RELATÓRIO DE ESTÁGIO PROFISSIONAL

Pursuing a new international luxury segment

The case of Ferreira de Sá Rugs

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ABBREVIATIONS AND DEFINITIONS

B2B – Business to Business.

CAGR – Compound Annual Growth Rate.

SME – Small and Medium Enterprise.

WOM – Word-of-Mouth.

HNWI – High Net-Worth Individual.

Bespoke – Made for a particular customer or user.

Soft Offer – Products and services sold to a customer that improves the customer's experience and satisfaction, supplementary to the sale of the vessel. Soft offers can incorporate both aftermarket products and service offerings.

Yacht Brokers - Specialists who serve yacht or boat sellers and/or buyers as representatives for the sale or purchase of a yacht or boat.

Yacht Charters – Individuals responsible for the professional practice of renting a sailboat or motor yacht and travelling to various coastal or island destinations.

ABSTRACT

Within the scope of the recent executive changes experienced at Ferreira de Sá, one of the main objectives of the new commercial strategy was to prospect and expand into new markets. One of the market segments that the company showed interest in deepening its presence, was in the segment of luxury yachts, also known as superyachts. These concern a high level of customization and technical specificities, thus representing top engineering and design projects. By mobilizing an extensive value chain, the production of yachts proves to be of enormous complexity, either because of the demands of its customers, or because of the difficulty in combining the interests of a large number of stakeholders.

The present research aims to understand the luxury yacht market segment and how the company can apply its skills to the requirements imposed by the segment. To be part of the yacht industry as a rug supplier, Ferreira de Sá needs to keep several notions in mind. Such are related to know the segment and its dynamics, and how to communicate and establish business relationships in it.

For this purpose, the research carried out was based on a case study, in which it was sought to discover what skills were needed to supply this industry. From a social point of view, the supplier's relationships and reputation have proved to be crucial factors. On the other hand, in a productive and creative environment, functionality and stylistic identity were also defined as essential.

The results contribute to a successful entry into the desired market segment and serve as a guide for planning the commercial strategy to be drawn up. By aligning its existing capabilities and knowledge with the impositions of the yacht industry, Ferreira de Sá will be able to increase its international recognition and its economic growth.

Keywords: Niche Marketing; Luxury; Yacht Industry; Internationalization

RESUMO

No âmbito das recentes alterações executivas experienciadas na Ferreira de Sá, um dos principais objetivos da nova estratégia comercial tinha em vista a prospeção e expansão para novos mercados. Um dos segmentos de mercado que a empresa mostrou interesse em aprofundar a sua presença, foi no segmento de iates de luxo, também conhecidos como super-iates. Estes em si consagram um alto nível de customização e especificidades técnicas, representando projetos de engenharia e design de topo. Ao mobilizar uma extensa cadeia de valor, a produção de iates revela-se de enorme complexidade, quer pela exigência dos seus clientes, quer pela dificuldade em conjugar os interesses de um grande número de intervenientes.

A presente investigação tem o propósito de descrever as nuances do segmento de mercado dos iates de luxo e o de que forma a empresa poderá aplicar as suas competências aos requerimentos impostos pelo segmento. Para fazer parte da indústria dos iates como um fornecedor de tapetes, a Ferreira de Sá necessita de ter em mente várias noções. Estas passam por conhecer o segmento e as suas dinâmicas, e como deve comunicar e estabelecer relações negociais no mesmo.

Para este efeito, a investigação feita assentou num estudo de caso, no qual se procurou averiguar quais as competências necessárias para fornecer esta indústria. De um ponto de vista social, as relações e reputação que o fornecedor tem revelaram-se como fatores cruciais. Por outro lado, num âmbito produtivo e criativo, a funcionalidade e identidade estilística verificaram-se essenciais.

Os resultados obtidos visam contribuir para uma entrada bem-sucedida no desejado segmento de mercado e servem de orientação para o planeamento da estratégia comercial a ser traçada. Espera-se que ao alinhar as suas já existentes capacidades e conhecimentos às imposições da indústria dos iates, a Ferreira de Sá possa aumentar o seu reconhecimento internacional e o seu crescimento económico.

Palavras-Chave: Marketing de Nicho; Luxo; Indústria de Iates; Internacionalização

"I don't consider the technical or commercial parameters so much as the desire for a dream that humans have attempted to project onto an object." - Philippe Starck

INTRODUCTION

Ferreira de Sá Rugs is one of the biggest and oldest European companies producing luxury bespoke rugs. Founded in 1946 and located in a small town in the north of Portugal, the company stands out as a European leader in the luxury rugs market segment and generates more than 80% of its revenue through exports. All Ferreira de Sá rugs are custom-made and each piece is tailored and designed according to each client's request and desire. As its most important competitive advantages, production methods and processes have been improving ever since the company was founded. Without ever neglecting the origins of the art of weaving, Ferreira de Sá was able to put forward new techniques and differentiate itself from competitors throughout the years. The company follows a business model based on the B2B luxury market and its commercial projects fall into following categories: Hospitality, Residential and Private Label.

Ferreira de Sá's recent years were defined though spreading their presence and increasing their sales growth in various regions such as: Africa (160,16% of sales growth in 2016), Oceania (100% in 2016), Middle East (675,39% in 2016) and North America (66,77% in 2016). These achievements were accompanied by a strengthening of the European market (10,13% of sales growth in 2016). Further, a partnership with a new commercial agent, responsible for the market regarding Singapore and Malaysia as well as an acquisition of a new sales representative for the Chinese market occurred during that year.

Recently, the company was bought by the Sherpa Capital fund. This Spanish private equity fund intended to optimize the company's financial growth and performance by targeting new markets and by reinforcing Ferreira de Sá's international focus (Neves, 2019). Under the new management, the commercial department underwent a restructuring plan. This plan intended to allocate the existing resources more efficiently and to seek new market opportunities.

Given this scenario, one opportunity that the company is now aiming at is the entry on an international subsegment of the luxury market, the luxury yacht market.

This segment has not been explored in depth by the company in the past: only two registered projects regarding luxury yachts have been developed, being the most recognized one, the My Dream super yacht project.

The My Dream super yacht took 21 years to complete and was carefully designed by its owner George J. Prokopiu, in partnership with naval architect Nikolas Dendrinos. With 106.5 meters in length, the super yacht features 23 guest cabins, a lobby of 400 square meters and a capacity for 44 guests. The interior decoration was put in charge of the studio Ciarmoli Queda, founded by Simone Ciarmoli and Miguel Queda. Amidst numerous renowned brands chosen to be part of this notorious project, Ferreira de Sá Rugs was selected to develop the carpets (Bellotti, 2019). As part of any bespoke project, the company customized the carpets according to the demands that were requested by the design studio. Moreover, the specific aesthetic needs of Ciarmoli Queda Studio were possible to cater by allocating a design team to focus full-time on this project. Given the size of this particular yacht and the prestigious status of the brands that integrated the project (Bellotti, 2019), this project served as a catalyst and, ultimately, a confirmation that Ferreira de Sá could have a place within this industry. Also, the desire to tackle this niche market justifies itself not only to attempt to replicate success case witnessed on the My Dream project but also given that a venture like a luxury yacht recalls for luxury accessories for its interior decoration. Thus, the ultra-luxury status of this market segment recalls for a rug that can address the demanding taste of luxury yacht owners.

Carpets have always been recognized as important symbols of status that have a functional value and social value. The term carpet originated from ancient Italy, meaning to pluck and this term is often used interchangeably with the term "rug". It adds warmth, comfort to a given area and customers can choose from numerous styles, patterns, fibers and textures. Rugs are made of animal fibers like wool or synthetic fibers like rayon, dacron, polyester, nylon or polypropylene or a combination of these. Even though the majority of all the rugs produced today are made up of synthetic fibers, the superior quality of wool that is used in rugs usually comes from New Zealand, Argentina, and the United Kingdom (Sinha, 2013).

As Ferreira de Sá specializes in the production of bespoke rugs, it works with selection of raw materials that can serve different purposes. For instance, New Zealand Wool, Botanical Silk and Visrayon create a delicate texture and are ideal to include in a rug destined for an interior space. On the other hand, Trevira CS, Polyester and Polypropylene are durable and versatile materials that can endure several climate conditions. Therefore, a rug destined for an exterior area, i.e. a yacht's deck, should be composed by these resistant materials.

Research on this specific market was proposed by the new commercial director. Also, due to the current internship being held at Ferreira de Sá, this research shapes into a case study by seeking to comprehend a real and contemporary business problem.

The main goal of this thesis is to understand how the company (Ferreira de Sá Rugs) can enter on an international sub-segment of the luxury market (luxury yacht market). Bearing this goal in mind, the following research questions were established:

- How to reach and identify the key segment's actors?
- How should the company communicate to this new segment?
- How to establish successful business relationships in this new segment?

Luxury yachts are large, luxurious, professionally crewed motors or sailing yachts with length ranging from 75 feet to more than 250 feet, often available for chartering as well as private purpose, in order to provide a seamless luxury experience, full of high standard and comfort. The luxury yacht market size was valued at $5,703.4 million in 2017, registering a CAGR of 7.8% from 2018 to 2025 (Allied Market Research, 2018). Moreover, the demand for luxury yachts has been increasing steadily in the last few years and is expected to reach 10,205.7 million dollars by 2025, according to Allied Market Research (2018). This can be explained by the change in lifestyle of people fueled by growth in high net worth individuals, as the total number of millionaires in the world increased by 1.1 million from the middle of

2018 to the middle of 2019, according to the Global Wealth Report 2019 (Credit Suisse, 2019).

As briefly mentioned above, the luxury yacht market reveals itself as a niche market given its ultra-luxury characteristics. It falls under category of a niche market not only due to the close and restricted networks that surround this market (Johansson, Häll, & Jutback, 2014) but also due to the rigorous demands that its exquisite clients are expecting to be fulfilled as they are willing to pay an above premium price (Kotler, 2003).

Based on the above, this research will follow a case study approach. Regarding methods, a qualitative logic will be used given the nature of the present case, which relies on a real business problem regarding an industry that is not commonly known by the majority of people.

This thesis is divided into five sections, beginning with this introduction. The first chapter focuses on reviewing the existing knowledge about the topics this research addresses. First, the synergy between niche and relationship marketing and their proposal as a strategy to conduct an internationalization process is addressed. In addition, in this chapter, it is presented the existing link between the luxury and yacht market, both being essential to examine when developing a marketing strategy for this segment.

The second chapter includes the adopted methodological approach and its procedures. It also introduces the primary data collection process by briefly resuming the interviews conducted to different actors within the luxury yacht market network as well as the secondary data collection process, based on documental and online research.

The third chapter presents the firm's case and research problem. Also, in this chapter, is explained the qualitative data obtained from analysis of the interviews, as well as seeks to discuss these results by comparing them to the literature review presented on chapter one.

Finally, in the fourth chapter, the conclusions of this research are presented as well as its inherent theoretical and practical implications, limitations and recommendations for future research.

The next chapter presents the literature review.

1. Literature Review

Within the vast universe of Marketing, one method relies on specializing to cater not-so-ordinary needs. Such approach is typically understood as Niche Marketing and has been increasingly adopted as the core strategy of many firms who seek to stand-out in a crowd.

1.1. Niche Marketing

The more society moves forward, the more adaptability is needed to serve the everchanging habits of consumers. New trends, market structures, information systems and technology are driving an exponential competition in all industries. To cope with such, marketers may need to question the legitimacy of their traditional marketing practices.

Niche marketing is a current concept among academics and firms and is generally regarded as an important tool in the marketer's toolbox (Toften & Hammervoll, 2013). Even though niche marketing has been applied to various industries, products, and services over the last couple of decades, no widely accepted conceptual definition of niche marketing seems to have prevailed. Yet, niche marketing basically works with a concept of 'Big fish in small pond' (Choudhary, 2014), which means to become relevant within a limited area of business.

The attempt to define niche marketing has suffered several changes throughout the years as different authors contributed with different ways of thinking. As a starting point, Porter (1980, 1985) revealed a focus strategy, in which a concentrated attention on a narrow piece of the total market was combined with the serving of this target market niche at a lower cost. Following this idea, (Michaelson, 1988, p.20), assumes that niche marketing is a tool used to "find small groups of consumers that can be served within a segment." Further, Shani & Chalasani, (1992) claim that niche marketing was the process of carving out a small part of the market whose needs is not fulfilled. Moreover, Dalgic and Leeuw (1994, p.42) define it as “positioning into small, profitable homogeneous market segments, that are ignored or neglected by others”.

Later, Kotler (2003) concluded that customers within a niche have a distinct set of needs and are willing to pay a premium to the firm that best satisfies those needs. Therefore, a niche maybe looked at as a “specific market segment”. Thus, “firms can choose to produce a single market offering targeted to a specific market segment (i.e., a niche strategy)” (Hunter & Arnett, 2004, p.17).

Reinforcing previous conclusions from discussion on this topic, (Amubode, 2009) declared that niche marketing concerns addressing a need for a product or service that is not being addressed by mainstream providers. Also, Toften & Hammervoll (2009) with their paper “Niche Firms and Marketing Strategy”, understood that niche marketing is regularly seen as focused marketing towards a limited market consisting of a few customers and competitors, where the concept of firm specialization, product differentiation, customer focus and relationship marketing are recurrently applied.

Further, Thilmany (2012) concluded that niche markets consist of groups of consumers (market segments) within the larger marketplace who have similar demographic, buying behavior, and/or lifestyle characteristics, yet consumers with the same buying behavior may have differing motivations (which are essentials elements to know for marketing and promotions).

More recently, Toften and Hammervoll (2013) propose that niche marketing consists in the process of carving out, protecting and offering a valued product to a narrow part of a market that displays differentiated needs. Given the fact that this definition summarizes all the previous ones, for this study, it will be adopted as the main definition of niche marketing.

Since consumers have needs that are currently not being satisfied by other market offerings, niches are not static (Ottosson & Kindström, 2016). They represent a dynamic process that is developed by identifying new needs of potential customers, as it is possible to persuade customers to move from the standard referral market to the niche market segment (Ottosson & Kindström, 2016). Therefore, the value offered by a niche firm needs to be understood to further comprehend why so many firms opt to follow such marketing approach and why consumers choose niche firms to better satisfy their needs.

1.1.1. The Value of Niche Marketing

When it comes to benefits, niche marketing enables some firms to achieve higher profits, prices, growth, and increased competitiveness (Akbar, 2017; Linneman & Stanton, 1991; Toften & Hammervoll, 2013). Moreover, niche marketing can be applied to a variety of industries, firms of various sizes, domestic and international markets as well as to new and established markets (Toften & Hammervoll, 2013). Niche marketing helps establishing long term mutual benefit with its customers which will contribute to a brand's reputation (Akbar, 2017). Moreover, niche marketing can bring value to a company by acting as defense mechanism. Such claim builds on the fact that as diversity in consumer needs increases, versatile firms that can better fit their offerings, seem to better overcome the market's volatility (Dalgic, 1998; Dalgic & Leeuw, 1994). Therefore, niche marketing may help organizations remain amongst the healthy survivors of a given market (Ottosson & Kindström, 2016). Finally, as niche marketing allows customer needs to be better served, it is possible to charge a substantial mark-up over costs because of the added value (Toften & Hammervoll, 2013) reflect on both the products and services existent on a niche market.

1.1.2. Niche Marketing Characteristics

Different concepts appear in the literature when considering what is niche marketing build upon. Yet, it is possible to highlight some features that niche marketing seems to have, as mainly observed by Dalgic (1998).

Table 1. Main characteristics of Niche Marketing

Characteristic	Author
Thinking and acting small by offering small production volumes, focusing on a few customers and avoiding market with many competitors or a dominant competitor.	Hezar, Dalgic, Phelan, & Knight (2006)
Building long-term and strong relationship.	Dalgic & Leeuw (1994)
Focusing on customer needs.	Dalgic & Leeuw (1994)
Treasure firm reputation and using word-of-mouth references.	Dalgic & Leeuw (1994)
Applying specialization and differentiation.	Dalgic & Leeuw (1994), Kotler (1991)
Charging a premium price.	Dalgic & Leeuw (1994)

Source: Adapted from Akbar (2017)

The notion of market segmentation is intuitive and relatively simple as it purely regards the overall market in more manageable pieces (Akbar, 2017). According to Mohan, Slater, Beckett and Tong (2015, p.179) market segmentation concerns aggregating prospective buyers in groups that "have common needs" and "will respond similarly to a marketing action". Segmentation may consider different factors such as ages, socioeconomic groups, lifestyle, income, benefits sought, usage and reasons for buying (Opresnik & Hollesen, 2019).

On the other hand, the position a firm holds in the marketplace is an integral part of the strategic process (Akbar, 2017). Therefore, a product must be positioned in order to form a clearly defined image in the minds of customers (Dibb & Simkin, 1997). Thus, positioning is how customers perceive a product or service in comparison to product or service presented by competitors (Aspfors, 2010). Such perception is usually based on the attributes the company emphasizes in its marketing strategy (Burrow & Bosiljevac, 2012).

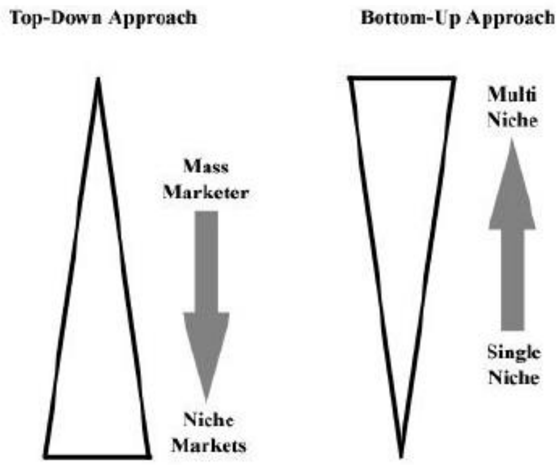
1.1.3. The evolution of Niche Marketing

Carroll (1985) original theory of resource partitioning clarifies the relation between the rise of large producers in the market center and the arrival of specialist organizations that focus on the peripheral regions (McKendrick & Hannan, 2014). The dominance of a few large-scale producers who control central resource space in a market – “the mainstream” (Garavaglia & Swinnen, 2018) provides an opportunity to explore the periphery of the market that can be embraced by specialists (McKendrick & Hannan, 2014). In other words, these peripheral producers providing “special products” (Garavaglia & Swinnen, 2018) can succeed by working in segments where the demand is too small and thereafter not profitable for organizations that expected to benefit from economies of scale (McKendrick & Hannan, 2014).

Furthermore, when consumer demand becomes more sophisticated and diversified, the market becomes wider and less favorable for generalist organizations, thus enabling specialist organizations to enter the market (Garavaglia, 2016; Peli & Noteboom, 1999). Finally, Linneman and Stanton (1991) pointed that even though the existing differences between small and large markets, these small markets are not essentially “niches”, especially because a niche market doesn’t have to be “small,” only “narrow” (Lindsay, 2007).

There are different ways to approach a niche strategy. The top-down approach validates how companies conduct customer segments from mass markets to niche markets. This point of view explained by Dalgic (2006), implies that these companies are successful by becoming big in small markets. As an opposite approach, the bottom-up approach, companies start by focusing on the customers and then develop a niche strategy dedicated to them. Such companies become big by being small in several small markets (Dalgic, 2006).

Figure 1. Niche Marketing Approaches



Source: Dalgic (2006)

Either way, to successfully conduct one of the mentioned approaches, a firm must be recognized as a specialist and thereafter differentiate itself from competitors. Such seems to only be achieved by the core strengths of a firm, in other words, by its strategic capabilities.

1.1.4. Strategic Capabilities of Niche Firms

When it comes to superior competencies and competitive advantages of a firm, these concepts are related to the distinctiveness and perceived value of the firm's internal capabilities (Hamel & Prahalad, 1989).

Niche marketing aims to deliver special products to a market with special needs. To achieve such, firms need to have capabilities that permit them to perform within the niche market "rules". Strategic capabilities allow firms to create such superior products compared to other firms with inferior products (Wernerfeldt, 1984). Also, they can be defined as the unique bundle of resources and competences a firm needs in order to prosper and survive (Barney, 1995; Wernerfeldt, 1984).

Regarding resources, they are the physical assets of a firm, such as plant, people, property-based and finance, and non-physical assets such as information, reputation, customer-related, experience, and knowledge (Amit & Schoemaker, 1993; Grant, 1991; Johnson, Scholes, & Whittington, 2008; Newbert, 2007). Yet, owning resources is a necessary but insufficient condition for explaining a firm's competitive position (Newbert, 2007). On the other hand, competences are described as the skills, knowledge and abilities by which resources are deployed effectively through a firm's activities and processes (Amit & Schoemaker, 1993; Johnson et al., 2008; Teece, Pisano, & Shuen, 1997). Furthermore, some examples of competences can be specialization, relationship marketing, developing internal dynamic capabilities and building protective barriers (Toften & Hammervoll, 2013).

Toften and Hammervoll (2010) in their paper "Niche marketing and strategic capabilities" have studied what a group of firms holds, perceives, and operates as strategic capabilities. Their findings related to strategic capabilities applied to both inbound logistics and marketing and sales will be highlighted.

When it comes to strategic capabilities findings for inbound logistics, some firms consider that having access to high-quality raw material is critical to their strategy of delivering high-quality products. Due to its scarce and perishable nature, high quality raw material its limited to volatile amount available. Once that high-quality raw material is indispensable to firms applying a focused differentiation strategy, it can be viewed as a distinct resource (Amit & Schoemaker, 1993; Grant, 1991; Hamel & Prahalad, 1989; Johnson et al., 2008).

As for the strategic capabilities' findings for marketing and sales, one capability has been highlighted: close and long-term business relationships can be seen as a resource, since they are rather sustainable and cannot easily be taken over by competitors (Toften & Hammervoll, 2010). Some aspects that close and long-term relationship are built upon include trust, reliability, honesty, alliance, and commitment. Additionally, reputation has proved to be important for marketing and sales, particularly for obtaining new customers. A good reputation can be regarded as both a competence and a resource (Doyle, 2002; Johnson et al., 2008) and could subsequently facilitate business operations. Toften and Hammervoll (2010) found that being a keynote speaker at trade conferences and trade shows may help strengthen a firm's reputation as a devoted producer and industry pioneers.

Consequently, the frequent use of relationship marketing reduces the need for additional types of marketing communication efforts (Toften & Hammervoll, 2010).

Overall, strategic capabilities are perceived as essential for niche firms' success and can be placed at different stages within the firms' value chains. As such, it is also important to consider not only the relationships a firm has with its consumers but also with its business partners. A healthy relationship with a either a distributer and a supplier provides valuable market information and knowledge which enables the niche firm to adjust to a changing environment, such as changing customer preferences or changes in market structure (Toften & Hammervoll, 2010). The reliance on this relationship for gaining critical market information could be a characteristic of niche firms, and thus, important for understanding successful niche firms (Toften & Hammervoll, 2010). Further, this set of relationships that occurs within the business operations can be interpreted as a network, a business network.

a. Network Theory and Business Relationships

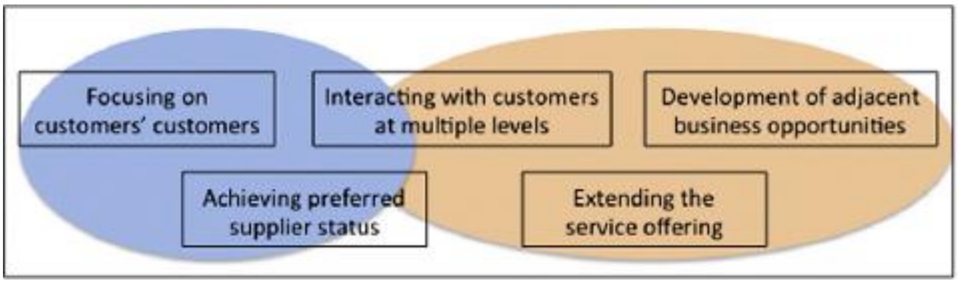
The network theory appeared from the field of network science and computer science and was used to describe the complex relationships within systems (Fayezi & Zomorrodi, 2015). When applied to business, it represents firms as entities that are dependent on one another for the pursuit of their objectives. Hence, in a supply chain, each firm is connected to other firms in a complex system based on their needs (Changhyun & Heesang, 2018).

Business relationships that constitute a B2B market can be differentiated from the business-to-consumer (B2C) market in terms of structure, customer demands, and decision process (Armstrong & Kotler, 2011). Furthermore, the effectiveness of any business network seems to depend on the resources that each actor is willing to commit to the system as well as the efficiency of the management process. As for its components, business networks comprise actors, activities, and resources present in the corresponding supply chain (Johansson et al., 2014). Finally, network actors can be a combination of events, people, and objects.

1.1.5. Proactive Niche Marketing

Opposing to the dominant view of the niche market strategy as a defensive mechanism, Narver, Maclachlan and Slater (2004) argue that for any business to create and sustain success, a responsive market orientation strategy is not enough. Instead, a proactive market orientation strategy plays an important positive role in a business's new-product success. Accordingly, Ottosson and Kindström (2016) propose that it can be used as a proactive tactic which can potentially enable a firm to outperform competitors in both profitability and growth. In agreement with previous findings (Dalgic & Leeuw, 1994; Toften & Hammervoll, 2013), Ottosson and Kindström (2016) proposed a niche market strategy as an applied initiative that comprehends a set of activities crucial to a proactive niche marketing strategy: *focusing on the customers' customers; making the effort to become a preferred supplier; interacting with customers at multiple levels; extending the product offering by adding services; and focusing on the development of "adjacent" products, markets, and applications*. By performing this set of activities, firms are expected to maintain leadership in the niche, drive the market, expand the niche focus, and sustain healthy growth (Ottosson & Kindström, 2016).

Figure 2. Five key activities of a proactive niche market strategy



Source: Ottosson & Kindström (2016)

The first activity cares about *focusing on customers' customers* which, according to Kotler (1999), holds key advantages such as opportunities to get to know each customer more personally, to face far fewer competitors, and to earn a higher margin since the customers in the niche will often be willing to pay a premium for the niche marketer's expertise in meeting their needs. Further, since a key element of a proactive niche market strategy is broadening the scope of the corporate business focus, as firms incorporate their consumers' consumers, they are doing it so. Thus, from this approach, opportunities for co-creation arise (Ottosson & Kindström, 2016).

In order to create a position as a niche player, a firm needs to prove a strong brand that customers will associate with superior knowledge and better offerings. To *achieve preferred supplier status* is also reflected in various customer engaging activities such as selling and participating in trade fairs. Moreover, Ottosson and Kindström (2016) conclude that to have a strong heritage in which historical credibility is combined, is also a great advantage.

About *interacting with customers at multiple levels*, Van Raaij and Stoelhorst (2008) argue that these interactions, described as a system of high network correlations by Echols and Tsai (2005), are required for gaining information used in both market and product development. Deprived of such knowledge, niche market firms run the risk of stagnation and narrow horizons, and consequently of not being able to maintain the level of proactivity (Ottosson & Kindström, 2016).

When it comes to *extending the service offering* to validate a premium price (e.g. due to the added value the service component provides) and build relationships, Ottosson and Kindström (2016) proposes that niche marketing firms should shift their focus from production to other areas, such as services, logistics, business development, and sales training, and thus increase the number of services in their portfolios. This activity goes along with the notion of "process-oriented (customer) services" (Kindström & Kowalkowski, 2014; Ulaga & Reinartz, 2011), as the knowledge of the customer thus created can be both used in developing and customizing offerings and in product development processes. Moreover, Ottosson and Kindström (2016) concludes that this process is important to make a supplier even more knowledgeable and attractive, as it links the supplier closer to the customer, therefore making the customer less inclined to change suppliers due to the added value provided by the services.

Regarding *securing future growth through "adjacent" business opportunities,* successful niche players have devoted time and resources to the proactive development of their offerings by finding new niches and applications in so-called "adjacent" markets (Treacy & Wiersema, 1995; Zook, 2004). The main purpose is to guarantee organic growth in the future and to stay ahead of the competition. Yet, a strategic rationale is to also seek beneficial ways of making use of in-depth knowledge that either already exists or has been developed through multi-level interaction with firm customers. Hence, exploring new potential markets and customers happen mostly in business areas that are close to the existing applications of a firm's products since such adjacency developments are carried out in a co-creation process with lead customers (Ottosson & Kindström, 2016).

Finally, a proactive exploitation of niche markets holds important benefits such as higher profit margins, deeper customer knowledge, greater customer loyalty, stronger brand equity, and a more powerful position in the marketing channel (Ottosson & Kindström, 2016). Therefore, it is likely that niche market leaders frequently conduct a proactive strategy.

1.1.6. International Niche Market Leaders

Considering the role that relationships play in a niche marketing strategy and the business expansion aspect inherent to the above-mentioned strategic capabilities, it seems important to consider a network strategy applied to an internationalization purpose. Such concept can be described as "deliberate activities undertaken to build various types of relationships, but also as joint and collective action among firms in order to enter foreign markets" (Hohental, Johanson, & Johanson, 2014, p. 11). As such, the first relationship in a foreign market is crucial given the knowledge and opportunities that it provides (Hohental et al., 2014). Additionally, it is worth noting that the previous strategic capabilities supported in the literature mirror the characteristics of international niche market leaders (INML's).

Considering INMLs characteristics, globalization seems to be one that is recurrent in the literature. A high export rate appears to be linked to INMLs business approaches, as they frequently export more than they sell inside their own country (Guinchard, 2013). Averagely, a significant part (at least 50%) of their revenue comes from outside of their home market (Kamp, 2017). Such phenomenon is a consequence of the type of products INMLs produce. Given the specifics of their products, their home market is often too small or even inexistent, in the case of particularly small countries (Simon, Guinchard, & Coeurderoy, 2014). Accordingly, to expand their market size and remain competitive, INMLs cross borders at an early stage of development (Simon, 2009). Yet, doing business in a foreign country becomes easier if a firm already possesses international business experience (Simon, 2009).

Another aspect rather relevant to understand how INMLs operate is their relationship with consumers. As previously mentioned in the strategic capabilities' paragraphs, a healthy relationship with consumers is essential for achieving success in a niche environment. Several authors (Guinchard, 2013, 2015; Kamp & Ruiz de Apodaca, 2015; McKiernan & Purg, 2013; Simon et al., 2014; Voudouris, Lioukas, Makridakis, & Spanos, 2000) reinforce this line of thought by assuming that the relationship and closeness with customers is one of INMLs' biggest attributes. Preserving a close relationship based on trust is then vital for INMLs (Voudouris et al., 2000) since for the most cases, the biggest part of their revenue (roughly 80%) comes from 20% of their customers (Kamp & Ruiz de Apodaca, 2015). This way, the importance of bonding with consumers increases. However, when INMLs have a limited group of customers buying the bulk of their production, firms can be dependent on these customers (Voudouris et al., 2000). In this scenario, these customers are granted with more bargaining power and can put the company in a weak position (Johnson, Whittington, Scholes, Angwin, & Regnér, 2017).

1.2. Luxury Marketing

This chapter seeks to comprehend how is marketing applied to the notion of luxury and what motivates consumers to choose top-tier products and services.

Most of the attempts to define luxury refer to "well crafted, hedonistic and aesthetic objects, priced excessively above their functional utility, sold in exclusive stores delivering personal service and unique consumer experience, most often from a brand with history, heritage, the whole delivering a rare feeling of exclusivity" (Kapferer, 2010, p. 43). However, there seems to be no universal definition of luxury. To seek some conclusions on this matter, it may be wise to comprehend how this concept evolved over time.

Luxury can be considered as old as humanity where a social and hierarchical organization was present (Berry, 1994). The etymology of luxury is from "lux", the light, and "luxuria", the excess in the way of living (Castaréde, 2014, p. 4). Historically, luxury was used to signal privileged and powerful people, such as gods, semi-gods, kings, nobles and aristocrats. Therefore, luxury was a measure of your rank, thus being inherited (Kapferer, 2010). Later, under the French monarchy, Louis XIV presented luxury with a new definition related to glamour and elegance. At that very time, France mastered luxury and become popular in Europe for the sense of elegance (DeJean, 2007). Through the French revolution, and mostly the industrial revolution, luxury became more accessible to people who had wealth. Those could now experience exquisite products coming from the whole world (Kapferer, 2010). Also, around this time, emblematic houses such as Hermès (1837), Louis Vuitton (1851) or Guerlain (1828) began paving the way for the modern approach to luxury.

Later, at the early beginning of the 20th century, society evolved and therefore luxury too as "the evolution of the word reflects the construction of our modern consumer society" (Chevalier & Mazzalovo, 2015, p. 12). During this time, "living in a mansion, with the latest comfort, driving a car, going skiing, owning a yacht where in themselves sign of luxury" (Kapferer, 2010). It is also worth mentioning that no brand was needed at that time since luxury was then absolute, conspicuous by essence and visible by all (Kapferer, 2010). Summing up, luxury began as a niche, restricted to the ones who could afford it. In the beginning of the past century, few people had an automobile, just as very few consumers nowadays fly in private jets or own a yacht (Kapferer & Valette-Florence, 2016).

However, modern luxury is quite different: It is a dynamic growing sector, which targets an increasing clientele. Luxury stores are now present in all capital cities of the world. Moreover, for an emerging country, the presence of luxury stores signals its economic growth as well as a middle class rise and desire to access to the best that the consumer society can offer (Kapferer & Valette-Florence, 2016).

In order to seek what luxury truly stands for, this research will follow the distinction between six meanings of luxury proposed by Bastien and Kapferer (2013):

Table 2. Meanings of luxury

Meanings	Characterization
"Luxury"	An absolute concept systematically suggests out of reach products, services and lives.
"My luxury"	Something very intimate, most often not a product but a moment or a rare experience. These are dreamed experiences that are quite rare or hardly implementable.
"A luxury"	A very subjective concept related to dimensions of "non necessity yet high desirability, of a high price far beyond what performance and utility should command, of hedonistic experience, of high quality, of personal relationships and finally of prestige and status".
"luxury sector"	Represents the brands and companies that are considered by their peers as manufacturing and marketing luxury products or services.
"luxury market"	Represents the estimation of the past, present and future sales of the abovementioned actors.
"luxury strategy"	A concept of its own that was invented by like Louis Vuitton, Chanel, Hermès and differs from the premium and fashion strategy.

Source: Adapted from Bastien and Kapferer (2013)

All the definitions in the literature that surround the concept of luxury seem to share similarities between them and bear each author's point of view. For instance, Jean Castaréde (2014, p. 4) states that luxury is "everything that is not necessary". Further, Ashok Som and Christian Blanckaert (2015, p. 7) state that "all luxury products are expensive, but not all expensive products are luxurious". Moreover, luxury goods are products with a limited supply since 95% of them are only available to the 5% of the population (Savitha & Sathyanarayan, 2014). In agreement, Bernard Arnault, founder and CEO of LVMH, the world's n°1 Luxury Group, reviews modern luxury as: "The ordinary of extraordinary people and the extraordinary of ordinary people" (Kapferer, 2010, p. 44). Consequently, to learn what makes luxury so peculiar, it is important to understand its value.

1.2.1. Luxury Value

Considering a rational world, where the value of things is ultimately related to its functional utility, luxury has no place (Kapferer, 2010). Yet, this would not be a social world. Such claim becomes true since luxury is intimately connected not only to the dynamics of living together but also to the need of comparison to others (Kapferer, 2010). Therefore, conspicuousness is integral to the luxury behavior and the value attributed to luxury is intimately related to a consumer's perceptions and needs (Kapferer, 2010).

Moved by the work of Vigneron and Johnson (2004), Wiedmann, Hennigs and Siebels (2007) created a multidimensional model comprised of four distinct value dimensions for measuring the perceived luxury value of a brand. With this model, it's possible to understand the many functions of luxury brands from the consumer's perspective.

Table 3. Luxury value dimensions

Dimensions	Characterization
Financial dimension	Concerns monetary aspects, such as the value of the product or the opportunity cost associated with its purchase (Wiedmann & Hennigs, 2013).

Functional dimension	Related to the core benefits that the consumer expects to obtain from a luxury product, the tangible features, such as quality, uniqueness, usability, reliability and durability (Wiedmann & Hennigs, 2013).
Individual dimension	Cares the customer's preferences and focuses on the consumption of luxury goods for materialistic ambitions, hedonic motives, and for enhancing self-identity (Wiedmann & Hennigs, 2013).
Social dimension	Owning luxury goods holds a strong interpersonal importance, such as the acquired benefits of prestige and conspicuousness to be expressed within a social group (Wiedmann & Hennigs, 2013).

Source: Adapted from Wiedmann, Hennigs and Siebels (2007)

In agreement, Choo, Moon, Kim and Yoon (2012) propose that the luxury value lays within utilitarian, hedonic, symbolic and economic values. Yet, to successfully deliver consumers such values, luxury executives must follow a strategy that empowers their brand.

1.2.2. Luxury Strategy

When it comes to the strategy that leads luxury brands into business success, it is frequently confused with the premium and fashion strategies (Bastien & Kapferer, 2009). Although these share some similarities and lend practices amongst them, they should clearly be distinguished from each. The luxury strategy has the goal of creating the highest brand pricing power through leveraging intangible elements of singularity (time, heritage, country of origin, craftsmanship, small series and prestigious clients). By activating all these intangibles, the brand cannot be comparable to any other (Bastien & Kapferer, 2013).

However, not all the brands that consider themselves as in the category luxury are indeed following a luxury strategy. To properly embody a luxury strategy, Bastien and Kapferer (2013) propose that brands must follow a set of laws that seem to be built upon every successful luxury business model to this day. These laws go against the traditional marketing practices which in their turn, are not applicable to the luxury world, hence the authors named them the *anti-laws of marketing*.

Finally, luxury exists since some people cannot access to it. As richness is rising everywhere in the world, thanks to fast economic growth, luxury must never be made too accessible in order to remain the dream of those with growing revenues and wealth (Kapferer, 2010). Even if made accessible, its pricing should be discriminatory pricing as most of the brands that consider themselves luxury are not in fact following a luxury strategy. As such, the brand that most follows a luxury strategy, Hermès, is also the most profitable of the sector (Tabatoni & Kapferer, 2010).

1.2.3. Luxury Brands

During the last two decades, the luxury paradigm has gained relevance in the literature as conglomerates like LVMH and Richemont SA were created (Okonkwo, 2009). Such groups allowed luxury brands reach a considerable level of economic importance and benefited from elevated status they hold in contemporary consumption and communication activities (Chevalier & Mazzalovo, 2008). While consumers across the world use luxury products for a variety of reasons, the characteristics of luxury brand seem to share similar values regardless of their country of origin (Nobre, Becker, & Wan Lee, 2018).

It's important to mentioning that marketers and consumers refer to luxury products with a more abstract language than the one they used to describe ordinary products. Hence, evoking the Dream factor established by Kapferer and Valette-Florence (2016). Even though abstract product descriptions are regarded as more luxurious than objective product descriptions (Hansen & Wänke, 2011), one must consider that these brands have certain social, symbolic and utilitarian meanings that benefit those who use it (Nobre et al., 2018; Sung, Ahn, Choi, & Song, 2015). After all, a luxury brand sells someone before they sell something (de Azevedo Rosa, 2012).

Regarding these meanings, in the current state of luxury, brands have been playing a vital role because intangible values become more important than functional ones (Kapferer, 2010). Therefore, these intangible values must be certified and only the fame of the brand can assure them. Consequently, since consumers always want to purchase the right brand, the luxury business is inevitably a brand-building business. As a result, the symbolic capital of a luxury brand is also the source of its pricing power (Kapferer & Valette-Florence, 2016) so luxury executives must pay attention to their brand's awareness.

By operating as a social indicator and therefore a "universal visa of class" (Kapferer & Valette-Florence, 2016, p. 129) luxury brands have gathered a symbolic capital which does not purely rely on the product uniqueness and preciosity but also on the desirability of the brand as a whole (Kapferer & Valette-Florence, 2016). In other words, luxury brands sell the dream attached to their name and the world they represent. Due to this logic, the luxury sector has grown because more people want to live this dream (Kapferer & Valette-Florence, 2016).

When defining a luxury brand the following dimensions must be considered: product category, the degree of luxury associated with the brand and the context of use (Nobre et al., 2018). Moreover, even if high quality is necessary, it's not enough to qualify a brand as luxury since it also must serve as a social and cultural marker (Kapferer & Valette-Florence, 2016).

Kapferer and Valette-Florence (2016) argue that a luxury brand must be exclusive, to establish that it is not accessible to everyone. To achieve this status, the luxury brand must restrict its diffusion. Thus, it must limit its accessible product lines, control its prices and be aware of whom is wearing it. On the other hand, to be exclusive a brand needs to have a unique style that is both intemporal and contemporary (Kapferer & Valette-Florence, 2016). Managing a luxury brand to grow without losing its exclusive essence seems to be the ultimate task for luxury executives, because as more people access it, the lower the brand's appeal becomes (Kapferer & Valette-Florence, 2016). Therefore, the consumption of luxury reveals itself as a complex phenomenon.

1.2.4. Luxury Consumption Behaviour

Luxury is an industry of its own since it delivers status to so many people. Yet, status is a zero-sum attribute (Bothner, Godart, & Lee, 2010): if one gets more of it, the other will have less of it. Therefore, no one wants to be left behind. While consumption has become an extension of the self (Belk, 1988), status loaded items are essential for impression management.

By wearing the right brands, everyone can build their own prestige and establish a certain social network, according to their status needs (Kapferer, 2010). Individuals might have the desire to display a prestigious brand with the purpose of being accepted into a certain social group (Srinivasan, Srivastava, & Bhanot, 2014). In order to maintain their position, consumers likely will continue their luxury consumption. On this point of view, some elite groups may even request very subtle forms of 'brand recognition', only identifiable to a few educated ones (the ultimate sign of one 's superiority) (Kapferer, 2010).

As previously mentioned, motivations for the luxury consumption can be divided into two groups: functional motivations and hedonic motivations (Heine, 2012). The functional motivations are related to the desire to own a high quality, robust and durable product. Whereas, the hedonic motivations are built upon a social context with the behaviors of seeking prestige, flaunting and communicating with others (Hümeyra, 2015). Based on their luxury consumption motivations, individuals can be categorized within four different classes (Han, Nunes, & Drèze, 2010; Hümeyra, 2015):

Table 4. Classes of Luxury Consumers

Classes	Characterization
Aristocrat class	The wealthy consumers in the aristocrat class are usually not motivated to consume luxury in order to gain prestige and communicate with the other elites. As they do not feel obliged to prove themselves as aristocrats given that this is already a known fact, their luxury consumption serves to satisfy their own will.
Parvenu class	The consumers in parvenu class seek to communicate with the aristocrat class and differentiate themselves from the lower classes and therefore obtain status. While they have the means to access to luxury, their luxury consumption is based on external motivations rather than internal ones.

Poseur class	Individuals that comprise this class show themselves to be someone they want to be but have not become yet. While seeking status as well, the poseurs do not have the financial power of parvenus and therefore cannot afford to own real luxury. Consequently, they tend to buy imitations of luxury goods and may spend more on luxury consumption.
Worker/proletarian class	On this class, luxury is distant to consumers. They do not crave status, communicate with the wealthy people or differentiate themselves from the others. Luxury makes no sense to these consumers as they find it unnecessary, extremely expensive, over-embellished and old-fashioned.

Source: Adapted from Hümeyra (2015)

Being aware of these differences helps luxury executives gather notions of which consumers really matter to their business. Regarding the "real" luxury market, different types of consumers may be considered more precisely, according to the characteristics that set them apart from one and other.

When it comes to segmenting the luxury market, one can now rely on two main segments of millionaires: "new money" (7.5 million people) and "old money" (2.5 million). This distinction corresponds to a transition in consumer values, shifting preferences from long-term, retained luxury goods (e.g., real estate, islands, diamond watches, jewelry) to experience goods and services in the short term (e.g., alcohol, food, travel, hotels, cruises) (Chandon, Laurent, & Valette-Florence, 2016). Beyond this basic segmentation, seven luxury consumer segments were proposed in the 2014 Monaco Symposium on Luxury by Armando Branchini, as BCG and Fondazione Altagamma (2014) *cit in* Chandon et al. (2016) summarize in the table below.

Table 5. Luxury consumer segments

Segments	Characterization
Absolute Luxurers	Refined and elegant connoisseurs, who have grown up in luxury. Nothing is too much for them. They embody the European and US elite and the 'happy few' (2 million consumers).

Megacitiers	Aged 25 to 35, living in NYC, London, Paris, Rio, Moscow and Shanghai, they spend about 20,000 Euros a year (2 million consumers).
Socialwearers	About 700,000, with a significant presence in emerging markets, particularly China and Brazil. They spend 15,000 Euros a year in luxury goods: quality, sustainability and the 'Made in' excellence concept are indispensable conditions. They continuously search for an emotional connection with brands, which causes them to be very faithful customers once they have been conquered.
Experiencers	3 million consumers, aged 45 to 50 which spend about 12,000 Euros a year, sharing a moment of happiness on holiday or a first-class dinner. They are discreet and sophisticated.
Little Princes	Aged 18 to 25 this Z generation covers young consumers who were born with their parents' fortune and used to playing with designer toys. These consumers are impulsive, always connected, craving for novelties and colors, attracted by the brand and by daring aesthetic designs. Hence, aesthetics are often mentioned as being an important factor in the perception of luxury (Townsend & Sood, 2012). They number 1.5 million and spend 10,000 Euros a year.
Fashionistas	These are about 3 million consumers, mostly women, aged 35 to 40, who spend on average 8000 Euros a year. They are aware of current trends and updates from the most renowned brands to the latest discovery in the world of style. They buy bags, clothes, shoes even if, consequently, they cannot afford to go on holiday or to the restaurant.
Status Seekers	They live on a stage and the logo on their performance clothes must be clearly visible as well as a showy watch or accessory. Instead of experimenting, they tend to follow well-established fashion trends and brands, and are guided by the approval of others. They are represented by 2 million consumers aged 35 to 40, who spend 8000 Euros and come mainly from Asia, but also from Russia and Italy.

Source: Adapted from BCG and Fondazione Altagamma (2014) *cit in* Chandon et al. (2016)

Finally, according to the World Wealth Report 2019 provided by Capgemini (2019), *High Net Worth Individuals* is a classification used to identify those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables and consumer durables. Moreover, HNWIs are divided into three categories related to different wealth bands: “those with US$1 million to US$5 million (millionaires next door); those with US$5 million to US$30 million (mid-tier millionaires) and those with US$30 million or more (ultra-HNWIs)” (Capgemini, 2019, p.3). As millionaires in different wealth bands have different needs, marketers need to implement a strategy cater the desires of each category of HNWIs.

According to Luxury Goods Worldwide Market Study - Fall–Winter 2019 by Bain & Company (2020), the total luxury market grew by 4% in 2019, to an estimated €1.3 trillion globally, with positive performance across most segments. As for the personal luxury goods market, the “core of the core” in luxury segments, reached a record high of €281 billion. Given the purpose of this thesis, it is worth mentioning that Yacht sales experienced a recovery, with increased focus on sustainable options, yet underwent a decrease in size. Also, high-end furniture experienced growth, particularly in the living room, bedroom and lighting categories (Bain & Company, 2020).

The same study by Bain & Company (2020) also pinned eight themes that will define future luxury customers.

Table 6. Eight themes defining the future luxury consumers

Themes	Characterization
Here and now	Looking ahead, the personal luxury goods segment, will remain in a growth trajectory of 3% to 5% per year through 2025, for a total market value of €335 billion to €375 billion.
Chinese	By 2025, Chinese consumers will account for 46% of the global market (up from 35% in 2019). Chinese customers already delivered 90% of the growth in 2019, and increasingly shopped “at home.”
Young(er):	Gen Y and Gen Z will dominate the luxury market, with disruptive consumer trends arising from these younger generations.
Diverse	By 2025, the global luxury customer base will grow from two sources: An increasing number of ultra-high-net-worth individuals, primarily based in the

	Americas and Asia and new base of emerging luxury customers, primarily stemming from the growing Asian middle-class, who look for "entry-to-luxury" products that are innovative and flourishing with stylistic content.
Open	Customers will be highly receptive to new value propositions and business models that challenge the rules of the game, as already testified by the phenomenal success of "indie brands" in beauty, or the growth of the secondhand market, for instance.
Responsible	Social commitment will be a critical customer priority. Corporate and social responsibility will evolve from being a "must-have" to a lever that will truly transform the business.
Emotional	Beyond products, experiences and ideas, feelings and emotions will become an important ingredient to deliver value to post aspirational customers. The luxury customer is present and increasingly active, dramatically rewriting the rule book of the industry."
Phy-gital	A growing wave of digitalization continues to disrupt physical distribution networks.

Source: Adapted from Bain & Company (2020)

Overall, clients are switching from a mere audience of luxury brands, to critical center-stage actors who want to interact, converse, share, observe and judge brands.

Narrowing down to an elusive strain of the Luxury market, the next chapter will focus on the luxury yacht market, the pivotal topic for this research.

1.3. Luxury Yacht Marketing

It is worth noticing that the concept of "luxury" lays above the traditional industrial sectors as it comprises the top segment within various industries (Caniato, Castelli, Caridi, & Golini, 2011). Even though process-oriented sectors are at the core of the luxury industry, a small but relevant part of the business is established on one-off project-based luxury sectors (e.g. production of villas, yachts and private jets). Such projects ask for the highest levels of exclusivity and are essential for a high number of small-medium enterprises (SMEs) operating in local contexts (Ponticelli, Mininno, Dulmin, & Aloini, 2013).

One-off luxury projects concern large and complex production systems which are operated by several hundreds of organizational actors that seek success by chasing different and conflicting objectives (Artto & Wikström, 2005). As the sector is characterized by continuous technological innovation and by a super-specialization, its core business aims to extend the range of services offered to the customer (Cazzaniga Francesetti, 2008). This complex network of production must be concerned with the satisfaction of the final customer which requires the highest quality standards and can impose the design of the final product (Ponticelli et al., 2013). In fact, customers have a great influence on the final product when it comes to its physical aspects and to its supply chain structure, since they usually demand specific designers and sub-contractors (Pesämaa, Eriksson, & Hair, 2009; Segersted & Olofsson, 2010).

To cater such needs, this industry relies on several external actors that provide the major part of value activities (Wagner, 2010). It is a restricted market with strong competition imposed by the necessity product differentiation (Bruni & Carcano, 2009). Therefore, on a one-off luxury project environment, the management of external relationships becomes vital to this industry's success (Ponticelli et al., 2013).

Yachts are possibly one of the most complex and luxurious products in the world, combining both technical and emotional appeals (Reddy & Terblanche, 2005). A yacht can be defined as "a large sailing boat, often with an engine and a place to sleep on board, used for pleasure trips and racing" (Oxford Advanced Learner's Dictionary, 2020, Definitions Section, para. 1). Both in the motor or sailing category, the terms Mega Yachts, Super Yachts, Luxury Yachts are often associated with expensive, prestigious and elegant yachts (Merendino, 2013). Further, a superyacht can be seen as a unique vessel that serves as a home and workplace to professional crew and as a holiday space for its super-rich passengers (Spence, 2014).

When it comes to differentiating between a yacht and a superyacht, it depends on the length, gross tonnage, and the degree of customization of the vessels. In the past, vessels over 80 feet in length were considered as superyachts as many regulations start to emerge, such as requirement of licensed captain and crew (Johansson et al., 2014). Though, nowadays, this definition usually applies to boats over 100 feet (Johansson et al., 2014). Boats inferior to 100 feet in length are typically privately owned, while boats over 100 feet are often integrated in the luxury charter market (Johansson et al., 2014). As for super yachts measuring over 250 feet, they are noted as Mega Yachts (Merendino, 2013) while, in the case that they are over 300 feet long, they are called "gigayachts" (Springer, 2019).

1.3.1. Luxury Yacht Industry

When referring to the luxury yacht industry, usually it concerns the production of pleasure crafts longer than 24 meters (80 feet) (Jefferies, 2015). Although mostly concentrated in Europe, and particularly in Italy, superyacht builders are also found in the United States, Australia, New Zealand, Asia, and Eastern Europe. In January 2020, Boat International listed 4,621 professionals connected to the superyacht industry since 1856, including 1,806 builders. Recently, Boat International listed the top builder countries for 2019: Italy was declared as the top country, followed by the Netherlands, Turkey, United Kingdom, and Germany, respectively. On the same year, the industry recorded 807 orders for projects with over 24 meters (Boat International, 2019). Further, Azimut-Benetti as a group remains the world's most active superyacht builder, reinforcing Italy's leadership within this industry. As for the top ten builders to this day, are as it follows (according to the total number of units built, since the founding of the company):

Table 7. The top 10 superyacht manufacturers

Rank	Company	Country of origin	Builder	Naval architect	Interior designer	Designer	Units built
1	Azimut	Italy	Yes	Yes	Yes	Yes	506
2	Sunseeker	United Kingdom	Yes	Yes	Yes	Yes	434
3	Sanlorenzo	Italy	Yes	Yes	Yes	Yes	424
4	Benetti	Italy	Yes	Yes	Yes	Yes	371
5	Ferretti	Italy	Yes	Yes	Yes	Yes	251
6	Feadship	Netherlands	Yes	-	-	-	222

7	Overmarine	Italy	Yes	Yes	Yes	Yes	219
8	Princess	United Kingdom	Yes	Yes	Yes	Yes	207
9	Horizon	Taiwan	Yes	Yes	Yes	Yes	195
10	Hatteras	United States	Yes	Yes	Yes	Yes	193

Source: Boat International (2020)

Shipbuilding companies hold a lot of visibility on the maritime industry as they employ hundreds of workers and are usually tied to the interests of several institutional actors (Ruuska, Ahola, Martinsuo, & Westerholm, 2013). This becomes relevant for other luxury industries as these companies become an important customer for other luxury players, especially for those related to customized furniture (Ponticelli et al., 2013).

A. Luxury Yacht Supply Chain

Since clients' requirements are different for each project, the supply chain structure adapts in accordance with demand (Christopher, Lowson, & Peck, 2004). Also, envisioning the optimal supply chain strategy for a one-off low volume project becomes a difficult task since it has no comparable past and future state but only a present state (Sanderson & Cox, 2008). Therefore, the yacht industry operates on a make-to-order approach, due to the project's unpredictability, variety, and complexity as well as low selling volumes (Caniato et al., 2011). Consequently, to ensure sub-contractors' commitment, yacht companies seek to establish a network of close relationships (Ponticelli et al., 2013).

B. Actors and Networks of the Luxury Yacht Industry

The boat builder is seen as a network coordinator that manages the supply chain members and evaluates their performance after the project completion (Ponticelli et al., 2013). Moreover, in order to protect know how capabilities, yacht companies identify which suppliers and subcontractors provide the highest value for the customer. As a result, partnerships are established with these (Ponticelli et al., 2013). Meanwhile, for full-custom yacht producers, the protection of designers and architects is vital (Ponticelli et al., 2013) as they represent a source of differentiation and added value.

A specialist yacht designer oversees the creative process whether for a new-build or a refit project and holds a multi-faceted skill set ranging from sketching ideas to space optimization and interior furnishing. Inevitably, yacht designers add value through experience and specialist knowledge yet, they usually integrate a team along with a Naval Architect, shipyard, yacht broker and Project Manager (Adam Lay Studio, 2020).

On this note, Caniato et al. (2011) found that the boat builder, dealer, architects, and designers are present in the dialogue with the end customer during the yacht selling process. Therefore, their role is crucial to understand the mechanics of the network of actors in the luxury yacht industry. It is also important to mention that this industry is based on complementary activities are done in a specific order depending on customer-specific demands (Gadde, Håkansson, & Persson, 2010), i.e. customization. These activities are then only made possible through the industry's resources, in other words, through a network of suppliers. Therefore, important resource connections must be handled with care, preferably through key account managers (Gadde et al., 2010).

C. Business Relationships on the Luxury Yacht Industry

Moreover, according to Gadde et al. (2010), a company must adopt a broader view when analyzing the network in order to identify future opportunities. Such can be achieved through geographically expanding the sourcing operations and thus considering suppliers located in other countries or regions (Gadde et al., 2010). On this logic, the same authors claim that is better to have "many-but-thin" rather than "few-but-heavy" connections in order to decrease the dependence on external players. Nonetheless, there is a clear benefit in having high-involvement relationships with the suppliers (Gadde et al., 2010). Lastly, such relationships are sustained by the technical development, volume, product quality, and performance they bring to the buying firm (Gadde & Snehota, 2000).

i. Purchasing on the Luxury Yacht Industry

At this point, the importance of business relationships is clear in the literature as they are responsible for the dynamics that the luxury yacht industry is built upon. From a supplier's point of view, it becomes crucial to successfully establish the above-mentioned business relationships as they are pivotal to influence the purchasing decision, in this case, of a shipbuilder. By influencing the individuals who are at the buying center in a shipbuilding company, a supplier can thus achieve a profitable outcome. Moreover, if one can fulfill the demand with excellence, it is likely that it will profit from a long-term business relationship. However, the task to influence the purchasing decision maker is not so simple. First, one must acknowledge who makes decisions in a purchasing process. On this matter, five types of roles come into play as categorized by Webster and Wind (1972): users; gatekeepers; influencers; deciders and buyers. Hutt and Speh (2012) noted the differences among them, as it follows:

Table 8. Roles on the purchasing decision

Roles	Characterization
The user	The one who is intended to use the product or service after the purchase and, in some cases, it might be the one initiating and driving the purchasing process.
The gatekeeper	Usually controls the information flow to and from the buying center. As influencers, they are people brought in to advise as technical experts in the purchasing process.
The decider	The ones taking the real decision in the purchase and the hardest to identify.
The buyer	The one in charge of the formal buying decision and can therefore easily be identified by other people outside the buying center.

Source: Adapted from Hutt and Speh (2012)

Each role bears different importance when it comes to the purchasing decision. One can imply that this process involves several opinions and is therefore a collective operation. Yet, the final user, the one who ultimately benefits from the product, seems to be above the rest as its demands are the ones to be answered. Even though being an inaccessible individual to reach, a company must understand the final user consumption behaviors in order to provide him with value the best way possible.

1.3.2. Luxury Yacht Consumers

The development of the luxury nautical market relies on the number and the wealth of millionaires known as High Net-Worth Individual (HNWI) (Merendino, 2013). This market thus becomes interesting to examine as these individuals typically hold a patrimony exceeding US$30 million dollars (Merendino, 2013), which allows them to have no restrains upon their requests. Running parallel to everyday mobilities in society exist a privileged circuit of capital accumulation which is bespoke to the normal lives of the so called, "super-rich" or "plutocrats": the multi-millionaires and billionaires of the world (Beaverstock, 2012; Elliott & Urry, 2010; Freeland, 2012).

Such clients have specific characteristics that need to be catered to, to ensure their satisfaction since the mobility of the yacht is largely determined by the unusual demands of its super-rich passengers (Spence, 2014). Further, Spence (2014) assumes that super-rich mobility is both performed by super rich guests to their peers, and by the crew creating a spectacle of super-rich mobilities for the guests. Thus, the author argues that the key motivations for super-rich to use yachts is to showcase their mobility status.

A. Motivations for Luxury Yacht Consumption

Since performing mobility is "quintessential to personal and collective identity" (Vannini, 2011, p. 480), owning or chartering a luxury yacht allows elites to display and validate their super-rich membership (Spence, 2014). Consequently, the absence of owning or regularly chartering a yacht could be perceived as "lack of competence and illegitimacy" for a member of the elite group (Beaverstock & Faulconbridge, 2013, p. 52). Therefore, when determining where to go ashore, guests choose prominent ports with reputable bars and restaurants where they can see and be seen, thus associate themselves with other super-rich individuals (Spence, 2014). The privacy and exclusivity provided by luxury yachts is somewhat contrasted by the need to display their mobility status (Beaverstock & Faulconbridge, 2013). On this note, exclusive ports such as Monaco, Cannes and Saint Tropez along the Cote d'Azur demand higher fees for docking which makes them in high demand by the yachting super-rich (Spence, 2014).

B. Different types of Luxury Yacht Consumers

The notion of super-rich becomes relative concept since there are significant wealth inequalities amongst the super-rich (Beaverstock & Faulconbridge, 2013). According to Haseler (1999, p. 3), "… amongst multi-millionaires there is a sharp distinction to be made between those at the lower end … and those at the higher end – say the $500 million plus households. The distinction is one of power, not lifestyle." Those individuals with net worth in the hundreds of millions tend to display a portfolio of mobilities for business and leisure that are completely different from the millionaire whose net worth lays in the millions or tens of millions of US dollars, Euros or GB pounds (Beaverstock & Faulconbridge, 2013).

To illustrate this theory, one can compare ultra-high net worth mobilities with the high net worth ones. On one side. the private fleets of exclusive mobility represent both their class status at the pinnacle of the super-rich world, and what is necessary for these individuals conduct their everyday life (Beaverstock & Faulconbridge, 2013). On the other hand, mobility motives for high net worth individuals are mainly related to comfort and convenience. They opt to travel in ways that distinguish them from the non-high net worth traveler. Thus, while the ultra-high net worth individuals likely own a private luxury yacht, the very high net worth individuals are keen to charter them frequently, contrasting with the rare occasion to chart a yacht of the mere high net worth group (Beaverstock & Faulconbridge, 2013). It's also worth mentioning that, the middle class, the very high net worth, consider their performance of mobility as a part of an identity construction, which can sometimes conflict with their needs for privacy (Beaverstock & Faulconbridge, 2013). As a result, those in charge of building and design super yachts may have to pay attention to such details when developing a project.

After all, luxury yachts are seen as a complex and symbolic product (Bruni & Carcano, 2009). All these important meanings and capabilities that constitute the super-rich mobility are, in fact, thoughtful constructions by a variety of interested parties (Beaverstock & Faulconbridge, 2013). Therefore, in this industry, both building and chartering companies seek to construct symbols of competency and attraction in order to create demand for their products (Beaverstock & Faulconbridge, 2013).

2. METHODS

This chapter presents the methods used in this research.

2.1. Research Setting

On this section, the marketing strategy challenge that originates from the current case study is explained. It also references the business goal that set the firm's sights on the luxury yacht market segment.

2.1.1. Firm's Case

Having a solid presence in the luxury rugs market, Ferreira de Sá maintains a considerable clientele, ranging from fashion houses like Dior and Hermés to prestigious hotel chains such as Ritz-Carlton, One&Only and Intercontinental. The company's products have been chosen for several projects during the past decade, propelling the Ferreira de Sá to the top of European bespoke rug manufacturers. The company follows a business model based on the B2B luxury market and its commercial strategy relies upon a continuous bet on new markets, clients, and geographic regions.

Regarding the new management's desire to increase sales, new possibilities were pursued in terms of profitability. As a result, the main strategic approach to follow was to tackle new markets and segments. One of the segments that was frequently mentioned by the new Commercial Director, was the luxury yacht market. This subsegment of the luxury market is considered as a niche due to its specific characteristics and ultra-luxury prices. Moreover, a research on this specific market was necessary since only two registered projects regarding luxury yachts have been developed by the company. Also, some of the company's main competitors were already active on this market, such as Olivier Treutlein and Tai Ping, which reassured the management that it was possible to aim for it. Further, by talking with the Production Manager, it was stated that it was indeed viable for the company to overcome the material properties requisites imposed by the final client demands and safety regulations. These regulations concern international standards for boat material safety (IMO Standards) and were accomplished with the introduction of a new manufacturing material, Trevira CS.

Nonetheless, due to the current internship being held at Ferreira de Sá, this research shapes into a case study by seeking to comprehend a real and contemporary business problem. Concerning the situation described above, the main goal of this thesis is to understand how the company (Ferreira de Sá Rugs) can enter on an international sub-segment of the luxury market (luxury yacht market). Bearing this goal in mind, the following research questions were established:

- How to reach and identify the key segment's actors?
- How should the company communicate to this new segment?
- How to establish successful business relationships in this new segment?

These research questions seek to go further in detail to obtain a deeper level of information and possible nuances that characterize the targeted market segment. Due to the nature of the above-mentioned research questions and the required techniques to answer them, this research will follow qualitative approach, to be detailed in the data collection techniques chapter.

2.1.2. Methodological Approach

According to Yin (2013), the main strength of case studies is the use of many sources of evidence, allowing the development of converging lines of inquiry through a process of triangulation. Mitchell (1983, p.192) provides a definition of a case study as a "detailed examination of an event (or series of related events), which the analyst believes exhibit the operation of some identified general theoretical principles". The case study permits researchers, to retain the "holistic and meaningful characteristics of real-life events" Yin (2009, p.3), particularly "when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009, p.13). Moreover, recurring to Gomm, Hammersley, and Foster (2000), it gives a chance to investigate cases in a more precise way because the more a circumstance needs to be explained and descripted, the more the case study method is relevant. Further, Yin (2013) went by suggesting that there are three main conditions to follow a case study strategy. Firstly, the proposed type of research question is considered to be most important condition to differ from other various research strategies. In a way that "what" questions can be exploratory, "how" and "why" are likely to lead to the use of case studies. Secondly, the extent of control an investigator has over behavioral events. In a scenario where when the investigator has restricted or no control on relevant behaviors, and therefore cannot manipulate them, case studies are usually the preferred strategy. Finally, the degree of focus on contemporary events poses has the third condition to regard. To serve this condition, the case study can rely on many techniques as direct observation and systematic interviewing. Given the nature of this thesis main goal and research questions, the ongoing investigation lays within the applicability of the case study research method.

2.1.3 Data Collection Process

Firstly, to acquire knowledge about the discussed topic, a desktop research was performed, where data was collected by searching the Internet and databases for information regarding the luxury yacht market. The data obtained from the desktop research served as a valuable basis when conducting the interviews, since the secondary information could validate the primary information and vice versa (Patel & Davinson, 2011). Additionally, 10 interviews were performed to gain knowledge about the luxury yacht segment. These interviews intended to gather information about the business network within this market segment and to comprehend who were its decision-makers and key informants.

The interviews' focus were on yacht's interior design decision-makers, considering, especially the designer. It is also important to mention that amongst the several yacht design studios that were interviewed, many of them did not have control over the yacht's interior design. Finally, most contact details of the interviewees were collected through the company's websites as well as with the help from actors contacted in the luxury yacht market.

2.1.4. Data Collection Techniques

To answer the proposed research questions of this thesis, data collection was based on desktop research and interviews to obtain information. Given the nature of the main goal and research questions, which consist mostly on "how" questions (Yin, 2013), the conducted interviews fall into the qualitative category.

The primary source used for data collection are qualitative, in-depth interviews with industry professionals (Yin, 2014). The interview form used in a qualitative interview can be designed with open questions or themes (Patel & Davinson, 2011). Interviews were the most useful tool in this study, as this structure permits the interviewer to move between proscribed and unstructured questions. Therefore, specific details could be obtained.

The interview guide was designed in the beginning of the study, covering all the questions that the research should answer in order to fulfil the purpose of the thesis. The master questionnaire was later adapted to each interviewees' category, by selecting issues where the interviewee was able to respond. Even though, each category received the same number of questions to answer. Finally, the interviewees were first contacted via phone call a later asked about their availability to be interviewed. The questions were sent by e-mail, given the impossibility of performing a face-to-face meeting due to interviewees' schedules. Later, the interviewees replied with their answers.

With respect to the possible respondents to interview, according to I-Tech (2008), key informants and specialized informants are usually types of informants used in qualitative interviews. Key informants typically are well connected with their communities, which gives them access to a lot of knowledge to share about social, cultural, and political factors. Moreover, they are often willing to share information and assist the interviewer further as they introduce him to other contacts in the organization that may be meaningful. Thus, the key informant can act as a local gatekeeper. On the other hand, specialized informants detain more knowledge about the specific research subject. Informants should be chosen in a way to represent a larger group of individuals that the interviewer is trying to understand. Likewise, as they hold a diversity of knowledge, they can reduce the bias (I-Tech, 2008). Finally, standing on Caniato, Castelli, Caridi, and Golini (2011) as well as key informants, the interviewees were divided into eight main categories (regarding different actors on luxury yacht business network): experts, boat builders, designers, brokers, end customers, operators, soft offer providers, and rug suppliers.

Key informants were first reached in this study because they could enrich understanding the overall picture. Also, they revealed valuable contacts for further interviews, such as specialized informants. Conversations with experts and Internet searches were recurred methods for finding key informants.

Based on Johansson, Häll, and Jutback (2014) study of mega-yacht's supply chain , one objective of this research was to interview a candidate from each actor category, in order to broaden the information range. Further, this logic helped to comprehend different aspects of consumer demand from each actor in the network, regarding product and service offerings. Also, while interviewing the different actors, there was an effort to assimilate the interviewee role in the network above all. However, it was also interesting to learn additional information regarding other actors in the network. As a result, it was possible to understand the relationship between actors, the resources they possess and the activities they engage in.

2.1.5. Data Sources

Data Sources concern where the collected information was discovered or retrieved from. Additionally, data can either be primary, if collected by the researcher himself, or secondary, if discovered through documental searches on existing knowledge from different authors. On this case study, the primary source for data collection are qualitative, semi-structured, in-depth, interviews with different actors within the industry (Yin, 2014). Moreover, the Data Collection Process is described in table below.

Table 9. Data Collection Sources

Type of Data	Method	Respondents
Primary	Interviews with luxury yacht interior designers.	Tony Castro; Mark Berryman; Kit Carlier; Gabriele Teruzzi; Federica Fino; Andy Waugh; Serena Lawson-Smith
	Interview with luxury yacht brokers.	Engel & Völkers Yachting
	Casual Conversations with yacht interior designers	Miguel Queda and Simone Ciarmoli from Ciarmoli-Queda Studio
	Casual Conversation with Luxury Consultant	António Paraíso
	In-depth interviews with Ferreira de Sá's Export Sales Managers.	Sarah Kuhn; Jorge Rees;
	In-depth interviews with Ferreira de Sá's Commercial Director.	David Fonsillas
	Observations at Ferreira de Sá's headquarters.	Previous yacht projects reports; Commercial & Marketing Plan for 2020.
Secondary	Public documents	Reports, magazines and articles about the discussed topic; published news, videos and blog posts related to the topic. Magazines: GG Yachting 4/2018 Special Edition Boat International – several articles Blogs

		Smania - Luxury yacht furnishings for exclusive navigation. Yachting-Pages - Choosing marine furniture and furnishings worthy of a superyacht Videos: The Yacht Guy Interview with Marco Casali Espen Oine Interview

Source: Author

As both Ponticelli, Mininno, Dulmin, and Aloini (2013) and Ruuska, Ahola, Martinsuo, and Westerholm (2013) describe the yacht market to include a complex and dynamic network of organizations, a network perspective was taken in this thesis. The actors (key informants) within this network make up most of the interviewees. Initially, based on Caniato et al. (2011), actors thought to be included in the network were designers, end customers, boat builders and brokers. Additionally, Ponticelli et al. (2013) claim that the boat builder plays the role of network coordinator and manages the other supply chain members. Bearing this in mind, the boat builder was credited with vital importance in the network. For this study development, it was vital to identify and map the network to reach a clearer view of the actors involved and to be able to answer the research questions stated above.

3. Results

This chapter presents the results and analysis. Each table contains data that are related to a given topic and associated research question. Finally, from now on and in order to follow the terminology used in the industry, the term "yacht" refers to a "luxury yacht". As such, the same logic will apply to "luxury yacht industry" which will be referred as "yacht industry".

3.1. Market Segment Dynamics Overview

For the company successfully communicate with this segment, it must know the segment and its players. The table below summarizes data that shows the geographical distribution of the interviewee's customers and the role that these play within the industry.

Table 10. Geographical Distribution of customers

Geographic areas	Insights	Empirical Excerpts
Europe	Countries where the yacht industry is traditionally established in.	"Italy, Spain"- Federica Fino, Designer "Holland, Germany and France" - Andy Waugh, Freelance Designer "Mainly Europe, with a special focus on Italy, the UK and Germany." – Sarah Kuhn, Export Manager
Worldwide	Mainly developed countries in Asia and Middle East.	"Worldwide"- Tony Castro, Designer "NZ, Australia, China, USA, France, Saudi, Dubai" - Kit Carlier, Designer "USA, Russia, Germany, UK, South America, Middle East"- Serena Lawson-Smith, Head of FFE and Designer

Source: Author

Table 11. Network Actors (interviewees customers)

Actors	Insights	Empirical Excerpts
Shipyards	Most likely the first actor that Owners reach out to when considering buying a yacht.	"Yards/Design companies" – Andy Waugh, Freelance Designer "Owners and shipyards"- Tony Castro, Designer "Private, Shipyards" – Federica Fino, Designer "Private client and shipyards" – Gabriele Teruzzi, Designer "Boat yards, Superyacht Management companies, private clients." – Kit Carlier, Designer
Yacht owners	The yacht owners are usually categorized by design studios as Private Clients.	"Owners and shipyard.s"- Tony Castro, Designer "Private client and shipyards" – Gabriele Teruzzi, Designer "UHNWI." – ultra high net-worth individuals – Engel & Völkers Yachting, Brokerage Company "Billionaires." – Serena Lawson-Smith, Head of FFE and Designer "Owners." – Mark Berryman, Designer "Boat yards, Superyacht Management companies, private clients" – Kit Carlier, Designer
Design Companies	Design studios work directly with supply companies and, in some cases, with external designers.	"Yards/Design companies" – Andy Waugh, Freelance Designer "Designers and Architects" – Sarah Kuhn, Export Manager
Superyacht Management Companies	Usually referred as Brokers, facilitate the matching of a client with a design studio to develop a project.	"Boat yards, Superyacht Management companies, private clients" – Kit Carlier, Designer

Source: Author

First and foremost, it is important to consider that most interviewees are yacht designers (interior and exterior) and when they refer to who their customers are, one can imply that it is someone requesting a design service.

As for where the interviewees' customers are located, data shows that although there is a significant concentration in Europe, where in the industry is manly established in, there are also plenty of customers reaching from several locations around the globe. Considering customers outside of Europe, emerging and solid economies were mentioned when ask where in the world the come from.

When it comes to who are the customers and what role they play in the industry, most of them are either private clients or shipyards. One might imply that shipyards are most likely the first to be contacted by owners when considering buying a yacht. Another route that data shows is that designers are directly contacted by private clients. These private clients are mainly described as high-net-worth-individuals, given the prices of this market segment. Also, private clients might have previous knowledge or referral by peers to directly contact design studios.

Further, the rug is always integrated in a design setting and thus in harmony with the design elements and tones around it. The table below describes how important a rug is to the design concept.

Table 12. Rug's relevance in a yacht interior design project

Role of rugs	Insights	Empirical Excerpts
Complement	Not so relevant to the big picture.	"Rugs is a component except for specific request from the consumers." – Federica Fino, Designer "The rug acts merely as a complement to your interior design project." – Gabriele Teruzzi, Designer "A rug is just a small part." – Andy Waugh, Freelance Designer "Acts as a complement." – Serena Lawson-Smith, Head of FFE and Designer

Possible source of inspiration	May be the starting point of a given design project.	“It depends what inspires me at the concept stage of the design. It may be something in nature, an item of furniture or a finish of timber.” – Kit Carlier, Designer

Source: Author

There is a general opinion that the rug acts merely as a complement to the design concept and thus is guided by the stylistic guidelines of the yacht’s interior. It does not hold a relevant importance to the big picture and therefore one can assume that, even in extraordinary cases where the client requests a specific piece in advance to be incorporated in the interior, it is not likely that the requested furniture piece will be a rug.

Once a rug’s importance is known in a yacht interior design project, the next paragraph presents the first research question of this study, related to the actors’ influence on the rug.

3.2. Key Segment’s Actors Dynamics

Who are the key segment’s actors and how are they related among them?

To find out which actors hold more importance in determining the rug to a given project (and therefore more important to be reached out by the company), the findings are as it follows in table below.

Table 13. Dynamics between Clients and Designers

Actors	Dynamics	Empirical Excerpts
Client + Designer	**Design Enthusiast** Client. Designer **advises and creates.**	*[if designers conduct customers toward a specific product]* “We make proposed and then we introduce them to our preferred choice but at the end, they have the last word.” – Federica Fino, Designer *[if designers have freedom to choose the rug]* “Not in our experience, options are proposed to owner” – Mark Berryman, Designer *[on who chooses rug]* “The client” – Engel & Völkers

		Yachting, Brokerage Company [on who chooses rug] “Us together with the consumer” – Federica Fino, Designer *[if designers have freedom to choose the rug]* “We advise and often choose” – Tony Castro, Designer “The designer/client relationship can make or break a project, so it is important that you meet designers and spend time together to establish whether personalities, styling preferences and expectations are aligned.” – Adam Lay, Designer “The owners are often closely involved in the decision process, although the designers do have their complete trust and are aligned with the owners tastes and wishes.” – Sarah Kuhn, Export Manager “Usually there is a tight collaboration between owner and designer. A relation of trust and knowledge of the customers taste is fundamental to a successful project.” – Sarah Kuhn, Export Manager “Whether working directly with the client or through an owner’s representative or project manager, the designer will communicate regularly throughout the build to keep the client fully informed.” – Adam Lay, Designer “…owners are becoming more aware of the design and styling issues.” - Carl Richardson
	Design Distant Client. Designer **decides and creates.**	“Mostly, we will propose what we think is best and usually they are happy to go with this.” – Kit Carlier, Designer “Usually the client will provide the final sign off but sometimes they don’t know what they want so they leave it to us, the designers.”- Kit Carlier, Designer [if designers have freedom to choose the rug] “We advise and often choose” – Tony Castro, Designer

Source: Author

Regarding which actor holds more importance on the rug choice for a yacht's interior, there seems to be agreement on the process that such is conducted. It is above all, a collaborative process between the Designer and the Client (yacht's owner). Being the rug considered a furniture piece, typically for the interior, it must be in harmony with the surrounding environment. Imperatively, there is a continuous stream of communication between the two parties during the whole project.

Firstly, the designer takes the role of advisor on which he listens to the desires and dreams of the client and suggests the most suitable designs and pieces in order to create the perfect environment for the dream to become a reality. Simultaneously, the designer starts creating and envisioning what the big picture will look like, always according to the client's needs. Given that the designer is recruited to cater the client, he is always dependent on the latter approval of the proposed design and settings. This way, these two actors are intimately bonded as they are continuously sharing thoughts on design, comfort, and style, in order to achieve the ultimate experience of luxury to the owner. Since we are dealing with a bespoke project, this experience is intimate and unique and therefore the designer seeks to nurture the relationship with the client to assure every request is fulfilled.

In some cases, data has shown that the client may be a design enthusiast and expert and therefore bring its own defined perspectives into play. Whichever it may be the item or stylistic guideline he already has in mind; the designer must conduct the project around the design preset that owner demands. In this scenario, the client may request a specific furniture piece, such as the rug, forefront and order the design to revolve around such piece.

Finally, there is also the case where the client has no intimate involvement with the stylistic aspects of the yacht's interior and therefore leaves the task entirely to the designer. The logic seems to be that the owner assumes that the designer is an expert on this subject and thus will propose the best option available.

This way, given its minor importance to the overall project, it seems that designers usually take the lead on choosing the rug for a yacht design project and wait on the approval of the owner. Nonetheless, it is, above all, a collaborative process based on trust, sharing information, and closeness. The bond between the owner and the designers is based on ideological alignment that seeks to work towards the same goal. In this partnership, the designer caters the needs of clients by advising, styling, and creating, though always dependent on the client's approval.

How is the dynamic existent between the designer and client established?

It is of great importance to understand how the interaction between designers and owners comes to life, as they are both responsible for the design matters of a yacht's interior.

Table 14. Yacht Design Project Stages

Yacht Design Project Stage	Insights	Empirical Excerpts
1 - Concept Development	Creative and stylistic inputs are driven by brainstorming with client. This advisory stage focuses on exploring concepts.	"Where the designer explores initial ideas and puts forward a concept design." – Adam Lay, Designer "Introducing a designer at the earliest possible stage ensures the best creative input from the very conception of your project, whether the designer is commissioned to produce exterior design, interior design or both." – Adam Lay, Designer "First step to start envisioning and designing a yacht is to recall what you have in mind, what you dream of." – Marco Casali, Designer
2 - Design Proposal	A Design Proposal is made by designers and dependent on the client's approval.	"Where the designer confirms the design with the client using sketches, mood boards, artists impressions and full-size details." - Adam Lay, Designer
3 - Design Information	In the conception stage, designs become a reality.	"Where the designer produces the drawings, specifications and samples for the shipyard to produce the construction drawings." – Adam Lay, Designer

4 - Meetings and Project Management	During the entire project, there is a continuous support. Service is key to customers given the high value of such projects.	"Office based monitoring of the project along with an agreed number of face-to-face meetings from concept to completion." – Adam Lay, Designer

Source: Author

As shown in the table above, a project for a yacht design interior is comprised of different stages. One can then understand that it is a long and complex project, where the designer is constantly reporting to the owner. In agreement, Espen Oine, one of the world's most coveted yacht designers, stated: "It takes between 3 and 5 years to complete a project. From the first meeting with the client to the actual delivery" (Pizzardini F., 2013). The complexity featured in a luxury yacht is driven by the bespoke aspect inherent to these projects and therefore it results in an extremely time-consuming endeavor. Throughout the project development, different stages take part in a sequential form as shown in the table above.

Firstly, in the concept development stage, the designer is first confronted with the owner's desires and wishes. As the initial ideas are noted and first sketches appear, the designer has the task to consider all the demands and encapsulate them into a design concept. While on this brainstorming stage, the designer seeks to advise the owners with solutions to their needs.

After the creative inputs are registered, the designer then creates the layout of what the yacht will feature and a close image of what it will become. After proposing the design concept to the owners, designers wait on their approval to pass to the next stage.

Once the owner approves the design, the creation stage takes place. This is when designers produce everything that shipyards need to build the yacht. This stage seems to be where the technical expertise of design studios comes to play. Whilst designers are coordinating everything with the shipyard, suppliers join the project as they need to provide samples and models to ensure the final product is perfect.

Finally, it is also important to mention that the continuous support given to the owner during the project extends itself and shapes into an after-care / post-service. Thus, the bond established in the beginning of the project follows every stage until the project is completed and further extends for future problems the yacht might have and redesigns that the yacht might needs. The relationship between the designer and yacht's owner is therefore intimately close and mirrored into a long-term interaction between these two actors. In summary, when designers accept a yacht design project, they are expected to deliver a long-term commitment to that endeavor since the collaborative process relies on the continuous communication between the two parties.

Yacht Owners Characteristics

To be fully aware of who yacht owners are, it is important to understand their behaviors and buying characteristics, as described in the table below.

Table 15. Yacht Owners Characteristics

Characteristics	Insights	Empirical Excerpts
Loyal to business partners	Driven by experienced good service.	*[if customers repeat purchases]* "Yes. Again, being service driven, our customers look for exceptional service, which is what they can expect from us and which is what makes them come back to us." – Sarah Kuhn, Export Manager *[if customers repeat purchases]* "Yes sometimes, we have one client who we are designing the refit of their yacht and we are now discussing a new larger yacht for them." – Kit Carlier, Designer *[if customers repeat purchases]* "Yes." – Mark Berryman, Designer *[if customers repeat purchases]* "Yes, some of them." – Engel & Völkers Yachting, Brokerage Company *[if customers repeat purchases]* "Few." – Tony Castro, Designer

Private	Some owners may not want to display their wealth.	"The bigger the boats are, the more private their owners are." – Espen Oine, Designer
Younger	Wealth is becoming accessible at an earlier stage of life.	"The average age of yacht owners has dropped significantly. 30 years ago, when I started in this business, all the owners were at least 60. Nowadays, there more like 30 to 40 years old." – Espen Oine, Designer
Conspicuous	Some yacht owners may want to publicly display their status trough their yacht's characteristics.	"The bigger the yacht is, the more the owner wants to show off. Some consumers ask, beforehand, if they will have i.e. the 50th bigger yacht in the world and if not, they request to add i.e. 3 meters in order to reach a certain length recognizable position." – Marco Casali, Designer

Source: Author

Data shows that, above all, customers demonstrate loyalty if the service they get is exceptional and therefore return to do business with the company in hopes to continue to receive such standards of service. If such is the case, they repeat purchases with a given firm or design studio.

Another point worth mentioning is that yacht owners are becoming younger. There has been shift in consumer demographic on which more younger individuals are becoming yacht's enthusiasts, opposed to what was verified in the past where the industry's consumer base was older.

Finally, data shows contradictory insights when it comes to the behaviors that yacht owners indulge in when using the yacht. On one hand, there is a conspicuous attitude on which owners crave for a high-status yacht to display to their peers. On the other hand, data claims that as the yacht increases in size, the more secretive its owner becomes/is. This antagonistic nature of owner's behaviors reveals a diversity of attitudes towards yacht's usage.

The next research question lays on the communication methods typically used in this market segment.

3.3. Communication Modes of the Segment

How should Ferreira de Sá communicate and interact with this market segment?

Once that the segment's customers and its behaviors are known, it is crucial for a company to know how to communicate with them. The table below seeks to address this issue by illustrating the importance of word-of-mouth advertising on this market segment.

Table 16. Effectiveness of communication through WOM advertising

Answers	Empirical Excerpts
Word-of-Mouth	*[on the importance of word-of-mouth]* "Very important." – Engel & Völkers Yachting, Brokerage Company
	[on the importance of word-of-mouth] "Useful, niche industry." – Mark Berryman, Designer
	[on the importance of word-of-mouth] "This is one of the main ways of new customer acquisition." – Sarah Kuhn, Export Manager
	"This is really a small world with a lot of word of mouth, it's like a pyramid. The closer to the top you are, the fewer people there are, and they all know each other." – Espen Oine, Designer
	"Business on ultra-luxury and niche luxury market segments is mostly made exclusively by networking." – António Paraíso, Luxury Consultant

Source: Author

Regarding the subject of communicating within the luxury yacht market segment, word-of-mouth emerges as the most recurrent method, as shown by the table above. Data also confirms that this market is one where all the players know each other and thus networking gains major relevance. Further, data proves that through word-of-mouth, customers advertise companies they have done business with and thus reinforce the legitimacy of the latter. The industry seems to be guided by notion that, if referred by peer, it is trustworthy. From these notions it seems possible to validate that this market segment is a niche given the adopted communication method of it.

3.3.1. Breaking in the Industry

As for how to break into the industry and start establishing contacts, the following answers may reveal how this process must be conducted.

Table 17. Industry Entry Methods

Modes	Insights	Empirical Excerpts
Networking	Through existent business partners, previous clients, or personal relationships.	*[on finding new customers]* "Ask friends and other industry colleagues" – Andy Waugh, Designer *[on finding new customers]* "Brokers, recommendations, shipyards." – Serena Lawson-Smith, Head of FFE and Designer *[on establishing the first contact]* "Worked for Mohammed Al Fayed and worked on his yacht" – Serena Lawson-Smith, Head of FFE and Designer *[on establishing the first contact]* "At university we had the opportunity to work with a broker's company" – Federica Fino, Designer *[on establishing the first contact]* "Family member" – Mark Berryman, Designer *[on establishing the first contact]* "We had a wide client database in the luxury industry" – Engel & Völkers Yachting, Brokerage Company *[on finding new customers]* "E&V network, port prospection, farming, personal relations" – Engel & Völkers Yachting, Brokerage Company *[on finding new customers]* "By word of mouth and contacts" – Kit Carlier, Designer
Direct Messaging	Establishing spontaneous contacts by	*[on establishing the first contact]* "Emailed everyone in the industry and followed up with calls." – Andy Waugh, Designer *[on establishing the first contact]* "Contact them." – Gabriele

	showing interest on working on a project.	Teruzzi, Designer *[on establishing the first contact]* "By cold calling a boat yard." – Kit Carlier, Designer
Showcasing	Attending and presenting your portfolio on social events increases the chance of getting noticed by the industry players.	*[on finding new customers]* "Presenting us to the *customers* and showing them what we are capable of, accepting new challenges" – Federica Fino, Designer "Go to the parties!!! Be seen. It's hard work." – Tony Castro, Designer "Boat shows give us a chance to show our know-how." – Espen Oine, Designer

Source: Own Source

Communicating and engaging with the segment's actors can be seen as the starting point of establishing business relationships in any market segment. Data shows that the majority of the interviewees had their breakthrough in the industry by networking, thus confirming the importance of communication. Networking can be driven from various sources such as previous clients and business partnerships as well as personal relationships.

Table 18. Adjacent business segments where interviewees operate in

Business Scope	Insights	Empirical Excerpts
Involved in other Interior Design segments.	Mainly on the Hospitality and Residential segments.	*[if they only do yacht projects]* "Some homes and hotels for yacht owners is asked" – Serena Lawson-Smith, Head of FFE and Designer *[if they only do yacht projects]* "No." – Mark Berryman, Designer *[if they only do yacht projects]* "No, also interior design residencies" – Federica Fino, Designer *[if they only do yacht projects]* "Mainly, we also do military and commercial vessels" – Kit Carlier, Designer *[if they only do yacht projects]* "Rugs are manufactured for

		different sectors in the luxury segment: residential, hospitality, offices, retail chains and, of course, yachts." – Sarah Kuhn, Exports Manager
Yacht Design Only	Exclusively work on yacht projects.	*[if they only do yacht projects]* "Yes, for the moment"- Tony Castro, Designer *[if they only do yacht projects]* "Mainly yes" – Gabriele Teruzzi, Designer *[if they only do yacht projects]* "Yes." – Andy Waugh, Freelance Designer *[if they only do yacht projects]* "Engel & Völkers Yachting is a luxury yachting company offering services in sales, purchase, charter and berth sales worldwide, charter management, new construction and refit consultancy." - Engel & Völkers Yachting, Brokerage Company

Source: Author

Some designers that operate in the yacht segment are also present in the interior design market for the hospitality and residential segments. This way, their clientele is likely to recruit or suggest them for a yacht project of their own or of their peers. As for Engel & Völkers, the company first started and is mostly known as a luxury real estate worldwide company, so it can be implied that they do operate in the residential segment.

Moreover, other methods were as well mentioned such as direct messaging and showcasing. Direct Messaging seems to route for upcoming designers who seek to gain a position within the industry which may be considered outsiders and therefore do not benefit from the perks of networking mentioned previously. As for Showcasing, it is a vital method for designers to show their know-how to the industry. Data shows that attending social events such as boat shows is of extreme importance to become a player of this industry. These social events gather all the network actors in a single place and allows for them to engage in conversations and establish relationships.

The third and final research question seeks to understand how Ferreira de Sá can enable their business strengths and successfully apply them to the market segment.

3.4. Required Strategic Capabilities for a Supplier of the Yacht Industry

How should the firm enable its core strategic capabilities to establish successful business relationships in this new segment?

How can a supplier become the supplier of choice within this market segment and what strategic capabilities must it possess in order to fulfill the industry requirements?

Table 19. Strategic Capabilities of a Supplier in the Yacht Industry

Capabilities Areas	Specific Capabilities	Empirical Excerpts
Innovation	Customization	"…be open to custom requests." – Kit Carlier, Designer "Interior designers are arguably more confident in creating 'new' spaces and unknown pieces that aren't a reflection of the norm - of past superyachts or of interior spaces on land - allowing for some phenomenal custom furniture creations." – Sarah Rowland
	Material Sourcing	"Sound-absorbing and flame retardant. These are the key words that identify the qualitative characteristics of the most high-performance materials used in projects of yacht design." – Smania "Use of space, knowledge and sourcing of rare materials, sea fastening, dealing with shipyards, specialist interior contractors, owners rep, crew…not sure really!" – Serena Lawson-Smith, Head of FFE and Designer "Great marine furniture and furnishings are integral to the design, comfort and functionality of each of the spaces on board, but the quality and style of the chosen pieces are what makes a superyacht unique and luxurious in its own right." – Sarah Rowland
	Creative Developments	"Experience, expertise, creativity." – Engel & Völkers Yachting, Brokerage Company "Innovation." – Gabriele Teruzzi, Designer "Right innovation with the right client at the right moment." – Federica Fino, Designer "Know how to stand out." – Gabriele Teruzzi, Designer
Relationships	Information	"Information about the product, flexibility." – Federica Fino,

		Designer "Our customers expect us to provide all information, being a partner, offering design inputs and never failing them in terms of quality and deadlines." – Sarah Kuhn, Export Manager
	Proximity	"If you established relationship with them and you trust them and, in their products," – Federica Fino, Designer "Personal relationships." – Andy Waugh, Designer "Build up a good relationship and always meet the client's needs." – Mark Berryman, Designer "Contact, support, friendship and for some, commissions!"- Tony Castro, Designer
	Commissions	"Contact, support, friendship and for some, commissions!"- Tony Castro, Designer "Offer commission." – Andy Waugh, Designer
Industry Expertise	Technical Knowledge	"Expertise, good knowledge of yacht industry/Projects." – Mark Berryman, Designer "3D to put the rug in situ in a render, large samples and images."- Serena Lawson-Smith, Head of FFE and Designer "3D models where applicable and information on installation etc. We usually have to create render images showing what the spaces will look like so the ability to use a quality image of a finish, fabric, pattern etc, is important." – Kit Carlier, Designer "It's worth bearing in mind that, with the indoor/outdoor living experienced on board, whether interior or exterior, furniture and furnishings will need to be built and maintained to meet the demands of the lifestyle, as well as the added exposure to changeable temperatures and added moisture at sea." – Sarah Rowland The understanding of how vessels are used and their environment which is very harsh. We also have to consider shapes and geometry that isn't found in residential design and they have to be overcome in a particular way." – Kit Carlier, Designer "By ordering custom pieces it can be decided to scale-down pieces, if only by an inch or two to suit the space in which they will sit. In this way, they can also be made in more lightweight, approved marine materials to meet regulation." – Sarah Rowland "Special uses of rugs, such as in the case of a yacht project, require specific technical information and specific products. Therefore, we support all customers in their decisions, helping them to find the best solutions for each situation." – Sarah Kuhn, Export Manager
	Functional Requirements	"At the base of a successful project of interior yacht design there are two fundamental aspects: functionality and style" – Smania "Only by putting the right attention on the furnishing and the arrangement of the furniture elements it is possible to create a sophisticated and functional atmosphere on board." – Smania

		"Everything is in knowing how to make the most out of each environment, rendering them liveable and functional to the maximum." – Smania "Yachts are a particular hybrid with characteristics halfway between a high-performance hydrodynamic boat and a floating loft provided with every kind of comfort." – Ilse Crawford in Smania "…the interiors of modern yachts have increasingly taken on the functional characteristics of the environments of private homes and dwellings." – Smania "The yacht designer has to consider many different aspects, where design follows functionality" – Gabriele Teruzzi, Designer "We will discuss with the owner what are the requirements: (i.e.) How long the vessel is, how many people are going to be on board and where they want to go in the world. This allows us to build a picture of a yacht that fits that client's needs." – Steve Gresham, Designer "Knowledge specific to yachts and the contacts you make." – Mark Berryman, Designer
Service	Meet Deadlines	"Deliver on time." – Andy Waugh, Designer "Understand the urgency from tight timeframes projects often have."- Kit Carlier, Designer "Our customers expect us to provide all information, being a partner, offering design inputs and never failing them in terms of quality and deadlines." – Sarah Kuhn, Export Manager
	Continuous Support	"It takes between 3 and 5 years to complete a project. From the first meeting with the client to the actual delivery." – Espen Oine, Designer "Good communication, available through design process, after care." – Mark Berryman, Designer "Help when you need it which often happens in a hurry."- Tony Castro, Designer "Contact, support, friendship and for some, commissions!"- Tony Castro, Designer
Reputation	Credibility	"Good quality, good service, good reputation." – Engel & Völkers Yachting, Brokerage Company "Awards." – Serena Lawson-Smith, Head of FFE and Designer "Expertise, credibility, reliability, speed and a professional customer base." – Sarah Kuhn, Export Manager "By proving their product is superior and by their service making them easy to deal with."- Kit Carlier, Designer "A good product that does what it says, must be reliable and handle the harsh environment." – Kit Carlier, Designer

	Positioning	"Your captain, yacht broker or project manager will be able to advise you on well-established yacht design studios and the difference in approach that makes each studio unique." – Adam Lay, Designer "Know how to stand out." – Gabriele Teruzzi, Designer
Stylistic Identity	Artistic approach	"To have something unique, you must look at the art world." – Steve Gresham, Designer "Art is unique as each piece is in the eye of the beholder." – Steve Gresham, Designer
	Avant-garde design	"Now nautical design communicates through a stylistic language based on contemporaneity and methods of avant-garde design." – Smania "Interior designers are arguably more confident in creating 'new' spaces and unknown pieces that aren't a reflection of the norm - of past superyachts or of interior spaces on land - allowing for some phenomenal custom furniture creations." – Sarah Rowland
	Bespoke	"First step to start envisioning and designing a yacht is to recall what you have in mind, what you dream of." – Marco Casali, Designer "Therefore, designers attempt to give each piece a uniqueness that fits the owner." – Steve Gresham, Desginer "It's worth investing in custom-design or made-to-measure furniture, especially for the superyacht interior, not only to enjoy a unique design tailored to the personal needs and preferences of the superyacht owner, but also to ensure the correct size and scale for the setting in which it will sit." – Sarah Rowland "Therefore, you should customise the entire furnishing configuration in detail…" – Smania

Source: Own Source

Yacht design follows a set of principles that make it a niche market with the highest standards of excellence amongst the design world. After all, luxury yachts represent the pinnacle of luxury combined with engineering and design. Most data emphasize the notion that there is a degree of expertise needed to engage when supplying yacht design projects. Breaking down the mentioned expertise, several factors emerge as what sets a yacht designer apart from a non-yacht designer, applied to both interior and exterior areas of yacht design.

Firstly, **Innovation** has been mentioned by interviewees given that it may seem logical to assume that suppliers need to develop products that align with the levels of innovation of a yacht project. Therefore, to exceed the high expectations of owners, designers request suppliers to produce extraordinary Bespoke pieces on which creativity and customization are integral. Hence, Material Sourcing becomes essential as we are dealing with the luxury world and high demanding clients. Designers must source raw materials from the finest suppliers to create spaces that embody luxury in everything from furniture to furnishings. Nonetheless, such actions must be conducted with the industry's functional requirements in mind to adapt all the materials and designs to the yacht measurements and specific areas. This task is of major importance given that yacht features areas with out of the norm technical requirements. Therefore, everything must be designed and created with the external environment in mind and the conditions that yachts face while in their usage. Then, one can assume that suppliers that will better serve such task, will be highly regarded by both designers and owners.

Further, **Relationships** were mentioned as a factor of great importance in order to gain access to privileged information. Data emphasizes the already referred importance of networking in this industry. At a deeper level, business partners then develop personal relationships and through these friendships, business is done in a more organic way. Thus, trust seems to be imperative to a good business relationship in this industry. Also, some interviewees mentioned that commissions might contribute to the development of business relationships with suppliers.

Industry Expertise comes as a truly relevant capability that a supplier must distinguish itself from competitors in this market. As previously mentioned, yacht design bares innumerous technical requirements and therefore suppliers must be aware of them and find solutions to overcome the barriers that may occur. Just like as industry expertise is what sets a yacht interior designer apart from a typical interior designer, the same applies for the party who supplies the pieces that contribute for these projects to become a reality.

Service was frequently emphasized in data. The continuous support that suppliers provide to the owners and designers might be a key to achieve a preferred supplier in this industry, since that after-sale service is of high importance on this market due to the refit and refurbishments needed in a yacht.

The **Reputation** a supplier has in the industry comes out as an important aspect when considering a supplier. Data referred that its positioning and credibility come to play a major role when it comes to the image that a supply company holds in the industry.

Finally, about the **Stylistic Identity** seen in a supplier offering, it was illustrated by data and interviewees as a significant matter. This factor derives from the artistic side of yacht design on which designers attempt to spoil the owners with something never seen before. Through the exploration of avant-garde design concepts, the goal is to give the yacht features that are 1 out of 1, the ultimate bespoke experience. Thus, delivering pieces that carry the owner's identity and what they reflect, is a creative task that sets yacht designers apart from the typical interior designers.

As for the capabilities that suppliers may need to enable to excel in this market segment, different points of view have been detailed by data and interviewees, allowing for a better understanding on the methods needed for Ferreira de Sá overcome the present business challenge.

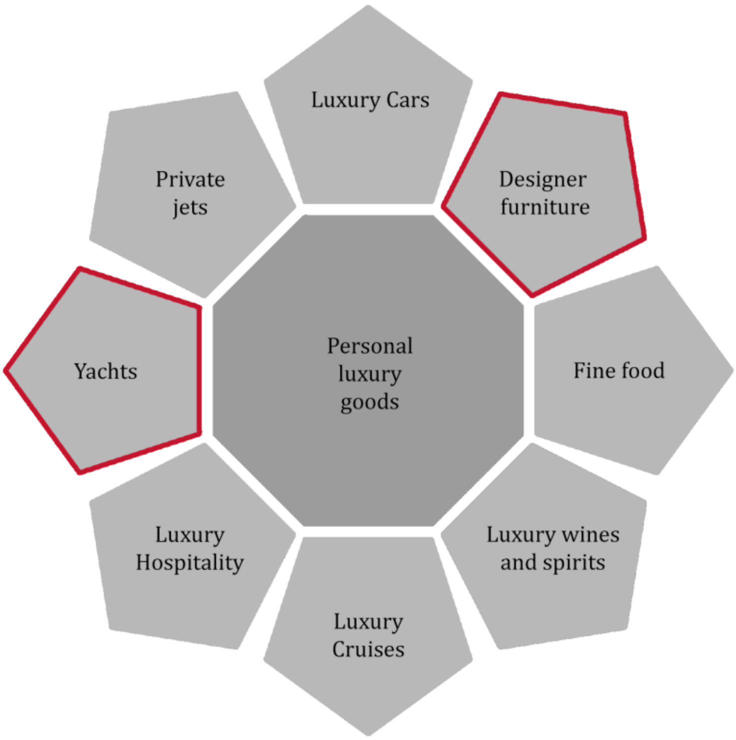
The next paragraph seeks to establish a comparison between the empirical findings and the existent literature on the related topics.

4. Discussion

On this chapter, the results are first discussed against the backdrop of the existent literature and then analyzed in order to achieve insights on what Ferreira de Sá should do to tackle the existent business challenge.

First and foremost, when considering the luxury market as whole, it comprises different segments as proposed by Bain & Company (2014). However, this study aims to establish a bridge between two of the illustrated segments below, *Designer furniture* and *Yachts*, as they constitute both the starting point and destination of the firm's present business challenge.

Figure 3. Luxury Market Segments



Source: Adapted from Bain & Company (2014)

4.1.1. Key Segment's Actors Dynamics

As for the key segments to reach in this segment, Ferreira de Sá must direct is communication efforts to two of them, given their dynamics and role in the supply chain. Those actors are the yacht's owners and the yacht's interior designers. These two groups of individuals are directly related to the purchase of any given interior decoration product. In the present case, the product of which will be a matter of discussion between these actors will be the rug. Results can confirm the findings of Hutt and Speh (2012) related to the existent roles on the purchasing decision, as found in Table 9.

Interviewees and data stated that the owner might be the one initiating the purchasing process of an interior decoration piece, in the case where the owner is a design enthusiast. Moreover, designers by advising owners on brands and design products and pieces, can be seen as the "gatekeepers" of information related to the purchase of the products that the yacht will feature in its design. As for the "decider", interviewees stated that the owners always have the final decision when it comes to purchasing any product. Further, interviewees sated that this process is often closed by the client's team, which performs the formal buying action, thus confirming that important resource connections must be handled with care, preferably through key account managers (Gadde et al., 2010). The findings on the table above are thus verified in this market segment by each actor performing a different yet complimentary role on the purchasing decision.

The collaborative process that these two actors perform on the development of a yacht project goes along with the notion of Caniato et al. (2011) on which the boat builder, dealer, architects and designers are present in the dialogue with the end customer during the yacht selling process. This dialogue, as stated by interviewees, is based on trust and a continuous exchange of information between designers and owners. This bond becomes of major importance since the relationship an actor has with the consumer can "make or break" the success of a project.

Regarding the owners, clients of the luxury nautical sector are mainly individuals with a significant amount of assets, valued in the category of millions in a given currency and therefore able to pay the "premium price" always present in this, therefore niche, market segment (Dalgic & Leeuw, 1994). Interviewees mentioned "Billionaires" and "HNWI's" when asked who their clients were. Such answers are confirmed by literature findings related luxury yacht consumers in which it is possible to verify that this market potential clients are High Net Worth Individuals with a patrimony exceeding 30 million dollars (Merendino, 2013). These individuals were also categorized as 'super-rich' or 'plutocrats', in other words, the multi-millionaires and billionaires of the world who are a part of a privileged circuit of capital accumulation (Beaverstock, 2012; Elliott & Urry, 2010; Freeland, 2012). This "closed circle" concept described by the authors above was also hinted by data as designer Espen Oine described the luxury yacht industry as a "small world". Such notion can also be verified by the social dimension of the luxury value which explains that owning luxury goods holds a strong interpersonal importance, such as the acquired benefits of prestige and conspicuousness to be expressed within a social group (Wiedmann & Hennigs, 2013). Confirming this logic, Thilmany (2012) concluded that niche markets consist of groups of consumers (market segments) within the larger marketplace, in this case the nautical sector, who have similar demographic, buying behavior, and/or lifestyle characteristics, such as the social behaviors of yacht owners and thus HNWI's, yet consumers with the same buying behavior may have differing motivations, which, in this case, data shows that it might be an expression of identity.

This notion of exclusiveness also applies to the other key segment to this research, the designers. The "closed circle" aspect of the segment, designers face a lot of competition and must push the boundaries of what is possible to do in terms of design in order to stand out. Interviewees stated that there are only a few that are able to perform such task. In fact, literature confirms such argument by assuming that customers have a great influence on the final product when it comes to its physical aspects and to its supply chain structure, and therefore usually demand specific designers and sub-contractors (Pesämaa, Eriksson, & Hair, 2009; Segersted & Olofsson, 2010). In accordance to Espen Oine, the segment shapes into a "pyramid" where there are few people at the top.

Both designers and owners take part in this exclusive industry circle by assuming different roles and behaviors. Since the designers is always catering the owners, the more demanding the owner's needs are, the more competitive the designer seeks to be. This competition triggered by exclusiveness and the highest of standards might be a reflection of the Dream Factor proposed by Kapferer and Bastien (2016).

Thus, the individual dimension of the luxury value assumes form since the acquisition of yacht is rather a materialistic ambition by itself (Wiedmann & Hennigs, 2013). Further, tailoring such product to match a specific individual taste, extends the hedonic and self-identity enhancement motives driving the purchases on this ultra-luxury market segment (Wiedmann & Hennigs, 2013). Still related to the yacht consumption motivations, there seems to agreement between literature and data on the conspicuous nature of the owners, thus consolidating the yacht as a true luxury product. Finally, in accordance to Bain & Co (2019) report on luxury trends, data confirms the trend on which luxury consumers are becoming younger by stating that the average age of the yacht owners dropped in, approximately, a ten-year gap.

4.1.2. Communication Modes of the Segment

As shown in the Results above, interviewees and data have stated that word-of-mouth is key when communicating on this segment, thus confirming previous literature thoughts that the frequent use of relationship marketing reduces the need for additional types of marketing communication efforts (Toften & Hammervoll, 2010). Besides being the industry's adopted way of conducting business, the existent proximity amongst actors reinforces this communication method legitimacy. Data also reveals the importance of firms having a Public Relations individual that deals with the promotion of the brand and interact with the other segment's actors in certain social events, thus confirming the notion of treasuring firm reputation and using word-of-mouth references. These individuals are not only the key to maintain a firm's reputation in the industry and spread their message through the industry's network but also to build long-term and strong relationship (Dalgic & Leeuw, 1994).

Therefore, important resource connections must be handled with care, preferably through key account managers (Gadde et al., 2010).

4.1.3. Strategic Capabilities for a Supplier of the Yacht Industry

Within the pursuit of Ferreira de Sá for supplier status in the industry, its capabilities must match the industry's requirements. As the market segment of this study concerns the production of yachts, data confirms that these products represent one-off projects with small production volumes, focused on a few customers (Hezar et al., 2006) by constantly mentioning the bespoke aspect inherent to these kinds of projects. To cater such needs, this industry relies on several external actors that provide the major part of value activities (Wagner, 2010), thus confirming what was mentioned by the interviewees. Their answers made it possible to identify different industry players. Also, the yacht industry operates on a make-to-order approach, due to the project's unpredictability, variety and complexity as well as low selling volumes (Caniato et al., 2011). Additionally, in a one-off luxury project environment, the management of external relationships becomes vital to this industry's success (Ponticelli et al., 2013). Confirming this thought, data has shown that the development of relationships is an essential aspect to master when pursuing business opportunities in this segment, especially with the final client. Consequently, to ensure sub-contractors' commitment, yacht companies seek to establish a network of close relationships (Ponticelli et al., 2013).

Not only are designers and owners closely bonded during the entire course of the project as revealed in data but also there is a complex network of production that must be concerned with the satisfaction of the final customer which requires the highest quality standards and can impose the design of the final product (Ponticelli et al., 2013).

In the pursuit of preferred supplier status on this segment, Ferreira de Sá must adopt a proactive niche marketing strategy as well as fulfill the industry requirements. What it is expected for a supplier to do is, in fact, a reflection of its strategic capabilities. Strategic capabilities allow firms to create such superior products compared to other firms with inferior products (Wernerfeldt, 1984). Also, they can be defined as the unique bundle of resources and competences a firm needs in order to prosper and survive (Barney, 1995; Wernerfeldt, 1984). Confirming this notion, insights collected from interviewees and data provide several concepts that can be seen as the strategic capabilities that a supplier must have in order to cater the needs of the industry. In accordance to Ottosson and Kindström (2016) proposed set of essential activities of a proactive niche marketing strategy, different connections were verified, as it follows.

Innovation

Innovation comes as a strategic capability mentioned by data thus validating the proposed niche marketing characteristic of applying specialization and differentiation (Dalgic & Leeuw, 1994; Kotler, 1991). Interviewees not only pointed out customization as an essential element to innovate in this industry but also the capacity to stand out in such a competitive business environment. Further, data stated that creativity is another route to follow for achieving differentiation. This way, literature is verified in the present state of this niche market segment.
Moreover, in order to protect know how capabilities, yacht companies identify which suppliers and subcontractors provide the highest value for the customer. As a result, partnerships are established with these (Ponticelli et al., 2013).

Other insights retrieved from the answers regarding the Innovation aspect were the product quality and material sourcing. As this industry deals with the highest levels of quality suppliers who provide customers with the finest materials can deliver more value to the project and thus contribute to a superior final product. Such logic is confirmed by the literature findings on strategic capabilities which consider that having access to high-quality raw material is critical to their strategy of delivering high-quality products (Toften & Hammervoll, 2010). Once that high-quality raw material is indispensable to firms applying a focused differentiation strategy, it can be viewed as a distinct resource (Amit & Schoemaker, 1993; Grant, 1991; Hamel & Prahalad, 1989; Johnson et al., 2008).

Relationships

The capability of establishing relationships comes as one of the pivotal aspects of the luxury yacht industry. Being itself a synonym of the Communication capability, also mentioned by data, several insights indicate that the relationships existent on this market segment are responsible for pushing the industry forward.

Literature findings confirm this rationale as *close and long-term business relationships* can be seen as a resource, since they are rather sustainable and cannot easily be taken over by competitors (Toften & Hammervoll, 2010). Some aspects that close and long-term relationship are built upon and often mentioned by interviewees include trust, reliability, honesty, alliance, and commitment. As such, data and literature agree that it's also important to consider not only the relationships a firm has with its customers but also with its business partners. A healthy relationship with a either a distributer and a supplier provides valuable market information and knowledge, especially in this competitive and "closed circle" market, which enables the niche firm to adjust to a changing environment, such as changing customer preferences or changes in market structure (Toften & Hammervoll, 2010). Therefore, a supplier that has the flexibility to endure tight deadlines and extraordinary request may be slated to maintain a successful business relationship with not only final clients but with the remaining industry players.

Another point where data and literature findings agree are the benefits of having close relationships related to accessing knowledge and information that otherwise would not be so reachable. The reliance on close business relationships for gaining critical market information could be a characteristic of niche firms, and thus, important for understanding successful niche firms (Toften & Hammervoll, 2010). Therefore, as interviewees mentioned there are several perks of being inside the "closed circle" although the access to the latter is obtainable by trust and reputation. On this note, the strategic capability of *interacting with customers at multiple levels* is as well required for gaining information used in both market and product development. Deprived of such knowledge, niche market firms run the risk of stagnation and narrow horizons, and consequently. Further, as previously mentioned, the frequent use of relationship marketing, especially word-of-mouth, reduces the need for additional types of marketing communication efforts (Toften & Hammervoll, 2010).

Additionally, data has shown that these relationships are extended among the whole supply chain, hence proving the legitimacy of focusing on customers' customers. This strategic capability proposed by Ottosson & Kindström (2016) makes sense since the owners are designers' customers. Thus, by *focusing on their customers' customers*, according to Kotler (1999), suppliers gain key advantages such as opportunities to get to know each customer more personally, to face far fewer competitors, and to earn a higher margin since the customers in the niche will often be willing to pay a premium for the niche marketer's expertise in meeting their needs. Shipbuilding companies hold a lot of visibility on the maritime industry as they tied to the interests of several institutional actors (Ruuska, Ahola, Martinsuo, & Westerholm, 2013). This becomes relevant for other luxury industries, such as Ferreira de Sá, as these companies become an important customer for other luxury players, especially for those related to customized furniture (Ponticelli et al., 2013). Further, since a key element of a proactive niche market strategy is broadening the scope of the corporate business focus, as firms incorporate their customers' customers, they are doing it so. Thus, from this approach, opportunities for co-creation arise, once more validating the industry's bespoke nature (Ottosson & Kindström, 2016).

Consolidating the two previous paragraphs, another strategic capability proposed by Ottosson and Kindström (2016) becomes relevant as *securing future growth through "adjacent" business opportunities,* successfully allows niche players to find new niches and applications in so-called "adjacent" markets (Treacy & Wiersema, 1995; Zook, 2004). Such logic can be confirmed by the previous experiences of many interviewees and particularly of Ferreira de Sá in residential and hospitality segments which were the starting point for the firm's exploration of the luxury yacht segment. The main purpose here is to guarantee organic growth in the future and to stay ahead of the competition. Yet, a strategic rationale is to also seek beneficial ways of making use of in-depth knowledge that either already exists or has been developed through multi-level interaction with firm customers (Ottosson & Kindström, 2016). Hence, exploring new potential markets and customers happen mostly in business areas that are close to the existing applications of a firm's products since such adjacency developments are carried out in a co-creation process with lead customers (Ottosson & Kindström, 2016). This logic can be verified in Ferreira de Sá's business strategy as the firm operates in different segment as mentioned before, hence reinforcing its name in the mind of the industry players. Confirming this notion, Akbar (2017) states that niche marketing helps establishing long term mutual benefit with its customers which will contribute to a brand's reputation.

Functionality

As for the strategic capability mentioned by data as Functionality, it mainly concerns the set of principles that yacht design must respect. To achieve such, the main insights retrieved from this capability are the product requirements that the projects on this market segment have. Therefore, the functional dimension of luxury confirms this notion by pointing the core benefits that the consumer expects to obtain from a luxury product. The tangible features, such as quality, uniqueness, usability, reliability and durability (Wiedmann & Hennigs, 2013), can be verified by the product requirements observed in data under the logic that if a supplier can't fulfill these, it is not suited for the industry.

Service

Regarding the Service capability mentioned by interviewees and data, some of the insights retrieved concern after care, post-service and continuous support from suppliers to their customers. It is then possible to establish a connection with Ottosson and Kindström (2016) strategic capability of *extending the service offering* , *related to* validating a premium price (e.g. due to the added value the service component provides) and building relationships, Ottosson and Kindström (2016) confirm this logic by proposing that niche marketing firms should shift their focus from production to other areas, such as services, logistics, business development, and sales training, and thus increase the number of services in their portfolios. This activity goes along with the notion of "process-oriented (customer) services"

(Kindström & Kowalkowski, 2014; Ulaga & Reinartz, 2011), as the knowledge of the customer thus created can be both used in developing and customizing offerings Such makes sense in an industry where innovation opportunities are driven by bespoke requests and experiences. Moreover, Ottosson and Kindström (2016) conclude that this process is important to make a supplier even more knowledgeable and attractive, as it links the supplier closer to the customer, therefore making the customer less inclined to change suppliers due to the added value provided by the services. The service capability is thus related to the niche marketing characteristic of focusing on customer needs (Dalgic & Leeuw, 1994).

Stylistic Identity

Stylistic Identity has been referred by data and interviewees as an essential element that supplier must include in their offerings. This logic can be confirmed by literature since for full-custom yacht producers, the protection of designers and architects is vital (Ponticelli et al., 2013) as they represent a source of differentiation and added value. The bespoke component of this industry relies on the artistic approach and differentiation that suppliers and designers are able to deliver therefore this industry is based on complementary activities which are done in a specific order depending on customer specific demands (Gadde et al., 2010), i.e. customization.

Reputation

Reputation was mentioned as a strategic capability by data and interviewees under the insights of credibility, positioning and heritage aspects. Since reputation has been proved to be important for marketing and sales, particularly for obtaining new customers, a good reputation can be regarded as both a competence and a resource (Doyle, 2002; Johnson et al., 2008) and could subsequently facilitate business operations. Toften and Hammervoll (2010) found that being a keynote speaker at trade conferences and trade shows may help strengthen a firm's reputation as a devoted producer and industry pioneers, thus validating the credibility premise.

Moreover, in order to create a position as a niche player, a firm needs to prove a strong brand that customers will associate with superior knowledge and better offerings, hence highlighting the credibility insight retrieved from data. To *achieve preferred supplier status* is also reflected in various customer engaging activities such as selling and participating in trade fairs, referred by data too. Moreover, Ottosson and Kindström (2016) conclude that to have a strong heritage in which historical credibility is combined, is also a great advantage, thus confirming the heritage aspect of the reputation that a supplier must seek. Positioning is an insight with major importance as literature confirms that the position a firm holds in the marketplace is an integral part of the strategic process (Akbar, 2017). Therefore, a product must be positioned in order to form a clearly defined image in the minds of customers (Dibb & Simkin, 1997).

To summarize, the majority of strategic capabilities pointed by data a confirmed by literature agree that a supplier by performing this set of activities, is expected to maintain leadership in the niche, drive the market, expand the niche focus, and sustain healthy growth (Ottosson & Kindström, 2016). Finally, a proactive exploitation of niche markets holds important benefits such as higher profit margins, deeper customer knowledge, greater customer loyalty, stronger brand equity, and a more powerful position in the marketing channel (Ottosson & Kindström, 2016), all of which are important aspects referred by interviewees regarding the characteristic of an optimal supplier of this segment. Thus, it is unquestionable that there is a clear benefit in having high-involvement relationships with the suppliers (Gadde et al., 2010). As data as shown, such relationships are sustained by the technical development, volume, product quality and performance they bring to the buying firm (Gadde & Snehota, 2000).

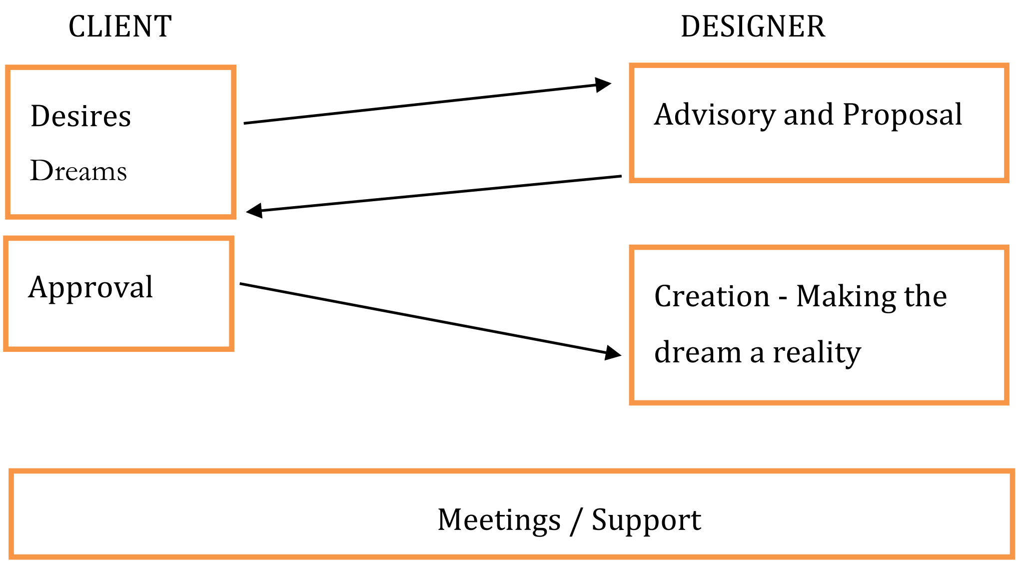
The next chapter presents recommendations for Ferreira de Sá.

5. Recommendations

5.1. Recommendations on the Key Segment's Actors Dynamics

It seems clear by now that the duality existent between yacht owners and designers is one to highlight given the importance that these actors have on a rug to be featured in a yacht project. The figure below seeks to explain the interaction process on which yacht owners and designers take part. From the starting point until the completion of a yacht design project, these two actors are intimately bonded by a relationship based on communication and trust, where the designer is at the owner's service.

Figure 4. Key Actors Dynamics



Source: Own Source

The client is ordering a service and thus expects to be in a position where he is free to express his desires to the designer. Through the several meetings that occur, designers are tasked to advise and propose the client with the pieces that will better fulfill his needs. From this point on, the designer's sensibility plays a major role to ensure the owners vision is captured on a design concept. One can then assume that this business relationship is highly dependent on the ability of the designer to engage in the owner's dream. The better the dream is fulfilled, the more successful is the project. Thus, designers need to rely on suppliers that are aligned with the project's goal, as complex as it may be.

It becomes important for a supplier to be engage in the project's vision and provide a continuous support to the design studio. Since the development of a yacht requires a complex set of products, it deals with a large supply chain where all the actors are dependent on another's work efficiency. Thus, the choice of supplier for a specific component has a great impact on the final product and client's satisfaction.

Such process and associated dynamics are nothing new to Ferreira de Sá, as it has been recruited for one-off projects several times in the past. Nonetheless, due to these projects' nature, there is a required need to excel in the service provided. Therefore, Ferreira de Sá could opt to reinforce its project management human resources, to provide a superior response in terms of support and efficacy. It seems vital for a supply firm to have collaborator whose task is to assure that the design concept is, in this case, perfectly translated into the rugs. To achieve this, there must be a commitment from the supply party.

The supplier enrolls in the dynamics with the purpose of catering the needs of the designer. Thus, as the designer advises and proposes to the client, the supplier advises and proposes to the designer. Further, suppliers are responsible to bring the design concept to life through their manufacture and production operations. Consequently, it is recommended for Ferreira de Sá to have a design-oriented individual to enroll on the yacht interior design projects management.

5.2. Recommendations on the Segment's Communication Methods

The question on this matter concerns if it is necessary for Ferreira de Sá to make an effort to be seen as a yacht interior design furniture (rug) supplier or is the firm's position in the interior design industry enough to overcome this business challenge.

First, it is worth mentioning that half of the interviewees are not only exclusively working for the yacht industry since they are also connected to interior design in residences and hospitality, areas of which Ferreira de Sá already excels.

Hence, one assumption to be made is that the residential and hospitality design areas might be a route to enter the yacht market segment. given the existent similarities on these segments. Driven by concepts of Design, Bespoke and Luxury, yacht design indeed attempts to recreate comfortable and luxurious environments typically seen on high-end restaurants, hotels and private residences.

In fact, to support such logic, Ferreira de Sá's first yacht project was born of a previous collaboration with a design studio for a residential project, as stated by José Luís Ribeiro, the commercial manager in charge of this project. The client of this residential project recruited the same design studio, Ciarmoli Queda Studio, to oversee the interior design of a superyacht project. Consequently, Ferreira de Sá was recruited by the design studio to create the bespoke rugs needed for the superyacht. Under this logic, the firm should explore potential customers through parallel business areas. However, situations as such may be merely a matter of luck as not every customer who requests bespoke rugs for a residential or hospitality project wants, or is related to someone who wants, the same product for a yacht.

Nonetheless, Ferreira de Sá already knows how to be seen in the interior design world. However, it may have to adapt its positioning to be seen in the interior yacht design industry. Hence, communication efforts must be made to achieve such.

As previously mentioned, the word-of-mouth method must be included in the firm's business strategy as it seems to be the weapon of choice to establish business relationships on this industry. Efforts on this method will increase the firm's buzz in the industry and thus create awareness. Yet, to successfully generate word-of-mouth in the yacht industry, one must be positioned in appropriate circumstances for it to happen organically.

The two actors that Ferreira de Sá seeks to reach have different touchpoints when it comes to communication. Designers might be more accessible for Ferreira de Sá to communicate to while clients (yacht's owners) may be more difficult due to their status and elusive/elite behaviors.

As for WOM, this communication mode fits well with this segment due to the exclusivity of it. As data has shown, the "closed circle" of the luxury yacht world does not open to anyone. To get in, one must be referred and validated by someone who is already "part of the club", as the majority respondents have shown that their first contacts on this industry were made through either personal or industry networking. Despite some "outcasts" who direct messaged shipyards in hopes to land a first project, all the interviewees mentioned that networking is key to be someone on this industry. Such network "modus operandi" does share resemblances with the behaviors and interactions existent in the downstream side of this industry, the final clients.

As yacht owners and therefore final clients of this industry are mainly HNWI's, given the prices of luxury yachts and as mentioned by interviewees, the industry mirrors the behaviors and constructs seen on high profile social networks. Therefore, the segment and its network are characterized by high status professionals where the reputation of designers and shipyards hold a considerable significance. Kapferer and Bastien (2016) state that luxury acts as a social visa for class. Transposing this logic to the yacht industry, the key segments actors work hard to make a name for themselves and be recognized as the industry's best players. Respondents mentioned that it takes a long time and hard work to achieve a reputation in this competitive and restricted industry. Thus, suppliers must too prove their value in order to be regarded as suitable for the job and participate in the business.

As both final clients and designers must be aware of Ferreira de Sá's potential and capability, the successful yacht project that Ferreira de Sá has in its portfolio might trigger its validation in the industry and thus acts as its "visa" for the club. Considering the size of the yacht (108m) of this project, My Dream, and its high level of interior customization, this project can serve as the flagship and poster for Ferreira de Sá's presence in the industry. Even though it is recommended to emphasize the communication of this project, to do so may not be so immediately achievable.

To overcome the barriers of reputation and communication, some companies operating in this industry might recruit an individual that will oversee the company's external relations and represent the brand at the industry's gatherings. As stated by interviewee and luxury consultant, António Paraíso, business on ultra-luxury and niche luxury market segments is mostly made exclusively by networking. Brands operating in such segments have an External Relations figure, someone with a high-class status in charge of developing personal contacts in social events, business fairs and conferences and exclusive parties. Such privileged networks relationships allow brands to be known and engage in high value businesses and only take place at the right events, with the right clients or their lawyers.

The description above seems to go in line with the social behaviors and costumes taken by HNWI's as observed in the literature review. Therefore, to conduct and influence a sale of a yacht, one must be present in the closed circle of elites, to be taken seriously and as a desirable and respected player in the industry. Luxury yachts clients must not only be aware that the brand exists but also to crave it. Thus, the role played by the External Relations individual is crucial to a brand positioning within this niche. In agreement, interviewee Tony Castro emphasizes that in order to be known in this industry, a player must go to the parties (social events) and thereby be seen by others and repeat this process for years to solidify a position. On this matter and under the WOM effectiveness logic, Ferreira de Sá should establish a partnership with a respected individual among the yacht industry, for it to, organically, create brand awareness.

To summarize, word-of-mouth seems to be imperative as most of the contacts in the yacht industry are made through networking. Yet to break into the "closed circle" inherent to the yacht industry, one must be eligible and recognized to do so.

5.3. Recommendations on how to enable the firm's core strategic capabilities to establish successful business relationships

Considering the various capabilities that a supplier must have to succeed in the yacht industry, as illustrated by data, Ferreira de Sá should follow a business strategy that allows the firm to enable them.

As for Innovation, the firm should seek not only to maintain its customization possibilities but also to explore new concepts and propose clients with artworks that resemble the dream they have in mind. Seeking to help design studios a step further, Ferreira de Sá could dedicate some of its in-house designers to develop a marine inspired design collection. This idea might go against the bespoke factor at first, but it really seeks to open an array of possibilities for design studios to get ideas from. The final product would be then a symbiose of Ferreira de Sá's insights along with the design studio vision. To conduct this approach, it is recommended for the firm to create a database of yacht design studios to contact and send samples to.

Regarding the material sourcing capability, Ferreira de Sá operates with TREVIRA CS fiber technology, a material that checks all the required guidelines for nautical fiber related furniture. Therefore, it can withstand the harsh environments that a yacht usually faces on offshore periods. As so, it is recommended for the firm to continue the pursuit of new materials that allow creative developments whilst delivering a superior product to the customer. Through visiting nautical business fairs, new materials that are typical of this industry might be discovered and found to be aligned with Ferreira de Sá's production capabilities. On this matter, it is then recommended for the firm to attend Boot Düsseldorf since it is the leading water sports and boat show in the world.

Above all, Ferreira de Sá must explore new business partners and relationships as having trustworthy business partners will contribute to cope with the high competitiveness of this market. One possible way for the firm to establish relationships might be through giving commissions to designers that propose Ferreira de Sá's products to the final client as it might be a decisive factor when designers recruit suppliers to a project. Also, the firm should search for future yacht builds and refits and direct message the designers and FFE Managers in charge of the project. To assist in this task, it is recommended for Ferreira de Sá to subscribe to BOAT PRO, the world's leading yacht intelligence platform, to get industry insights and reports of future projects. Furthermore, the bigger the yacht, the more rugs it needs. Therefore, the company's commercial team must prospect and seek projects of big yachts. A considerable percentage of the biggest yachts ever made were built on Dutch and German shipyards.

Further, in order to excel in this industry Ferreira de Sá has to cater the needs of interior designers as mentioned by interviewees such as 3D rendering of the product, providing high quality samples, meet material specifications for yachts, provide after-sale service and meet tight deadlines.

The design process that Ferreira de Sá's designers take for any project already checks the above requirements. However, on the business side, the company needs export managers and commercial agents that know the ins and outs of the industry. In other words, to be aware of such technical knowledge in order to have credibility when conducting business.

According to the previous discussion reputation, Ferreira de Sá must reinforce its position as a solid supplier of bespoke rugs. As stated by interviewees, interior designers seem to favor suppliers who are willing to go further in terms of service and that provide all the required technical specifications for a given project. Moreover, data emphasized that a firm's positioning and credibility come to play a major role when it comes to the image that a supply company holds in the industry, since it may trigger word-of-mouth and generate new business opportunities.

Additionally, when it comes to positioning a firm in the yacht industry, social events and shows come as of major importance. As described by data as the place to be seen and showcase what you can do, the Monaco Yacht Show, the Fort Lauderdale International Boat Show and the Dubai International Boat Show seem to be the most relevant on the industry. Thus, Ferreira de Sá should attend these events as frequently as possible.

Another route to follow with respect to reputation is to establish design collaborations (collections) with designs studios which are present in yacht design industry, in order to increase the company's brand awareness. As Ferreira de Sá already has several collaborations with renowned artists and design studios, such can thus validate future collaborations. Following this notion, the firm should make use of the artistic approach of third parties to extend its portfolio, thus revalidating its reputation.

The next paragraph aims to point out some of the directions in which the industry is leaning towards. As such, there are some opportunities that the firm could take advantages from by adapting their products to. Hence, the table below describes what Ferreira de Sá should have in mind when entering the market, in other words, the characteristics and trends that can be visible in the current times of the yacht industry.

Table 20. Yacht Industry Trends

Trends	Insights	Opportunities	Empirical Excerpts
Sustainability	Sacrifices need to be made to achieve this since environmentally friendly yachts can have their performance compromised by the use of lower consumption technologies.	Try to adapt the ECONYL fiber to the production of rugs destined for yachts. As this raw material is mostly made from recycled nylon retrieved from the oceans, it may represent a bonding factor with yacht owners.	"The yacht industry is going green, but it depends how much is the owners willing to comprise in order to go green." – Marco Casali, Designer
Design focused (Modern & Minimalist)	Technical improvements are constantly being made. Varies according to culture, nationality. Avant-Garde stylistic trends.	Ferreira de Sá should keep their innovation philosophy although having in mind the cultural preferences of potential clients.	"For about 10 years, we have been designing more contemporary yachts." – Espen Oine "Now nautical design communicates through a stylistic language based on contemporaneity and methods of avant-garde design." - Smania "Many have observed the

			preference of American nationals towards traditional design, dark heavy woods and ergonomic comfort, which contrasts greatly when compared to European tastes for contemporary style and lighter woods, putting design way ahead of comfort." – Sarah Rowland
Increasing number of players is driving competitiveness in the industry	Service sets the good ones apart. Not everyone can provide an excellent service. Not so many top designers. Inceasing clients.	The firm should set partnerships with top tier design studios to benefit from their reputation and associate their brand with the industry leading players.	*[on the current state of the industry]* "Very good but very competitive with a lot more designers popping up, but more millionaires wanting yachts too." – Serena Lawson-Smith, Head of FFE and Designer *[on the competitiveness of the market]* "Very but only handful of top UK designers." – Serena Lawson-Smith, Head of FFE and Designer *[on the competitiveness of the market]* "Quite competitive however many design firms are not able to undertake a complete service which sets us apart from them." – Kit Carlier, Designer "There are not many companies capable of offering the service required in this industry." Sarah Kuhn, Export Manager
The top of the industry	<u>Leading Markets:</u> Italy, Germany,	Make use of proximity factor to	"Our focus lies in Europe, where most luxury brands are based,

remains concentrated in Europe	Netherlands.	invite design studios and shipyards to visit the firm's headquarters and to attend more industry related events in the leading countries.	with strong focus on Italy, Germany and the Netherlands, as well as the UK." – Sarah Kuhn, Export Manager "Emerging Turkey, leading Italy and north Europe (Germany and Holland)." – Gabriele Teruzzi, Designer "Germany, Holland Italy always leading, Turkey doing very well now." – Serena Lawson-Smith, Head of FFE and Designer
Emerging Geographical Diversity of the industry	Tendency to decentralize the industry.	Emerging markets could benefit from Ferreira de Sá's heritage factor as it is lacking in them.	"Many countries in Asia are emerging however they use vessels very differently to western cultures." – Kit Carlier, Designer "New markets in Asia, Russia and middle east for large yachts." – Andy Waugh, Freelance Designer "Emerging Turkey, leading Italy and north Europe (Germany and Holland)." – Gabriele Teruzzi, Designer

Source: Author

Sustainability has been mentioned in data and it seems that the industry is following this trend. Yet, it comes with a price given that it depends on how much are the owners willing to sacrifice in order to "go green".

Data also verifies that contemporaneity seems to be getting popularized by the minimalist and avant-garde design concepts visible in the latest yachts. Driven by technical improvements, the industry is leaning towards a modern design driven culture even though stylistic preferences tend to vary between nationalities.

Confirming previous findings, one characteristic of the industry is that it is extremely competitive. A point worth having in mind is that this market segment is consumer-driven and therefore service-driven. As so, interviewees stated that while service sets the good ones apart, not everyone can provide an excellent service. In this thought, data also showed that there are not so many top designers although has been benefiting from an increasing clientele.

When it comes to the geographical distribution of the industry, confirming previous findings, it is certainly concentrated in Europe as data states. Thus, there seems to be a heritage factor present this industry as it is mostly established in a closed circle of European countries which have been paving the industry for many decades and presently are at the forefront of its innovation. Therefore, one possible interpretation is that yacht designers might acquire more expertise of the industry if established in a country where yacht design has roots in. Thus, having an easier access to privileged networks and industry notable players that can share knowledge and provide business opportunities. Even though Ferreira de Sá can benefit from its proximity to the European industry leaders, it also should be aware of the rising trend in non-European countries who are proving their worth in this competitive market and paving their way into the closed circle, such as Turkey. Nonetheless, besides English, the industry seems to be fluent in French, German and Italian. The proximity of Portugal to these countries is an advantage that must not be wasted because of language barriers, hence Ferreira de Sá team must solidify its fluency on such languages.

The following set of recommendations aim to provide the firm some valuable insights on how to approach the desired segment within its intrinsic dynamics. In order to conduct a successful entry on the yacht market segment with the industry's requirements in sight, Ferreira de Sá is recommended to:

- Create a "marine" inspired sample collection to send out to yacht interior designers.
- Search for future yacht builds and refits, especially of big yachts (+100m), and contact the designers and FFE Managers in charge of the project.

- Subscribe to BOAT PRO to get industry insights and reports of future projects.
- Propose collaborations with designs studios which are present in yacht design to increase the company's brand awareness.
- Give commissions to designers that recommend Ferreira de Sá rugs to clients.
- Improve their team's fluency on the industry's common languages.
- Attend as much boat and yachts events as possible.
- Create yacht design studios database to be updated with their projects.

The proposed insights not only serve to validate the existent literature on the topic and already existent Ferreira de Sá's business practices, but also to offer new visions that will contribute for a successful market entry. Therefore, by adapting the firm's existent capabilities to the requirements of the market segment, previously mentioned recommendations are to be followed in ways of assuring and facilitating the exploration of the yacht market business potential for the firm.

6. Conclusions

The present case study had a specific goal. It concerned a business challenge on which the firm wanted to understand in what ways possible could it establish itself as a player in a new market segment. The little yet successful presence that Ferreira de Sá had on the yacht market segment served as an indicator that the market segment could indeed have a commercial potential. Also, under the new commercial management, the firm plans to expand its business scope and tackle new segments, thus propelling the need for this study. The goal was then to prepare the firm for this market and provide insights on how it should position as a supplier and industry player.

On this matter, which topics to highlight as to develop an adequate business strategy were then questioned. First, the firm had to better understand the segment. To serve this question, the first research question aimed to provide a picture of the yacht market segment. The firm needed to know who the main players were and how did they interact among them. However, given the restrictiveness of the yacht industry, there was a need to obtain insights directly from the industry's participants.

To accomplish this purpose, the chosen methods for data collection had to be aligned with the difficulty on obtaining information from public domains. Therefore, one of the chosen methods was to do interviews with industry experts who were able to provide new and valuable insights. Most of the interviewed actors were designers, more precisely, yacht interior designers, given the purpose of this study. Establishing a direct contact with these individuals was not an easy task as they had to confirm the credibility entitled to the caller. On this matter, the help of Ferreira de Sá's Export Managers was crucial as they made possible the validation of some of the contacts being made and further introduced new industry players to be interviewed. However, such scenario was only applied to one respondent. Yet, due to this respondent's reputation in the industry, his name later served as a credential to validate future inquires. Once credibility was checked, conversations flowed in a more emphatic way. As for yacht owners, none were possible to contact given their out-of-reach status.

This restriction might have limited the full comprehension of this segment dynamics on the furniture preferences and usage.

Regarding the first steps of the research, through the categories of actors identified in the analysis, it was possible to label which can influence the rug decision on yacht's interior. The yacht's owner has been identified as the final client and the decider, who takes the final decision of what rug to buy. Influencers on the final customer's decision are usually the designers in charge of the project and, in some cases, the client's buying team. Nonetheless, the owner can control how much influence designers will have in the decision since he might already be an expert on the subject. Additionally, findings validated the importance of Ferreira de Sá to focus its communication on both the final clients (yacht owners) and designers. As these actors are responsible for the choice of furniture to be featured in a yacht, likely they choose the rugs for it. Once the segment is known, it is then needed to understand how to interact with it.

Under this logic, the next research question dealt with the communication aspect of this business. In order to deliver a message to the industry, Ferreira de Sá needed to know how communication was performed in it. Findings on this matter confirmed the niche status of the segment as relationships were deemed as essential for one's success. It was then known that engaging with yacht owners and designers on a long-term premise was something for the firm to aim for. Relationships seem to be the backbone of this industry and have been found to not be so easily attainable. To engage in such, trust and credibility are critical factors to have under a player's name. Although these actors might have different communication touch points due to their different roles on the industry, it seems that the segment's communication ways are based on a referral system on which validation occurs as more and better projects a player has on its portfolio.

The final step of the research concerns how could Ferreira de Sá enable its core strategic capabilities in order to successfully establish business relationships in the segment. An array of fulfillments that a supplier must check on were identified, most of which Ferreira de Sá is able to deliver. On this matter, Reputation, Innovation, Relationships, Functionality, Stylistic Identity, and Service have been highlighted as the main components of a successful supplier on the yacht industry. The notions above were driven by the empirical discoveries made on this study and later confirmed by existent literature. Each category then is decomposed by specific capabilities that allow a deeper understanding of the strategic directions that lead to an optimal business performance. As for social purposes, reputation, relationships, and service are aligned with the networking dynamics of the industry. As for functionality and stylistic identity, these capabilities deal with expertise requirements on which the industry is built upon. It is important to describe the market segment as a bespoke market on which customization is taken to a higher dimension, not usually found in other industries. On one hand, the discovered strategic capabilities seek to nurture the relationships with both business partners and final clients to assure a healthy commercial path. On the other hand, the discovered strategic capabilities seek to enable a firm to withstand the technological updates and developments that push the industry forward, thus reinforcing its status as the creators of some of the world's best examples of technology and luxury.

Furthermore, among the several notions to keep when approaching the yacht design market segment, there are a few main ideas that can help understand the mechanisms that drive the segment forward and thus tackle the current business challenge.

Owners are driven by bespoke experiences and expect nothing but the best. This notion leads to a significant amount of competition among the supply chain actors. In a highly competitive segment, a supplier must stand out from the crowd. Consequently, suppliers must too be creatively driven in order to follow the artistic leads that designers may endeavor. Thus, only experts and innovative suppliers can match with designers who have the task to create the finest interior spaces of one the world's pinnacles of luxury, a superyacht.

Given that reputation greatly matters in this industry, designers value the status that a supplier firm, in this case, a furniture supplier, holds within interior design related segments. Due to the highly competitive nature of this industry and the omnipresent bespoke factor levered by the high levels of customization, interior yacht designers seek business partners that assist them in all ways possible. The industry favors suppliers that do everything within their reach to make sure the idealized design concept becomes a reality. In other words, the yacht designer's goal is to make the final client's dream come true.

As for communication, word-of-mouth is above anything else. In an industry where reputation is not so easily earned, and the "closed circle" only opens for the top tier players, social interactions at the right places may help establish a position. Following this logic, relationships fuel business opportunities. Therefore, choosing business partners can be a "life-changing" experience, as it's usually how new business opportunities appear. Either through co-creation or through parallel business requests, yacht design relies on several actors to develop projects, and thus those who prove their capabilities are likely to be chosen for future projects.

This research delivers value to the firm as it dealt with a real business case on which the complexity of the targeted market segment was still not fully disclosed. In hopes of serving as a foundation for a future marketing strategy, this study goes along with the notions of marketing to be applied on a niche and luxury market. As these are both highly competitive and restrictive business environments, the insights provided will contribute for a deeper comprehension of the sensibility and nuances that separate these markets, and its customers, from the mainstream marketing approaches. Considering an industry on which specialization is highly valued and responsible for the extension of its network, Ferreira de Sá can stand out by applying its know-how to a segment where the concept of bespoke is mandatory. As credibility is of extreme importance in the yacht industry, the heritage associated to the firm can help validate its status when entering a new market segment.

Finally, Ferreira de Sá seems to be in a good path to enter this new segment, given its strategic capabilities alignment with the industry requirements. Although, additional human resources may be needed to overcome the complexity of the industry's dynamics. Either way, the business challenge ahead will certainly be a profitable market for the firm given its potential clients economical capability. The firm will also strengthen its brand on an international scale by associating itself with the unique projects, not accessible for any player to take part in.

7. Limitations and Future Research

This chapter details the limitations faced during the course of this study and to provide future research suggestions on this topic.

As for the limitations of this study, there were several barriers encountered through its development. From the methodological approach to the literature availability of yacht related case studies, the peculiar nature of this market segment came to be revealed as a true niche market, thus not often explored within academic purposes.

First and foremost, the lack of literature existent on the topic of Yacht and Nautical Marketing restrained a deeper understanding of the business dynamics related to the industry. However, niche marketing literature did indeed provide valuable insights on how firms operating under a niche-oriented strategy do business and position themselves in a highly competitive market, which is the case of the yacht industry.

Further, the closed circle and elite aspect of this industry has been confirmed throughout the interview process. Most of the contacted design studios have not replied or were not available to provide answers to this study. Some of the barriers found within the methodological approach of this study mainly concerned the time needed to be spent by interviewees to answer. Many of the contacted individuals stated that they were currently on a tight schedule and thus did not have the time to be interviewed. As of the nearly 40 design studios contacted, only 7 indeed have been interviewed. Another point worth mentioning is the difficulty to be taken seriously by the contacted industry players. Due to the internee status and little awareness of the firm, several individuals were not captivated by the purpose of the contacts being made to them. When mentioned the academic and not business purpose of the inquire, interest seemed to immediately fade away. However, surprisingly, some of the interviewees were renowned designers in the industry which can be a sign that the elite behaviors of the industry are fading. Finally, the subjective nature of some of the answers provided caused uncertainties regarding the questioned topic. It would too be important to have been able to interview yacht owners as they are mainly responsible for the choice of the rugs to be featured on a yacht and thus might have different opinions on this matter.

As for future research matters, the following insights are proposed. There is a clear interest on investigating the yacht industry dynamics since it employs a great number of actors from various industries and areas of expertise. Also, the yacht industry stands as a technological and quality driven hub where many fields of expertise can apply their know-how. The impact that such industry has on a country can be seen through Italy's case, where the yacht industry contributes to a significant growth of the overall economy as it employs a great number of workers, from engineers to stewards. It would be interesting for future researchers to explore business dynamics of different actors of this industry, thus contributing to a better understanding of the industry as a whole.

Regarding to the methodological approach of a similar study to be made, it is recommended to mention previously contacted industry players when contacting a firm or individual of the yacht industry for the first time. Such rationale revealed to be beneficial during the course of the interview process of this study as it seemed to increase the engagement of the contacted person, since they knew the other mentioned individual, and thus provide the caller some credibility.

As this case study detailed the case of a furniture supplier, its communication efforts are mainly directed to the yacht owners and design studios. On this note, given the responsibility and decisive role that designers play on the industry, it would be interesting to conduct a case study focused on the business interactions of a design studio. Given their pivotal role, it would then provide a deeper understanding of both the consuming habits of yacht owners and of what it is expected from the supply actors to deliver.

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APPENDIX

Interview Guide

1. For how long have you been active in the luxury yacht segment?

1.1. What role do you play within the industry?

1.2. Do you only do yacht projects?

1.3. Why is this industry appealing to work in?

2. How did you established your first contact in this network?

3. Where do your customers come from? (countries)

4. Who are your customers (Segment/Designers/etc)?

5. How do you find new customers?

6. Do your customers repeated purchases (Loyal)?

7. Do your customers suggest your company to their peers?

7.1. How effective/useful is the worth of mouth advertising in this industry?

8. Do you conduct your customer to a specific line of product that you are eager to use, or do they take the lead when it comes to design choice?

FOR DESIGNERS:

D1. Does your design concept start with the rug or does the rug acts merely as a complement to your interior design project?

D2. What does it set apart a yacht designer from a regular interior designer?

9. What are the critical success factors for a supplier to have in this industry?

10. Who has the final decision when it comes to purchasing a given product (interior decoration)?

10.1. Do designers have the freedom to order whatever rug they feel like best suits the yachts interior?

11. What do you expect from a supplier in order to add value to the design concept?

11.1. How can a supplier become supplier of choice?

12. The boat builders have been considered by some as the central linking point of this industry's business network, do you agree?

13. What countries do you consider to be emerging as relevant markets and which ones have been leading in the last 5 years?

13.1. How is the general situation of the yacht industry?

13.2. How competitive is this market?

14. How do you see yourself in the future of the luxury yachts market?