Kapferer 2015). Consumers stress on "elitism", most often when they describe the luxury values, and most consumers think and live luxury only in terms of a brand in the market. In order to succeed, luxury brands must make customers dream of possible worlds and provide experiences that are intense in emotions and pleasure (Chevalier & Mazzalovo 2012).

On contrary to what people generally believe, luxury goods can be morally positive. Truly positive luxury goods bring out the one's own esteem and encourage one's true self, instead of showing off and crushing the others. Nevertheless, the pursuit of luxury should always remain within the legitimate limits, or else it is considered addition (Kapferer & Bastien 2012).

Luxury brands are distinguished from premium brands in several aspects. First, luxury products can function as a symbolic access to excellence and to a privileged life as a result of one's efforts and choices. It can work as a form of social stratification while premium products do not have that functionality. Second, premium and luxury brands have different positioning. Premium brands aim to be the number one in a given category and they need to justify it. The premium brands' prices are capped by rationality. For luxury brands, it is not simply being the best within the class, it symbolizes class itself, and that is why luxury brands seem to be able to charge any price (Kapferer 2015). Third, luxury represents the dream that most people have, while premium is a tangible dimension of a product/service. Premium products have a much higher price/quality ratio but do not have the power of social elevation (Kapferer & Bastien 2012). Also, the luxury, fashion and positioning triangle can be seen in *Appendix K*.

E-commerce

Electronic commerce (EC) refers to using the Internet and other networks (e.g., intranets) to purchase, sell, transport, or trade data, goods, or services (Turban & Whiteside 2017). E-commerce can be divided into several categories according to the entities involved. The three most commonly used categories are B2C (business to consumer), B2B (business to business) and Business process (within departments of one company) (Schneider 2010). More information on the history of e-commerce and its categories can be found in *Appendix L*.

Currently, Guava is reaching its customer directly through websites, so the form of e-commerce it is using is B2C. Companies adopt e-commerce for various reasons (*Appendix M*), such as global reach, cost reduction, supplier chain improvement and so on. E-commerce is also a favorable way for SMEs to compete with larger competitors since it allows them to offer better service at a lower price (Turban & Whiteside 2017). Moreover, e-commerce is a large market that grows steadily. It is estimated that, in 2016, 1.61 billion people worldwide purchased online and total sales amounted to 1,859 billion US dollars, counting for 8.7% of the global total retail

sale. By 2021, the total online retail sales will be an estimated 4,479 billion US dollars and account for 15.5% of the total retail sale. Besides, desktop PCs are still the most popular online shopping device, but mobile devices are rapidly catching up (Statista 2017).

E-commerce for Luxury Brands

Guava is a premium brand, but since there was not enough research or market practice specialized in premium brand online retail, the current situation of online luxury retail was studied as a valuable reference.

As for how the luxury industry should respond to the era of internet, experts' opinions vary. Kapferer and Bastien (2012) argue that luxury goods should “always communicate via the internet, never sell on the internet”, because the internet is the opposite of luxury positioning: it is hard to maintain a personal human relationship, full of illusion, closer to fashion than luxury and it is more about buying cheaply. Despite those sharp critics, others believe it is a time of transformation. There are factors that initially led luxury away from the internet, but fortunately, modern business applications have made it possible to develop, adapt and apply e-business strategies that will enable luxury to thrive on the Internet and on the digital world without compromising its innate qualities. Luxury brands can use the internet, especially social media, to educate their new customers and reinforce positioning in emerging market such as China and India. They should build their websites to offer exceptional online experience, appealing to the senses, and arouse the desire to be associated with the brand. The internet can also be used as a mean to communicate a luxury message to potential customers (Okonkwo 2014).

Moreover, luxury industry is gradually catching up with the e-commerce trend. Nowadays, some luxury brands like Chanel and Burberry are also selling online via their own websites. Besides, multi-brand luxury retailing websites such as Farfetch, Net-A-Porter, and Luisa Via Roma are also prosperous. More information on online luxury retail sales over time and on the above-mentioned multi-brand luxury retailing websites can be found in *Appendix N*.

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A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

APPENDICES:

INTERNATIONALIZATION STRATEGY OF GUAVA

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Appendix A: Interview Questions for APICCAPS

1. What do you consider to be the elements of the footwear industry' cluster?
2. In terms of exports, the footwear industry in Portugal has been showing record results, overcoming the barrier of 95%. What is the percentage of exports of companies that are B2B and B2C, respectively?
3. In your opinion, which are the reasons for the creation of a cluster of footwear in Portugal, that is very competitive internationally? Also, which are the reasons you attribute to this success?
4. Which are the clusters with who Portugal's footwear industry competes with?
5. Which will be the possible major threats the Portuguese footwear industry will face in the next 5 years?
6. In terms of luxury and premium (upper class) segment, do you consider that one of the main reasons for the success in Portuguese footwear continues to be the handcraft production of many materials? Do you believe the future of production is going to pass for an automatization and use of technologies or that the tradition will be kept?
7. In terms of innovation in the Portuguese footwear industry, regarding design and quality, how has been acting the knowledge center? Do you consider that Portugal is a pioneer or that follows the international tendencies? Which consider to be the example brand that has made it internationally?
8. Despite the increase in the quality of workers' education in the footwear sector, it still is a sector that has grown older in the past years. Which policies of human resources APICCAPS believes are crucial for the sector to become more attractive?
9. When thinking about your experience in the footwear industry, do you know companies that have had success just through e-commerce? Which advices would you give a company that is thinking in internationalizing using this method?

10. Which factors do you feel to be determinants for a company to have success in internationalizing to another country?
11. How can APICCAPS help a company during and after its process of internationalization?

Appendix B: Interview Answers of APICCAPS

1. The main elements of the footwear industry' cluster are footwear companies, machinery, components, tanneries, universities, knowledge centers, and others.
2. Almost 95% to 100% are B2B companies. Such information can be found in detail in APICCAPS reports.
3. Qualified labor and investments in machinery are the main reasons. It has allowed companies to give a fast response with flexibility, create a better proximity towards the European market (Europe has 1/3 of the people that have a value of income that the market is interested in – reason for high exports towards Europe). Also, the existence of high technology in Portugal has allowed companies to become more developed technologically, since in terms of productivity Portugal is one of the countries that can maintain a big base of national productivity. If they can keep the production as a competency they will have the service of modelling, choice in suppliers and others. Furthermore, the use of the Portuguese stamp, *MiP*, has started to gain importance, with the number of companies' requests increasing. Overall, it's a cluster highly implemented.
4. APICCAPS belongs to the footwear and apparel cluster, existing in it companies of clothing, tanneries, and others. But mostly it is represented by the industry of manufacturing of footwear, manufacturing of components for footwear and manufacturing of leather articles.
5. With constant innovation, quick response and product differentiation, the major

problem that will appear is the increase in the medium price. Portugal is not able to compete since it is being pulled towards the business model used by Asians, of which if it tries to compete with them it will fail. Another important aspect to consider is the use of 4.0 (digital market). It has been causing concern, since it will imply major changes in the industry ambit, as most companies that operate in Portugal are mostly micro and small companies (while in China they have more than 15,000 workers). Also, global brands can gain from the logic of digital.

6. It will be both. Portugal will always have to compete for the logic of competition, whether it will be through price or product differentiation. When we talk of companies that are in the premium segment, it is logic that not all the companies are inside it. It is possible to see it if we compare the 22€ that we sell for to the 40€ that Italy sells for, as an example. To be in this segment, it is required to have a reputation. This combined with a change in the worth of the Portuguese branding could make the shoe value go from being worth 35€ instead of just 20€.

It is obvious that Portugal cannot compete for the price, since it will always have someone cheaper, as Vietnam, Taiwan, Ethiopia, and others (that have already substituted China in production – their prices have increased).

Therefore, Portuguese industry will focus on product differentiation with quick responses and small batches. These will be helped by the 4.0 logic and digital.

7. The knowledge center has been helping companies to find producers that have a technological capacity of production. The design and footwear academy is the one responsible for the formation in this area.
8. APICCAPS is not responsible for formation, as it is not its area of competency. In relation to the formation, it is all divided between the knowledge center and the design and footwear academy. The last is responsible for courses in design and modelling while

the previous gives formation to the top management and middle workers.

We still struggle with the availability of labor, since the geographical areas in which the industry has been focusing and creating polos are not attractive for workers. In another side, these types of industries, transforming ones, are not attractive. We are currently working on defining and making a campaign with an approach towards young people to attract qualified labor. The main complaints we hear from our associates are related to finding qualified labor to play the function correctly, not only labor. It is necessary to promote.

9. Undandy (only sells online and it is premium for men in leather)

And I Wonder (sells footwear for brides)

10. Product Differentiation.

11. Companies can request financial support to receive back part of their initial investments, such as photography sessions, marketing agencies, and others. It also helps in the logistics of the participation in international fairs.

Appendix C: Data regarding the footwear industry in Portugal, 2011 (APICCAPS 2013)

Table 1: Number of firms and employees in the footwear industry in Portugal, 2011

<i>Categories of employees</i>	Footwear		Components	
	<i>Firms</i>	<i>Employees</i>	<i>Firms</i>	<i>Employees</i>
<i>1- 9</i>	574	2 599	136	599
<i>10-49</i>	568	12 629	98	2 131
<i>50-429</i>	174	15 450	17	1 264
<i>+250</i>	8	3 831	1	288

Appendix D: Guava's full collection

Figure 1: Guava's shoes collection (Guava 2017)





Figure 2: Guava's accessories collection (Guava 2017)



Appendix E: Procurement Analysis

Despite being called “secondary” to the value added in the value chain, Guava relies a lot on suppliers since most of its supply chain is outsourced and quality control must be assured for the final product to reach the premium segment. Outsourcing is most of the value chain, but it does not mean it was not difficult for Guava to get to this point. Material suppliers shift every year, as it is very difficult to find suppliers that simultaneously have a high-quality raw material, a certain uniqueness, and at a price where Guava can buy the product and still maintain its high margin. Regarding the manufacturing, Guava also had troubles getting a company that was willing to fulfil its needs for production. Its needs are related to price (to have the high margin it needs) but mostly related to the complexity of the shoe, the treatment the leather and other raw materials are subjected to, the quality of the production, and the flexibility of production. So far, Guava has had to change 6 times in 6 years, and when it started it couldn't even have the production inside the country, as the supply of this service is rare if the requirements are high (and for a quality product it needs to be), so the relationship with the manufacturer is very important for Guava - losing the one it has might mean a lot of time with no production and stopping all other company activities just to search for a new manufacturer. However, both Inês and Stephanie do a total quality control on the raw materials entering and on all final products, to ensure there is a high standard all the way throughout Guava's supply chain. This Total Quality Control is essential to the premium products Guava wants to offer, being one of the most crucial improvements Inês has made in her business after all these years: in the past she trusted outsourced third parties to do both the production and a self-inspection of the materials and products, but found out they lowered their standards regarding raw inputs' condition and quality of the final product, creating imperfect shoes Guava could not sell, generating extra costs and a waste of time. Thus, Total Quality Management came from the necessity of reducing time and money wasted but became a habit within Guava as even the simple added step of

verifying the product in every step of the process becomes a major advantage in a market where the reputation for perfection is key to success.

Appendix F: Competitive advantages associated with each activity of the Value Chain

Inbound Logistics

Economies of scale: Cost leadership - to lower the costs of ordering raw materials from suppliers -, and differentiation – because the company could be the only and exclusive shoe company to have that specific raw material, differentiating from the competitors -; regarding economies of scale Guava does not have this incorporated on its value chain, because it simply lacks quantity of orders to have either cost advantages or exclusivity of the materials it uses.

Just-in-Time supply chain management: Cost leadership – because this Japanese approach to production reduces costs on the account of producing more efficiently and reducing waste since goods are produced when they are needed for the production process (reduced lead times), thereby lowering inventory costs -, and differentiation – because customers can get a unique product made for them that can be customised, it's not a mass-produced shoe like any other in the market. Since economies of scale aren't doable for Guava, it incorporates Just-in-Time by having regular new batches of shoes produced when customers order: reducing inventory costs (having zero costs since it's shipped once it's ready) and being different from competitors because of its strategy.

Development of strategic relationships with suppliers: Differentiation – through long-term contracts or with special clauses. This allows the company to give special treatment to the customer whether if it is because it guarantees a customized product or a special distribution. In Guava, this happens more relative to its deal with DHL, which allows Guava's customers to return the product if it isn't their right size, or if they aren't happy for any reason, without complications or additional costs.

Operations

Regarding Operations, although it is a process that gives value to the final product, Guava does not have the power to improve these processes (although it can change the outsourcing to another company). Sophisticated operational systems, use of the most advanced technologies to increase the quality, and locating operations units in developing countries are the most common advantages associated with Operations.

Outbound Logistics

Delivering to consumers directly without intermediaries – It has economic advantages, because including a partner may shorten the margin since it's another company that must make a profit. It also serves for differentiation strategy, since it allows the company to control and shorten lead times and to have more control on packaging, meaning the customer might receive the product faster and with a personalized feature (adding value). Unfortunately, Guava does not have the scale to deliver its own products and still relies on DHL.

Extensive integration of information and communication technologies – GPS tracking, emailing and/or contacting the buyer upon estimated and actual timing of delivery has economic advantages, as deliveries are more efficient, and products don't go back to storage which reduces storage and delivery costs. It also creates a differentiation for the customer – instead of wasting his/her time all day or having wrong expectations on the time of arrival, he/she can module their own schedule around the delivery and be more comfortable. Although DHL does the delivery for Guava and benefits exclusively from the economic point of view, Guava's clients still get the differentiation factor, associating Guava to this advantage.

Marketing & Sales

Effective utilization of social media and viral marketing – Social media and viral marketing are communication tools that were created with the boom of Facebook, Instagram, YouTube, etc, and that can reduce costs. Social media yields low cost and viral marketing even lower, reaching

the target market more efficiently and being much less expensive than traditional marketing. Besides, it can create differentiation to the consumer – social influencers that use the product create desire and awareness; while viral marketing can be shared mouth to mouth creating awareness, and generating sales without the firm having to pay for its spreading. While Guava is not very strong on the viral marketing part, the use of social media is being perfected. Instagram posts using high definition photos, Inês's blog, and the use of Guava girls like supermodel Amber Valletta shows Guava is pursuing a good strategy (although it still isn't measuring well the results – that could improve even more social media use).

Sophisticated Online Sales System – Sophistication relative to the back-end part of the website is very helpful because it might be programmed to collect (sometimes even analyse) data of online buyers, identify patterns, and generate better “lead-to-opportunity conversion rates”, meaning more customers that enter the website buy the products. This obviously increases sales – decreasing costs/sale – and creates an advantage because it can lead to a more welcoming website that consumers will value, opting to buy there when comparing to the competitors' online shop. Guava' website has limitations, since it is only responsive (website adapts to the screen – easier for smartphone users) and wastes the opportunity to collect data, understand better the consumer and improve the experience of buying Guava's shoes.

Service

Customer service – Customer Service is key to any business. Maintaining a good relationship with customer helps not only saving money, as acquiring a new customer costs approximately 5 to 25 times more than maintaining an existing one (Harvard Business Review 2017), but it also differentiates the brand because being friendly, quick to answer the customer's doubts and questions, and truly caring and making the client feel special creates top of mind related to the brand, viewing this as a premium service. Guava does this very well, it even has Maria, who answers quickly and kindly to every customer request, so that the consumer feels special.

Efficient product return and refund practices – While some countries are very open to online shopping, most of the world is still slowly increasing its activity. One problem people often face when online shopping is the return policy of the product they are getting. Efficient returns and refunds can give a differentiation advantage because it reassures the consumer that if they don't like it or doesn't fit they can return it without causing a lot of trouble, and also generates economic benefits like more sales (consumers are more willing to spend money there) and lower costs of CRM by reducing the time spent on helping customers with the situation. In Guava, a cost-free return/refund is assured, and it is guaranteed that if the size doesn't fit, the company will send the right one.

Procurement

Search for unique inputs – This competitive advantage is relative to differentiation, because if the company is the only using one type of material, then the final product is unobtainable through other companies. Guava is a fan of this strategy and Inês doesn't stop the search for different premium raw materials, as long as they still allow a high gross profit margin.

Gaining cost advantage due to volume and buyer power – Although it can be considered a differentiation strategy since high volume can give the company enough buyer power to have exclusive contracts over a certain manufacturer/input, most of its advantages are about reducing costs, as more orders mean lower costs and better conditions to negotiate. Guava does not have a lot of volumes so cannot get all these advantages but still tries to negotiate prices to get a high-quality input and maximize its margin.

Human Resource Management

As it was previously mentioned, Human Resource Management is almost irrelevant at this point for Guava as it only has the CEO, Inês, and two more employees. Nevertheless, competitive advantages would come in the form of "Employee motivation via application of intangible employee motivation tools" (by increasing their productivity the company would be able to

reduce its costs, while increasing its attractiveness since the job would be better done), or “Attracting highly qualified and competent employees for all levels” (Same logic as better employees do a better job costing less to the company and come up with better ideas to differentiate its products).

Technology Development

Like Human Resources Management, this secondary activity isn’t still very well implemented on Guava. Indeed, the design of the shoes is done with the help of computer software, and Inês must have specific competencies related to that software, but there isn’t enough capital to generate a breakthrough due to investment in innovative technology development, neither an effective integration of technology within most company processes.

Firm Infrastructure

Firm infrastructure has the same problem as HRM and Technology Development. Guava is too small to consider that company culture/structure might be a differentiating or cost reduction factor. However, the quality control system is something that is implemented, and each pair is individually packed and reviewed by an employee to make sure it is within the premium parameters it wants to be.

Appendix G: SWOT Analysis of Guava

Table 2: SWOT Analysis

Strengths	Weaknesses
<p>S1: Differentiation - Each product is handmade by Guava’s master craftsman in Portugal one by one, which guarantees singularity and exclusivity.</p> <p>S2: Functionality - Shoe functional benefits - comfortable and made with high-quality materials.</p>	<p>W1: Low brand awareness - The brand is new, having low market awareness and recognition.</p> <p>W2: Manufacturing process of the product is very demanding.</p> <p>W3: Dependency on supplier's stock and availability.</p>

<p>S3: Flexibility given the limited number of workers - Its limited number of workers allows flexibility to take decisions and to make structural changes.</p> <p>S4: Tradition and contemporary - Manufacture traditions and knowledge of technology and new business models (e-commerce).</p> <p>S5: “Made in Portugal” – It is reaching a desirable level of international recognition.</p> <p>S6: Just-in-time production - Guava produces Just-in-Time its products, which translates on inexistent inventory costs.</p> <p>S7: Customer service - With the company answering quickly and kindly to each customer request.</p> <p>S8: Efficient product return and refund practices - As Guava assures a cost-free return/refund, and guarantees that if the size doesn’t fit it can send the right one as soon as the customer asks for it.</p>	<p>W4: Low volume of sales - Lack of order’s quantity to have either cost advantages or exclusivity of the raw materials that Guava uses.</p> <p>W5: Lack of digital knowledge - Unsophisticated website which leads to a waste of consumers’ information, about patterns and how to improve the experience of buying Guava’s shoes.</p>
Opportunities	Threats
<p>O1: “Made in Portugal” trend - It is gaining more and more supporters, with a recognizable quality stamp.</p> <p>O2: Increasing trend towards this market segment - Design products and upper premium goods are dominating the fashion market, nationally and internationally.</p> <p>O3: Portuguese tradition on the footwear industry - Which allows for future expansions and required infrastructures.</p>	<p>T1: High competitive rivalry - A lot of competition in the premium segment from players already established in the market with high “know-how”.</p> <p>T2: Players with high marketing budgets.</p> <p>T3: Ageing of Portuguese population and lack of skill transfer.</p> <p>T4: Difficulties in attracting skilled employees - Nowadays, the sector has difficulties in attracting skilled employees,</p>

even though, in the last twenty years, this skilled labor force has increased from 28% to 57% (APICCAPS 2017).

Appendix H: Guava’s specialized assets

Table 3: Guava’s specialized assets: Strategic Importance and Relative Strength

Specialized Assets	Cash-to-burn	Intellectual Property	Reputation	Location (Mkt Presence)	Brands
Strategic Importance	10	3	10	1	8
Relative Strength	1	3	2	1	1
Verdict	Key Weakness	Irrelevant	Key Weakness	Irrelevant	Key Weakness

Appendix I: Guava’s Competences

Table 4: Guava’s competences: Strategic Importance and Relative Strength

Competences	Complementors' Management	Product Development	Financial Management	Product Portfolio Management	Brand Management	People Management	New Industries Knowledge
Strategic Importance	3	8	8	3	8	9	8
Relative Strength	7	8	2	3	2	9	2
Verdict	Superfluous Strength	Key Strength	Key Weakness	Irrelevant	Key Weakness	Key Strength	Key Weakness

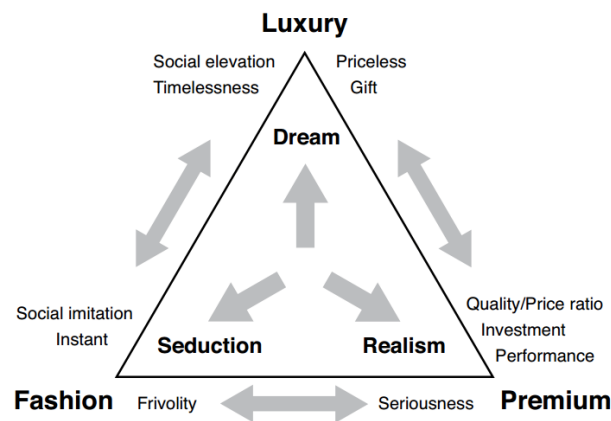
Appendix J: Guava’s Architecture of Relationships

Table 5: Guava’s architecture of relationships: Strategic Importance and Relative Strength

Architecture of Relationships	Strategic Alliances	Local Government	New Shareholders	Universities	Research Institutes	Network of Financers
Strategic Importance	8	3	3	1	1	10
Relative Strength	8	3	1	1	1	2
Verdict	Key Strength	Irrelevant	Irrelevant	Irrelevant	Irrelevant	Key Weakness

Appendix K: Luxury, fashion and premium

Figure 3: Luxury, fashion and premium positioning triangle (Kapferer & Bastien 2012)

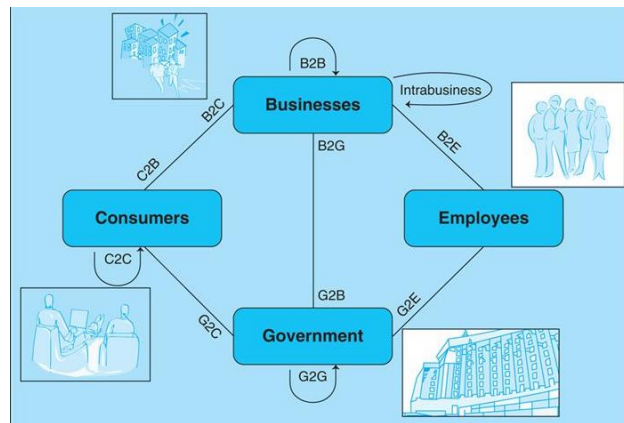


Appendix L: Literature Review on E-commerce

Back in the 1990s, e-commerce was still a new way to do business, but companies like Amazon and eBay had established its solid footholds online (Schneider 2010). The appearance of World Wide Web was a major milestone in the history of e-commerce because companies were able to appear on the internet with both text and photo (Turban & Whiteside 2017). Since early 2000, people's understanding has developed from e-commerce to higher e-concept. E-concept is formed in many other fields by applying electronic information technologies. For instance, electronic education, remote medical treatment, electronic administration and online banks are all parts of the broader e-concept. Various patterns of e-commerce come into being by applying e-concept.

Besides B2C, B2B and Business process, there are also other less well-known categories, such as C2B (consumer to business), B2E (business to employee), C2C (consumer to consumer), c-commerce (Collaborative commerce, refers to online activities and communications done by parties working to attain the same goal) and e-government (Turban & Whiteside 2017). With the development of electronic information technology and the increasing need of the society, more and more e-concepts will emerge, and the genuine e-times will advent (Zheng 2009).

Figure 4: Categories of Transactions in E-Commerce (Turban & Whiteside 2017)



Appendix M: Benefits of e-commerce to organizations

Table 6: Benefits of e-commerce to organizations and its description (Turban & Whiteside 2017)

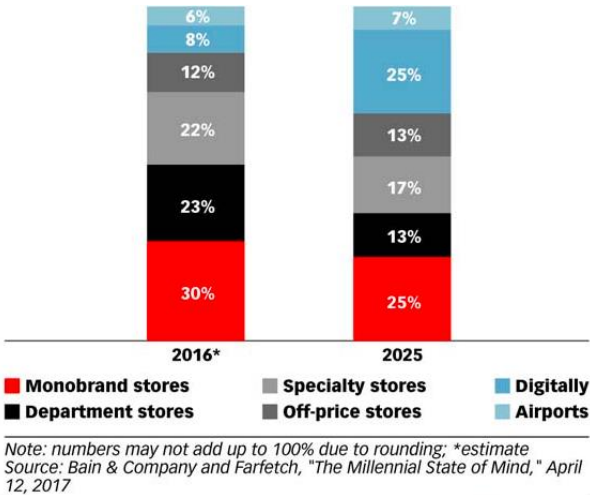
<i>Benefits</i>	<i>Description</i>
<i>Global reach</i>	Quickly locating customers and/or suppliers at reasonable cost worldwide
<i>Cost reduction</i>	Lower cost of information processing, storage, and distribution
<i>Facilitate problem-solving</i>	Solve complex problems that have remained unsolved
<i>Supply chain improvements</i>	Reduce delays, inventories, and cost
<i>Business always open</i>	Open 24/7/365; no overtime or other costs
<i>Customization/personalization</i>	Make order for customer preference
<i>Ability to innovate, use new business models</i>	Facilitate innovation and enable unique business models
<i>Lower communication costs</i>	The Internet is cheaper than VAN private lines
<i>Efficient procurement</i>	Saves time and reduces costs by enabling e-procurement
<i>Improved customer service and relationship</i>	Direct interaction with customers, better CRM
<i>Help SMEs to compete</i>	EC may help small companies to compete against large ones by using special business models
<i>Lower inventories</i>	Using customization inventories can be minimized
<i>Lower cost of distributing digitizable product</i>	Delivery online can be 90% cheaper
<i>Provide competitive advantage</i>	Lower prices, better service

Appendix N: Literature Review on E-commerce for Luxury Brands

Data reviews indicate that online retail sales are growing fast over the years. As the overall sales

of luxury industry in 2013 grew by merely 2%, online luxury retail increased by 20%, to an about 9 billion euros (Dauriz & Remy 2014). In 2016, online sales made up 8% of the total 1.08 trillion-euro luxury retail (Bain & Company 2016), namely 86.4 billion euros. The online sale percentage is expected to increase to 25% by 2025. In the meantime, mono-brand store’s share will go down from 30% to 25% and department store sales will decrease by 10% (EMarketer Retail 2017).

Figure 5: Personal luxury goods industry sales share worldwide, by location/channel 2016 & 2025, % of total (EMarketer Retail 2017)



Farfetch, a platform that sells designer brands from boutiques around the world, has been a successful example. It has attracted one million users from 190 countries and it was valued at 1 billion dollars by 2016 (Fraser 2016). To combine the convenience of online shopping with the real-life experience in physical stores, Farfetch launched the “Store of the Future” strategy. The strategy combines data collected online with real-life shopping experiences in physical stores through connected clothing racks, touch-screen-enhanced mirrors, and sign-in stations. Customers can “log in” in their smartphones while entering the shop and the sale assistant sees the previous orders of the clients and the items in the wishing list. Information gathered during the store visit is also used to ease later online orders. In the shop, customers can feel and touch

the product while Farfetch can gather fantastic information (Williams & Kahn 2017).

Net-A-Porter, another successful online luxury retail website, has now customers in 170 countries with profits increasing rapidly. During the economic crisis of 2009, Net's total sales increase was an impressive 45% (Turban & Whiteside 2017). Net-A-Porter has also tried to bridge the online and offline retail world. During its partnership with Karl Lagerfeld, it launched an app that allows customers to scan photos in the window shop. Customers need to download the app on their iPhone or iPad, scan the product they like with that app, and then the cutting-edge technology will recognize the product and customers will be guided to the Net-A-Porter shopping page (Hall 2012).

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