

A Work Project presented as part of the requirements for the Award of a Master's degree in
Management from the Nova School of Business and Economics.

U.Dream goes to market: An evaluation of *Crescer com Consciência* and analysis of the
internal and external environments affecting its strategic position

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U.Dream is a social enterprise targeted at developing social leadership skills. It recently launched U.Purpose (service) and *Crescer com Consciência* (product) aiming to ensure future financial sustainability. However, these were launched without conducting a market research and clear guiding strategy. The focus of this project is to assess the attractiveness of the CSR and children's book markets and U.Dream's current strategy, providing a strategic revision.

An in-depth analysis concluded that, in order to face the stagnant book market conditions and the fierce competition, the way for the *Crescer com Consciência* initiative to prosper is through differentiation and effective communication

Keywords: Social Enterprise, Finance, Social Impact, Management, Social Consulting, Strategy Consulting

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Disclaimer

This project was developed by a team of five students from Nova SBE in partnership with U.Dream in the context of a Master's thesis. The thesis was developed within the Social Leapfrog Program. This document is intended solely for the internal use of U.Dream and Social Leapfrog Program. It may not be provided to any other part without the express consent of U.Dream.

All of the information regarding U.Dream was provided by the organisation, either directly to the team or to Social Leapfrog. At the time when the project began, the organisation was going through an internal restructuring, changing its vision, mission, core purpose and re-organising in terms of business units. It was also working with other external parties in regard to improvement of internal processes, and information management and reporting. As these changes were occurring while the project was ongoing, there was a lack of documents reflecting them. The team relied on information provided by the management team through interviews. The project was developed according to the most recent information available and provided at the time.

Additionally, and also part of these changes, the organisation was already commercializing both U.Purpose and *Crescer com Consciência* when the project began. U.Purpose was not officially launched yet. Although it is doing so, the commercialization of both this service and product resemble a testing phase. Information regarding pricing, quantities sold, inventories, costs and current strategy was also provided by the management team through interviews, as documents in this regard also lack. The management team was not able to provide documents with costs split per business unit.

In regard to financial projections, the ability to use common methods was limited by the lack of historical information related to the business units in particular. Historical information includes financial data for the organisation as a whole; holding both U.Purpose and *Crescer*

com Consciência began being commercialized recently, data is not fairly reflected in the financial statements. Using it would bias the analysis, reflecting business areas whose nature is not comparable. It follows that the financial analysis is essentially short-term focused.

While every attempt has been made to ensure the accuracy and comprehensiveness of the project, neither the team nor Nova SBE can guarantee its completeness due to the limitations presented above: lack of internal, updated, documents and need to rely on the management team to obtain important information, according to its willingness and availability.

The project was developed on a best effort basis and its goal is to be of assistance to the management team.

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1. U.Dream Context

This section aims to provide with an overview of U.Dream’s organisational and operating context, as well as of the current financial position, establishing the basis to analyse the current status of each of the initiatives, re-define the strategies followed, and understand the potential incremental impact on profitability. It will be guided by the following research questions:

| Section and Research Questions | Methodology |
|--|--|
| 1. <u>Key Question</u> What is U.Dream’s current setting as it goes to market with U.Purpose and <i>Crescer com Consciência</i>? | |
| 1.1 – <u>U.Dream Overview</u> What is U.Dream’s organisational context? <ul style="list-style-type: none"> • What is U.Dream? What is the key mission/values? • How has U.Dream evolved over time? • What is U.Dream’s portfolio? Who are the target beneficiaries? | <i>Analysis of internal documents</i> <i>Secondary data</i> <i>On-site visit</i> <i>Interviews</i> |
| 1.2 – <u>Organisational Analysis</u> How does the organisational structure look like? <ul style="list-style-type: none"> • How does U.Dream structure its operations? • What is U.Dream’s rating on the Diagnostic Tool for Social Enterprises? | <i>Data requests</i> <i>On-site visit</i> <i>Interview w/ executive directors</i> <i>Diagnostic Tool for Social Enterprises (Social Enterprise London 2010)</i> |
| 1.3 – <u>Financial Analysis</u> What does U.Dream look like from a financial perspective? <ul style="list-style-type: none"> • Is U.Dream profitable? • How does each BU contribute to revenues? • How does it look like from a liquidity and capital structure perspective? | <i>Financial statements analysis</i> <i>Data requests</i> <i>Bottom-up analysis</i> |
| 1.4 – <u>Project Scope</u> Is there an opportunity for U.Dream in the CSR and children’s book market? | |

U.Dream is a non-profit youth association with public utility that provides programs targeted at developing social leadership skills. It identifies a lack of social leaders in Portugal and believes this problem stems from the absence of non-formal educational programs targeted at developing social leadership skills. It wants to be part of the solution through offering social leadership development programs for all ages, ultimately impacting the overall community.

Nonetheless, the following **complication** was identified. U.Dream recently launched a new product, *Crescer com Consciência* (a children’s book collection), and service, U.Purpose (social leadership development programs for corporates), that it believes may help ensure future financial sustainability. However, these products were launched without conducting a thorough market research and developing an adequate pricing and promotion strategy. The **focus** of this project is to address this complication, through answering the following questions: are both the children’s books and CSR markets attractive? If so, can U.Dream position itself successfully? For that, a three-step approach was followed, to be covered on the following sections (2-6):

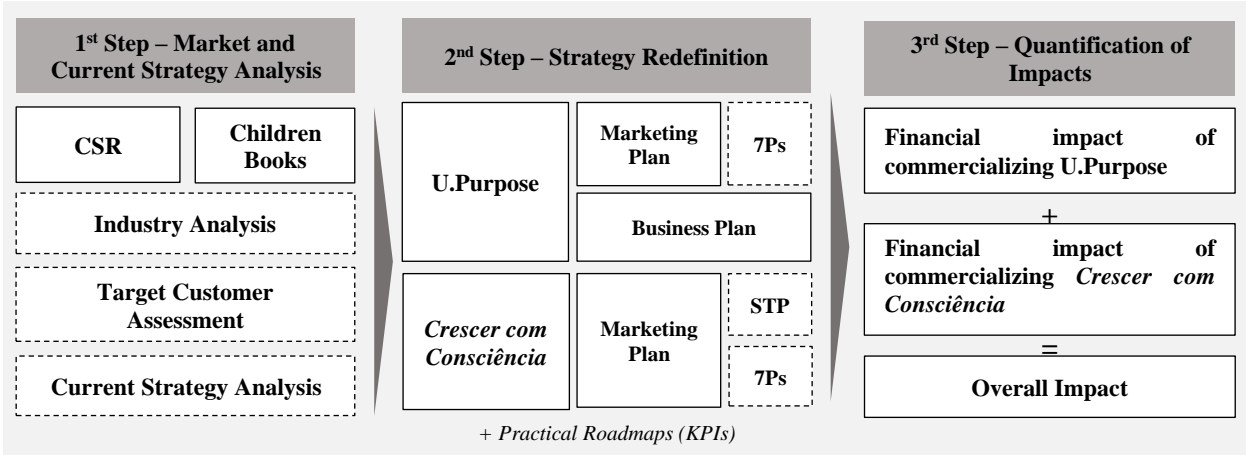


Figure 1: Project Approach

1.1 U.Dream Overview

What is U.Dream? What is the key mission/values?

U.Dream’s **mission** is to orient society towards the common good through the potential of each individual. It does so by offering social leadership programs and products targeted at

different groups: high school and higher education students; corporates; and specific groups within the community that are not included in the previous two (for example, elderly people or young people that did not attend high school or higher education). These programs follow a three-step methodology that is embedded in U.Dream's journey, where each step aims at developing specific social competencies: (A) Personal Impact, (B) Impact in Relationships and (C) Impact in the Community. Its mantra translates into "I, I with the Others, and I with the Community". The organisation defines itself as a plan to change the world, and the **core values** guiding its operations are empathy, personal and social development, and transformation. Its **vision** is to be able to ensure that every individual can use its potential to positively transform communities, through all stages of its life.

U.Dream's journey consists of 3 subsequent steps: Intervention, Discovery, and Inspiration. This is the journey through which U.Dream leads its direct beneficiaries. Intervention is done through social experiences, as these allow for a close contact with the communities and raises awareness to social problems. The objective is to raise empathy. Both discovery and inspiration are done through sessions such as workshops, training, events, talks, testimonies, or other materials, all focused on continuous development. The goal is to boost the courage to look at ourselves and at those around us/supporting us, inspiring us to lead by being the example. The end result of this journey is dreaming, that is, believing on the importance of making dreams come true (both personal and of those around us). In other words, U.Dream's three-step process encourages action towards personal and community transformation ([Appendix 1](#)).

How has U.Dream evolved over time?

U.Dream was founded in 2013 by higher education students at Faculdade de Economia da Universidade do Porto. It was the first social junior enterprise to be established in the country. When it was founded, it had two core focuses: the first was to provide support to

children with illnesses and respective families, ultimately working to make a dream of the child come true (social focus); the second was to provide junior consulting services in order to finance its social operations. At that time, students from Universidade do Porto were recruited to integrate the organisation in one of its departments, such as Finance, HR, Marketing, etc., and side-line with working for the department, were integrated in the support and realization of a dream to an ill child. The organisation was fully composed by students working as volunteers. Junior consulting services ended roughly two years after and the key income streams until recent years became public funding and revenues from a membership card (members paid monthly and obtained discounts at corporate partners). Furthermore, and following its success in Porto, U.Dream quickly expanded to other cities in Portugal: Braga (2016), Aveiro (2017), Coimbra, where it no longer operates (2018), and Lisbon (2019). The business model was the same across cities and universities.

The rapid expansion was followed by a strategy revision, positioning U.Dream as an educational program targeted at developing social leadership skills in higher education students. Following 2019, students were no longer recruited to integrate the organisation. Instead, students applied to take part in an educational program comprised of theoretical modules and social projects (including the realization of a dream of an ill child). The organisation shifted from having students working as volunteers to being composed by full time employees and external consultants. Ever since, it has been working on restructuring.

Although it still offers social leadership programs for higher education students, the organisation's focus is now broader. In 2020, it began targeting different audiences, launching a children's books collection (*Crescer com Consciência*) and beginning the testing phase of social leadership programs for corporates. 2021 was marked by a business unit restructuring, that reflects the broader focus and extended product and service offerings. U.Dream also

expanded its presence in universities to Viana do Castelo and Barcelos and began offering programs to high school students.

Over the last two years, the organisation has also been working with external parties. These range from consultants, namely Skillent (improvement of impact measurement), the Kaizen Institute (improvement of internal processes) and Maze (financial sustainability), to programs, such as Academias do Conhecimento Gulbenkian (a step towards becoming a knowledge centre) and the Social Leapfrog Program (increasing impact and achieving long-term financial sustainability).

All of these changes and work with external parties reflect the organisation's current willingness to grow.

What is U.Dream's portfolio? Who are the target beneficiaries?

U.Dream has three sub-brands that reflect its three business units: U.Academy, U.Purpose and U.Community. Each business unit is targeted at a different audience and offers different products and/or services.

Through U.Academy, U.Dream's focus is to target higher education and high school students (direct beneficiaries). For higher education students, it offers two products: a 3-semester program consisting of 22 hours of workshops and 20 hours of volunteering per semester, plus on the participation in the realization of a dream of a child with illness and in developing or working on a project with social impact; and a 1 semester program, consisting of 22 hours of workshops, 20 hours of volunteering and on the participation in the realization of a dream of a child with illness. It currently works with universities in Porto, Braga, Aveiro, Viana do Castelo, Barcelos, and Lisbon. For high school students it offers one product: U.Click. Through its offerings it also targets indirect beneficiaries, namely IPSSs (where students volunteer), ill children (that are supported by students and see a dream come true) and potentially the overall community (as the social project can translate into social

entrepreneurship, participating in a specific social project, etc.). U.Dream's ultimate goal is to foster social leadership and encourage a positive transformation in those around us through a change at an individual level. Therefore, it aspires that every individual participating in any of its programs further creates a positive impact, ultimately impacting the community as a whole, indirectly.

U.Purpose targets the corporate market through its employees (the direct beneficiaries). Within this business unit, U.Dream offers two products: a program with 4 phases, where it begins by providing consulting in regard to social impact (phase 1), followed by offering workshops to classes of up to 10 employees (phase 2), doing initiatives with impact in the entire organisation (phase 3) and ending with the celebration of this impact (impact measurement and delivery of documents and materials reporting the impact generated) (phase 4); and a lighter version of this program, with only phases 1, 3 and 4. Throughout the programs, employees also have the opportunity to take part in volunteering activities and participate in the realization of a dream of a ill child. Furthermore, U.Dream's methodology and ultimate goal also apply. It follows that it also targets indirect beneficiaries such as IPSSs, children with illnesses, the overall community, and ultimately the corporate itself (because although not all employees participate, the company benefits from its investment in CSR).

U.Community is focused on offering products and/or services to groups of people that are not targeted through U.Academy or U.Purpose. As such, and although the direct beneficiaries depend on the specific project being held, the focus is to target the remainder of the community. Within this business unit, U.Dream currently offers two products: *Crescer com Consciência*, a children's book collection inspired in the stories of ill children that saw their dream come true with U.Dream, focused on promoting child reflection; and Summer Bootcamps, for young people who do not attend high school or higher education. The goal for future years is to increase product and service offerings. As the focus is broad, depending on

the initiative, everyone that is not in high school or higher education and is not working in a company participating in U.Purpose's programs can potentially be a direct or indirect beneficiary.

1.2 Organisational Analysis

How does U.Dream structure its operations?

U.Dream's current organogram reflects its three business units ([Appendix 2](#)). It has a management team composed by an executive director (supervising the entire organisation on a daily basis), an operations director and a marketing and communications director. The management team is supervised by a general assembly (9 people), that further supervises a general meeting's council (3 people), a fiscal council (3 people) and an advisory council (3 people). The management team also heads each of the 3 business units.

Currently, all employees work full-time, except for the external financial consultant. The external financial consultant has a five-year contract with the organisation and provides services on a weekly basis. Regardless of employees working within a specific business unit, U.Dream also has employees working across units. Currently, there are 11 employees.

The organisation has a high variability in regard to number of employees, adjusting it according to ongoing project's needs within each business unit and public funding's requirements.

What is U.Dream's rating on the Diagnostic Tool for Social Enterprises?

In order to perform an internal organisational analysis, the Diagnostic Tool for Social Enterprises was used ([Appendix 3](#)). Developed by Social Enterprise London in 2010, this framework focuses on assessing the operating effectiveness and viability of social enterprises, as well as on identifying areas with potential for improvement.

The tool is composed by 10 sections that correspond to key areas within the organisation (Strategy, Governance, Customers and Users, Social/Environmental Impact, Operations,

Systems, Data and Processes, Finances, Income Generation, Marketing and Communications and HR and Organisational Development). For each section there are several statements to be rated from 1 to 5. A comments column allows for a brief description of the organisation's reality and supports the score. Statements have different weights to reflect for its importance within the section and final scores for each section are computed based on a weighted average.

This analysis highlighted U.Dream's strength in adding and measuring social value, with the Social/Environmental Value section being the best performer (4,8/5). The score reflects the usage of impact assessment tools and frameworks for all projects and incorporation of impact assessment outputs in overall communication. It also highlights a relatively good ability to generate income supported by the capacity to identify and win funding and tender opportunities and a good governance.

However, it also under covered the need to revise the organisation's operational, financial, and strategic management and the approach to customers and users (worst performer). All of these sections have scores bellow 3 (mid-point). The score in operations (2,8/5) is supported by the operational inefficiency in handling projects and activities and the lack of quality assurance procedures and risk analysis. The organisation would benefit from easing internal processes through uniformization and improving internal communication. It is followed by a low score for financial management. Currently, there is a lack of financial maturity, with no risk report being done, and a general lack of financial analysis, such as analysis of breakeven points and solvency, liquidity, and profitability analysis. The organisation is unable to provide financial information for each business unit. Furthermore, there is no one fully focused on the financial management of the organisation. There is a large room for improvement by integrating a full-time financial team that could deliver outputs and analysis to the management team. In regard to strategic management, the organisation does not have a long-term strategy and there are no procedures for developing, monitoring and reviewing the

business plan at least yearly. Moreover, the vision, mission and objectives have changed recently and are not clearly communicated yet. The organisation would benefit from developing both a short-term and long-term strategy to generate a higher internal alignment and better external communication, as well as to implement procedures for monitoring and reviewing it regularly. When developing a strategy in light of key stakeholder's needs, it would benefit from using frameworks such as a SWOT analysis to create win-win relationships. Lastly, the low score for customers & users (1,9/5) is explained by the lack of a thorough market research, customer assessment and pricing and marketing strategy for newly commercialised products and services. Additionally, the organisation did not perform an analysis to understand the economic viability of products without funds and does not measure repeat customer use for the products where it is applicable. Improvements would be seen if this analysis and research were performed.

1.3 Financial Analysis

This sub-section focuses on understanding the financial reality of the organisation over the past years. The full historical financial statements that guided it can be found in [Appendix 4](#) and [Appendix 5](#).

Is U.Dream profitable?

Between 2018 and 2021, expenses grew at a higher rate than income (13,96% versus 15% CAGR over the period), motivated by a strong increase in expenses from 2020 to 2021. As such, although both EBITDA and Net Income increased largely between 2018 and 2020, 2021 marked a sudden drop in these figures to only slightly above the values observed in 2018. Profitability improved between 2018 and 2020, reflected in a positive evolution of the EBITDA and Net Income margins. Nevertheless, in 2021, these ratios steeply dropped, accompanying the overall trend of a larger growth in expenses relative to income. The organisation is now having an increased difficulty in translating its revenues into profits (Figure 2).

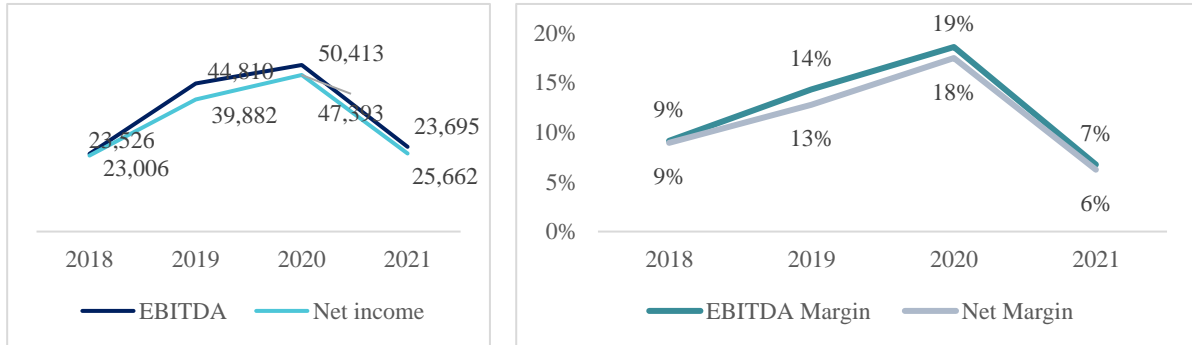
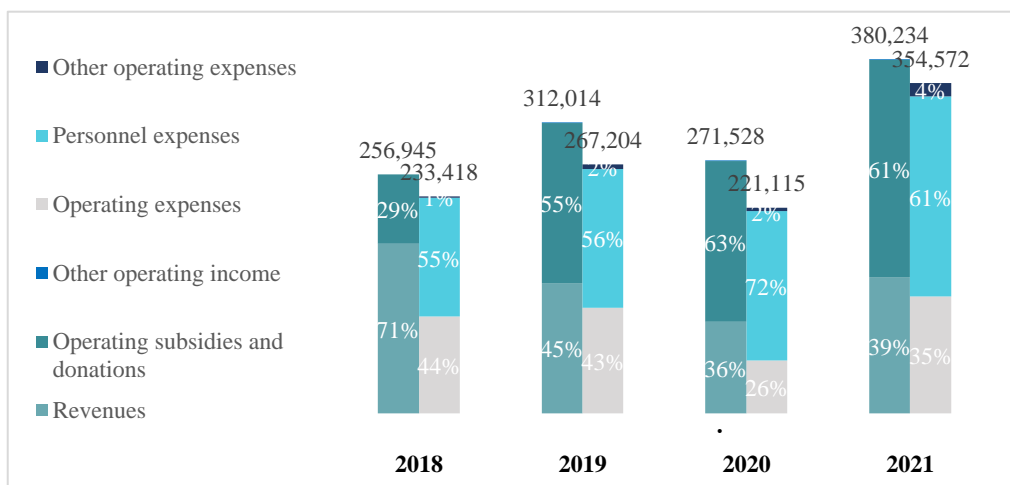


Figure 2: Profitability analysis

Furthermore, and even though total revenues increased largely, this increase was motivated by a rise in operating subsidies. Both the revenue and cost structure reveal an increased dependency on public funding, with operating subsidies currently representing 61% of income sources and operational and personnel expenses representing 90% of U.Dream’s total



revenues and 233% of U.Dream’s own revenues. Looking at the cost structure, it is important to note that personnel expenses grew steadily, reflecting the transition from having a volunteer base to having only employees. Currently, these represent 61% of operational costs (Figure 3).

Figure 3: Income and cost sources (in €)

How does each business unit contribute to revenues?

With U.Purpose and *Crescer com Consciência* still on a launching stage, and almost a decade of experience in working with universities, U.Academy is by far the largest contributor

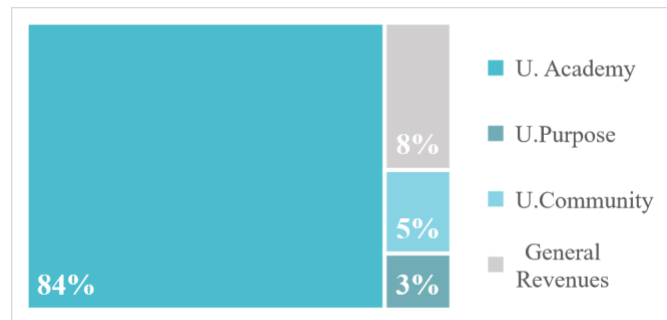


Figure 4: BU revenues breakdown in 2021

to revenues (84%), followed by U.Community (5%) and U.Purpose (3%) (2021 data) (Figure 4). Note that the difference regards general revenues.

Importantly, within U.Community, *Crescer com Consciência* is the main contributor to revenues, through programs (85%) and book sales (8%). The organisation was unable to provide a revenue breakdown for earlier years, as well as a cost breakdown. An important remark is that, looking at the information provided, U.Dream only obtained €1 409 from book sales in 2021, implying 141 books sold (assuming every book was sold at the standard price). Holding the total number of books sold of 2185 until now (Cruz e Mendes 2022), this suggests a slightly different contribution of *Crescer com Consciência* in 2019 and 2020. Nevertheless, values reflect the current status of *Crescer com Consciência* and U.Purpose, as well as an accurate overview of the big picture.

How does the organisation look from a liquidity and capital structure perspective?

U.Dream improved its liquidity position over the past years (2018-2021), reflected in a current ratio of 7,9 and cash ratio of 4,71 in 2021 (reference value of 1) ([Appendix 6](#)). This implies that it can meet all of its obligations without having to liquidate any of its assets (i.e. using only cash), holding that it does not have long-term obligations. Notwithstanding, and although safe from a liquidity perspective, the high cash ratio (fairly above 1) suggests that U.Dream may be missing interesting investment opportunities that could yield higher returns.

The Net Working Capital increased largely motivated by an increase in Current Assets, strengthening the strong liquidity position. Nevertheless, it is important to note that this was mostly boosted by a large increase in cash and cash equivalents due to public funds.

From a capital structure perspective, both the solvency and financial autonomy ratios improved over the period indicating a high independence towards creditors (7,19 and 0,88 respectively in 2021) ([Appendix 7](#)). The solvency ratio indicates that U.Dream could meet 7,19x all its obligations through internally generated cash. These figures are fairly above bank requirements.

Both the liquidity and capital structure analysis suggest that U.Dream is in a good position to access debt financing in future years. This can be a potentially interesting option as public funds are maturing.

1.4 Project Scope

- The scope of this project is to understand whether the children's book and CSR markets are attractive and, if so, how can U.Dream position itself successfully, i.e. establishing a strategy that allows it to succeed.
- U.Dream recently broadened its focus, redefining its vision and mission and restructuring its business units. The new organisational context reflects the willingness to expand product offerings and enter new markets. The analysis suggests that U.Dream is now better positioned, internally, to succeed in the CSR and children's book markets.
- The organisational analysis (sub-section 1.2) outlined a fit between the current organogram and business units, reinforcing the positive internal positioning.
- However, the Diagnostic Tool for Social Enterprises revealed the need to revise and redefine the approach to customers and users and the potential to increase operational efficiency and improve strategic and financial management. This is of high importance to succeed in commercializing *Crescer com Conciência* and U.Purpose.

- From a financial perspective, the analysis outlined the need to diversify and increase the importance of organic income streams, as the organisation became increasingly dependent on public funding. The success of *Crescer com Consciência* and U.Purpose may be key towards achieving long-term financial sustainability.

The next chapters will be focused on analysing the CSR and children's book markets and the current strategy of the organisation. In light of the research results and analysis performed, a strategy redefinition will be proposed, that the team believes will allow U.Dream to succeed in these markets. Finally, overall financial impacts will be quantified, and final recommendations will be provided. In light of the end-goal of the strategies – enter businesses that allow the organisation to secure long-term financial sustainability – the quantification of impacts will take a full financial perspective, disregarding other sources of impact (namely social impact).

2. An evaluation of U.Purpose as a business unit and analysis of the internal and external environments affecting its strategic position

The previous chapter discussed U.Dream’s current situation as an organisation, from its history to how it has evolved to its current position. Furthermore, the portfolio and mission/values that have been explored in the previous section are important for the analysis conducted in this section, where U.Purpose will be explored and what shapes the current market landscape. Also, in the following chapter market barriers, competition and what differentiation factors are used, are all explored. The analysis is guided by the following research questions:

| Section and Research Questions | Methodology |
|--|---|
| 2. <u>Key Question</u> What is the current market landscape for U.Purpose? | |
| 2.1 – <u>Overview</u> What is U.Purpose? <ul style="list-style-type: none"> • What is U.Purpose? • What is the current offering? | <i>Interviews</i> (Cruz, Headquarter's Interview 2022) (Cruz, Information Request 2022), (Cruz, U.Dream's explanation of U.Purpose 2022) <i>Internal documents</i> (U.Dream 2022). |
| 2.2 – <u>Target Customer</u> What are U.Purpose’s customers? <ul style="list-style-type: none"> • What are the customer segments? • Who are U.Purpose’s customers? | <i>Segmentation matrix</i> (P. Kotler 1994) <i>STP model</i> (P. Kotler 1984). |
| 2.3 – <u>U.Purpose Industry</u> In which industry does U.Purpose operate? <ul style="list-style-type: none"> • What is U.Purpose’s potential revenue pool? • Who are the competitors? • What are the potential barriers of entry and factors affecting UP’s entry? | <i>Market sizing</i> <i>Competition analysis</i> (M.-J. Chen 1996) <i>Porters 5 forces</i> (M. E. Porter 1979) <i>PESTLE analysis</i> (Aguilar 1967). |
| 2.4 – <u>Market Strategy</u> What is U.Purpose’s current market strategy? <ul style="list-style-type: none"> • How does U.Purpose fit in the marketing mix framework? • What differentiation factors are used? | <i>Marketing Mix analysis</i> (Booms and Bitner 1981) <i>Differentiation factors</i> , (M. E. Porter 1985). |

Howard Bowen is regarded as the father of modern CSR as his work and publication of his book “Social Responsibilities of the Businessman” (Bowen 1953) was the first dedicated academic research directed at bridging the gap between corporate activities and societal impacts

(Mauricio Andrés Latapí Agudelo 2019). That landmark in CSR has given authors such as Archie B, Carroll the way to develop what today is regarded as the CSR frameworks and definition of CSR through the publications “A Three-Dimensional Conceptual Model of Corporate Performance” (Carroll, A Three-Dimensional Conceptual Model of Corporate Performance 1979) and his publication of the CSR pyramid (Carroll, The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders 1991); the main idea and definition is: “Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organisations at a given point in time” (Carroll 1979). Global developments such as the UN MDG’s in 2000, the UN development of the SDG’s and the Paris agreement in 2015, the EU directive (2014/95/eu) requiring large companies to start reporting non-financial information such as diversity. All evidence of the increase in importance of CSR in today’s business environment.

Following this mega-trend U.Purpose was born to leverage such a movement in the Portuguese geographical market. Many companies require a helping hand for the implementation of CSR and that’s where the business idea lies.

3. Strategic recommendations for the implementation of U.Purpose’s business activities and empirical roadmap for the future

The previous chapter analysed the current situation of U.Purpose, it gave an overview of the brand, an investigation of its customers, a deep dive into the industry and its market strategy. Furthermore, the chapter highlighted areas in which U.Purpose’s brand, strategy and tactics could be strengthened as a whole. The following chapter will review this in depth by assessing U.Purpose’s value proposition, putting forward an elaborate marketing plan as well as a strategic business plan with tangible steps for the future.

| Section and Questions | Methodology |
|--|---|
| <p><u>3 - Key Question</u> How can U.Dream successfully launch U.Purpose to market?</p> | |
| <p><u>3.1 – Value proposition</u> How does U.Purpose create value?</p> <ul style="list-style-type: none"> • What is U.Purpose’s value proposition canvas? • What constraints does U.Purpose face? | <p><i>Value proposition canvas (Osterwalder & Pigneur, 2010), theory of constraints (Goldratt, 1984)</i></p> |
| <p><u>3.2 – Market Plan</u> How should U.Purpose be marketed?</p> <ul style="list-style-type: none"> • How should the marketing mix analysis cater to this strategy? • What market plan & strategy should U.Purpose leverage? • How should U.Purpose target each cluster? | <p><i>Extended marketing mix (Booms & Bitner, 1982), Push and pull marketing (Lambert & Cooper, 2000), Targeting (Kotler, 1994)</i></p> |
| <p><u>3.3 – Business Plan</u> How can U.Dream turn U.Purpose into its own profitable business unit?</p> <ul style="list-style-type: none"> • What are the price ranges for U.Purpose and their pricing strategy? • How can U.Purpose implement these recommendations? | <p><i>Cost-based pricing & Value-based pricing (Nagel & Holden, 2002), Implementation map (Nutt, 1986), Customer journey map (McKinsey, 2009)</i></p> |

4. An evaluation of *Crescer com Consciência* and analysis of the internal and external environments affecting its strategic position

Considering the difficulties identified together with the organisation, this chapter focuses on presenting U.Dream with a clear vision of the book publishing industry and its competitive landscape. This information is the basis of a series of recommendations tailored to the identified market conditions. The questions bellow aid the navigation of the relevant topics:

| Section and Questions | Methodology |
|---|---|
| <p><u>4 - Key Question</u> What are the characteristics of the children’s book industry and market and how is <i>Crescer com Consciência</i> positioned in the competitive landscape?</p> | |
| <p><u>4.1 – Overview</u> How does the initiative contribute to U.Dream’s mission?</p> <ul style="list-style-type: none"> • What is <i>Crescer com Consciência</i>? • How were the books developed? | <p><i>Interviews (Cruz, Headquarter's Interview 2022) (Cruz, Information Request 2022), Internal documents (U.Dream 2022).</i></p> |
| <p><u>4.2 - Publishing Industry and the Book Market</u> What are the dynamics of the publishing industry and book market?</p> <p><u>4.2.1 - Publishing Industry</u></p> <ul style="list-style-type: none"> • What is the publishing industry? • What is the industry supply chain? • What are the book publishing paths? • What are the advantages/disadvantages of each path? • What is the case for U.Dream? <p><u>4.2.2 - Book market</u></p> <ul style="list-style-type: none"> • How is the book market defined? • What is the market size and relevant competitors? • What is the point of market entry and exit? • What is the market price point and cost structure? | <p><i>Supply Chain Management (Oliver 1982), Interviews (Cruz, Headquarter's Interview 2022) (Cruz, Information Request 2022)</i></p> <p><i>Market Research and Analysis, Cost Analysis</i></p> |
| <p><u>4.3 - Target Customer</u> Who are the main customers and how is U.Dream targeting them?</p> <ul style="list-style-type: none"> • What are the potential customers’ habits and behaviors? • Who are the current customers? • Did the company conduct a STP analysis? | <p><i>Survey, Internal documents (U.Dream 2022), Segmentation matrix (P. Kotler 1994), STP model (P. Kotler 1984)</i></p> |
| <p><u>4.4 - Current Strategy</u> How is U.Dream currently commercializing the books?</p> <ul style="list-style-type: none"> • What brand positioning is the company aiming to achieve? • What are the key takeaways? | <p><i>Interviews and Internal documents (U.Dream 2022) Extended marketing mix (Booms & Bitner, 1982)</i></p> |

4.1 Overview

What is Crescer com Consciência?

Holding U.Dream relies heavily on public funding, there is an ongoing need to pursue initiatives that enable financial independence while promoting the organisation's mission. One of these initiatives is *Crescer com Consciência*. It consists of a collection of children books whose stories are inspired by children that U.Dream has helped in prior projects. Currently, there are 2 books already being commercialized and 1 still in production (Cruz e Mendes 2022). The idea is for the initiative to eternalize the journey of the children that U.Dream has accompanied and lessons learnt along the way, engaging children and adults in reflection, further fostering empathy (Cruz e Mendes 2022). The drive and theory behind it can be summarized in the reduction of U.Dream's dependency on public funding; the need to teach children the tools to be responsible for their own happiness (first step to becoming social leaders); the promotion of meaningful child-adult bonds through reflection; and the eternalization of the inspiring stories of the children U.Dream worked with. The books were first sold in December 2019 due to Christmas (Cruz e Mendes 2022).

How were the books developed?

The development of the books starts with U.Dream's core activity: social work. When the organisation first started, its main focus was to make dreams of ill children come true, supporting their families throughout the process. While no longer its main focus, U.Dream still incorporates these projects in its current programs. The close contact allows for a deep understanding of the challenges faced by both the child and the family. Then, based on this awareness, U.Dream selects one of the dreams it worked on and turns it into a written story.

In order to be able to develop the fictional story, U.Dream collaborated with Pedro Rosário, who is a professor and researcher at *Universidade do Minho* on the area of psychology; Sonia Fuentes, an academic researcher and director at CEAME (center focused on self-

regulation of mediated learning); and José Núñez, a professor and researcher at *Universidade de Oviedo* focused on educational psychology. Together, these are the writers, that due to their relationship with U.Dream and career alignment with its core focus, write pro-bono (Cruz e Mendes 2022). The illustrator is Bruno Rabaçal, suggested by Pedro Rosário based on his on-field experience (Cruz e Mendes 2022).

To physically produce the book, U.Dream outsources the printing to Orgal. The company was referenced by employees and other knowledgeable contacts due to the characteristics of the CEO, known for being attentive to social issues; as such, the price paid per book printed corresponds only to the production costs (Cruz e Mendes 2022).

Currently, U.Dream is fully in charge of dealing with every aspect of the commercialization of the collection (Cruz e Mendes 2022).

4.2 Publishing Industry and the Book Market

In this section, the focus will be on the publishing industry and on the different book publishing paths, as this allows for an understanding of U.Dream's operating context. Afterwards, the market in which it competes - the book market - will be scrutinized, defining its scope, size, attractiveness, competitors, and common practices. An industry and market research served as the methodology to develop these topics.

4.2.1. Publishing Industry

What is the publishing industry?

The publishing industry can be defined as the network of organisations that interact regularly in the selection, production and distribution of printed material. Within it, there is the book publishing industry (Turow 1989). Whilst this equates to the traditional definition, the scope has further been extended to include electronic publishing, namely electronic books and audio books (Carreiro 2010). The more recent models that build upon Darnton's (1982)

classical interpretation of the industry (such as Squires and Murray’s (2013)) will serve as the basis to depict the current book publishing industry supply chain.

What is the industry supply chain?

The publishing industry starts with the creatives and ends with the consumer. As such, authors/writers are the first agents, materializing creative thoughts and ideas into unique manuscripts. Once written, the manuscript is usually edited, to ensure it complies with the standards required for publishing (no grammatical errors, inconsistencies, legal issues, etc.). Hence, the second agent of the value chain are editors. Note that it is not mandatory to have an editor for publishing a book. Illustrators/designers come next on the value chain. Whereas only some books are fully illustrated, all books ultimately need one of these agents to design its cover. In this step, there are also legal requirements to be met. Before printing, the book needs to be proof-read to ensure there are no minor mistakes, a step where the next agent steps in. Following this process, the book is ready to be printed. However, either before or while the book moves to a printing company, there is an additional set of agents that play a significant role in the commercial success of the book: marketing and sales specialists, the next agents on the chain. These agents build the marketing strategy and define which channels will be used. The book can either move through the supply chain directly to retailers or firstly to wholesalers that make it available on retail. Intermediate agents here are distributors and warehouse companies. Once available on retail, the book is ready to be acquired by customers, that can either be the end consumer (the readers) or make it available to them (e.g. as a gift).

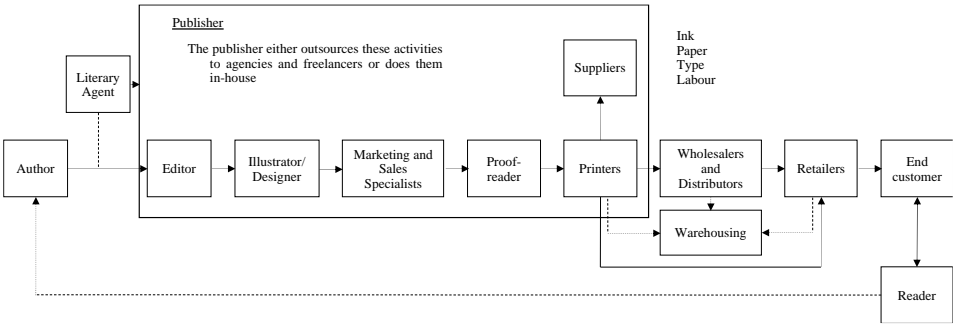


Figure 5: Publishing Industry Supply Chain

In regard to e-books, the key differences are that there is no need for a printing agent, warehouse company, and physical distributor. Furthermore, both distributors and retailers are online platforms such as Amazon, eBooks or Kobo.

Note that there may be additional agents, conditional to the book publishing path chosen. The general supply chain for physical and digital books can be found in [Appendix 13](#) and [Appendix 14](#), respectively.

What are the book publishing paths?

When it comes to publishing a book, authors can choose from a set of routes. While formal conceptualization still lacks, both in regard to the number of paths, names, and what's included in each, it is consensual across literature that there are at least 3 broad types, where the key distinguishing factor is the business model. Jane Friedman (2021) and Publish Central's (Hanrahan, Publish Central 2019) insights will be crossed in order to outline the key paths applicable to U.Dream, as well as its main features.

Firstly, authors are faced with the traditional route, i.e. traditional publishing. Here, the author provides the manuscript to a publishing company, that further reads it and decides whether to make the investment or not. Publishing companies may have editors, printing facilities and a marketing team, or outsource these activities. They are responsible for all of the activities until the book reaches the end customer. The price of each book is spread through the involved agents. On average, in Portugal, the author gets 8% of RRP in the form of royalties, the producers (i.e. publishers) 20-30%, printing companies 15%, the government 6% (IVA) and the remaining 50-60% belong to retailers and distributors (Planeta Tangerina 2018).

On the opposite side, authors can choose to self-publish, meaning they are responsible for 100% of the investment and for arranging all agents required to publish the book. This model enables authors to maintain book's copyrights, receive the entire RRP and bear all costs.

There are also hybrid publishing options, a combination of the earlier two. Through a hybrid publisher, the author co-invests with the publishing company. The author is required to pay fees for some of the services that are required (e.g. marketing, printing) and receives royalties per book sold. The higher the investment being made by the author, the higher the royalties. IBPA (2018) provides with the distinguishing criteria of hybrid publishers.

What are the advantages and disadvantages of each path?

This analysis starts with the disadvantages of choosing to articulate with a **traditional publisher**. The **low royalties** to which the author (in this case, U.Dream) is entitled is the first disadvantage identified, as these vary between 6-12% in the Portuguese context (Planeta Tangerina 2018) (Eco Sapó 2017). Despite of the fact that the majority of best-sellers were traditionally published (Fiorillo 2021) and that the best paid authors collect millions of dollars in income (Statista 2019), the low royalties ultimately bound profit potential. Furthermore, the storyline may not be approved by the publisher, requiring changes that go against the author's original idea and the organisation's vision. Therefore, **creativity constrains** are pointed as the second disadvantage. The strict creative control extends beyond the content of the story, reaching design, illustration, strategy and marketing and advertising. The traditional publishing timeline illustrates another obstacle of choosing this route, as there is a **large time gap** between **approval** of the manuscript by the publisher and the final **publication** of the book. If U.Dream chooses to work with a publisher, it can expect the period from manuscript acceptance to book launch to be approximately between 1 and 2 years ([Appendix 15](#)) (Notaras 2017). Additionally, even though the publisher has incentives for the commercial success of the books, the extent of **marketing and commercialization efforts** ultimately depends on the **expected return** it foresees to achieve and may not necessarily be high. Finally, in this context there is a **loss of rights** over the book, which will then belong to the publisher.

This option also entails some advantages. First, highlighting the **engagement with experienced professionals**. Through all steps of the process, from editing to marketing, the organisation will be accompanied by a specialized team that is able to ensure rigor and quality. Furthermore, publishing through a renowned publishing house provides the book with a **higher credibility**. Additionally, publishing houses leverage on their already established contacts, a particularly important feature regarding marketing. With great industry knowledge, publishers can ensure the access to **better sales and promotion channels**, allowing for a **high visibility**. Another important aspect is that the author bears **no costs**, providing an incentive for publishers to turn the book into a commercial success. U.Dream would not incur any financial or operational risk once the manuscript is approved and would only be entitled to receive royalties.

The hybrid publishing route shares the majority of advantages and disadvantages identified for traditional publishing. The key difference is that this option implies a **shared investment** (financial risk), but allows for **higher royalties** and **creative control**.

The **self-publishing** route is also entitled to some disadvantages, starting with the **increased risk** compared to the previous alternatives. Although no CapEx investment is required, the organisation will have to make a large upfront investment in order to get the books ready for sale. Examples of these costs involve the editor, illustrator, printing company and marketing efforts, with no guarantee that future sales will cover them. In addition, it is also relatively **harder** for the organisation to **contact the most qualified and reputable individuals in each area**. In U.Dream's context, this is strengthened by a limited budget, resources and knowledge, as well as no experience in the book market. Finally, not being represented by a publisher with a good reputation may **jeopardize the books' credibility**, obstructing their access to key retailers.

On the positive side, through self-publishing, authors **maintain creative control** over the production and marketing of the book. Either through outsourcing or doing it in-house, the

organisation is able to carefully select the experts who better understand and embrace the intention and message of the book collection, allowing for the opportunity of niche publishing. Another advantage is **how quickly books can reach the bookshelves** ([Appendix 16](#)). If U.Dream is accompanied by experienced professionals and based on a sound operations and marketing strategy, the time between manuscript development and arrival in retail is reduced to about 6 months (Hanrahan 2017). As already mentioned, the expected gains in this context are also **significantly higher**, rewarding the increased risk. The organisation would be expected to gather 20-30% of the RRP, holding the average values in the portuguese market (Planeta Tangerina 2018) and current costs. In the case of electronic publishing, the value rises to 35% with Amazon (Amazon 2022) and 70% (Kobo 2015) (in Portugal). Finally, **payments** received would be **sales-based and very frequent over time**, rather than annual, bi-annual or based on estimates.

What is the case for U.Dream?

U.Dream positions itself on the first step of this value chain – the author. Although it does not exactly write the books, it provides with all the basis for the creative work, strongly collaborating with the writers in the development of the content; the writers represent the organisation in this context. It also, it currently operates as a self-publisher. The market through which the collection is commercialized is the book market, that takes place in the last step of the industry value chain.

4.2.2 Book market

How is the book market defined?

The book market includes paid publications both in physical and digital forms which are purchased by B2C private readers. These clients purchase each item individually or get them through a subscription service. The overall market comprises the revenues from books covering matters of general interest, educational and academic topics, and professional and

specialized subjects. For this analysis, physical or digital newspapers and magazines, bundled subscriptions that include free book copies, sales between private individuals, and B2B sales and resales are not being accounted for (Statista, Books - Worldwide s.d.). Whereas this will be the scope to guide the analysis of international markets, a narrower scope will be used for the Portuguese market, excluding scholar books for children in elementary and high school, and including only books sold at 1st hand and both published in Portuguese and edited in Portugal (GFK 2021). The data was gathered in light of a research study conducted by GFK for Associação Portuguesa de Editores e Livreiros (APEL) and the reasoning behind this choice is that it better reflects the context in which U.Dream operates, providing a more accurate estimate. When comparing geographies, Statista will be used, as it provides data for the various geographies using the same methodology.

What is the market size and relevant competitors?

The worldwide book market has remained relatively stable as a €100 billion market from 2017 to 2022 ([Appendix 17](#)) and is expected to grow at a CAGR of 0,34% between 2022-2026 (Statista 2022), thus being considered a sizeable, yet mature market.

In regard to the Portuguese book market, in which U.Dream currently operates, the market size is estimated to be €233,4 million (GFK 2021). The penetration rate is 38%, corresponding to 3 million buyers, that acquire, on average, 5,07 books per year, spending €77,6 - a relatively high amount in an international context (GFK 2021). Bookstores and hypermarkets lead sales (73%), followed by internet platforms (15%), where sales increased significantly over the past years (GFK 2021). The children and youngster books' category represent 16,5% of the market (GFK 2021), hence €38,5 million. According to APEL, 60% of the Portuguese population did not read a book during 2020, with Portugal reporting the lower reading indexes in the EU. The largest segment is the 35–44-year old's, accounting for 27% of sales, followed by the 45–54-year-olds with 25%. The age group yielding the lowest percentage

is the one comprising individuals with ages between 18 and 24 years (13%) (Statista 2022). In the year 2021, 37.2% of customers were in the high-income group (Statista 2022).

The focus on the Brazilian market stems from the cultural bonds and language similarity, aligned with its size and growth potential. It is currently fixed at €0,64 billion (2021) and it is expected that the recent upward trend continues in the future with modest revenue growth at a CAGR (2022-2026) of 3,04% (Statista 2022) ([Appendix 18](#)). The Brazilian market is, on average, almost double the Portuguese ([Appendix 19](#)) (Statista 2022) and the difference is expected to increase in the next few years until 2026. Although the Portuguese reader spends, on average, far more than the Brazilian reader (10x (Statista 2022)), the above mentioned reasons support the potential of the Brazilian market and why U.Dream may consider it in the future. Despite a promising market for a future expansion, the analysis will be interrupted as it was considered early to take it into consideration.

When looking at competition and key players, the author's perspective must be considered, as this equates U.Dream's role in the supply chain. Competition within the book market is highly fragmented, with a wide variety of topics and authors available. As such, books compete amongst themselves by quality of content, illustrations, genre, writer's reputation, physical product quality and price. Competition is set to be high.

What is the point of market entry and exit?

The point of market entry may be having a child or keeping close contact with one (through family/friendship bonds, volunteer work or career choice). That child must be able to comprehend and absorb concepts in books and must be capable of discussion and reflection through conversation and/or writing. Following the same logic, the point of market exit happens when the individual ceases the relationship previously established with the child(ren). This may happen when the child grows and becomes a teenager, gaining an understanding that surpasses children's books.

The demographic trends in Portugal negatively impact the size of this market segment, since it displays one of the lowest fertility rates in Europe (Statista 2022). The evolution of the age structure (Statista 2021) is also unfavourable to the market size ([Appendix 20](#)) as the population aged between 3 and 12 has a modest representation in the overall population (Instituto Nacional de Estatística 2020).

What is the market price point and cost structure?

From a writer's standpoint, revenues and costs are highly variable, and depend largely on the book publishing path chosen. Costs can range from 0 (if recurring to a traditional publisher) to 100% (if self-publishing), with hybrid publishing options placing themselves in between. If the writer chooses traditional publishing, revenues come in the form of royalties and may vary according to the writer/publisher's bargaining power. In Portugal these are typically between 6-12% of the RRP (Planeta Tangerina 2018) (Eco Sapó 2017). Through self-publishing, revenues equate the RRP times quantity sold; if selling on retail, margins are typically applied over the RRP. As such, the ability to generate profits depends on the margins and cost structure that the writer is able to negotiate. Hybrid publishing options allow for higher royalties (at least 50% (IBPA 2018)); costs may be either fully covered by the publisher or split between both agents.

As a self-publisher, U.Dream's revenues equate the RRP times quantities sold (only direct sales). In regard to costs, it pays 3€ per printed book and 1500€ per edition for illustration (sunk cost). These are all the costs related to the initiative, holding there are no employees fully dedicated to it, that writers work pro-bono, that it does not pay IVA in light of its legal status (youth association), that it does not advertise and that customers bear distribution costs. Inventories are unknown, but if existent stored at the organisation's headquarters.

4.3 Target Customer

What are the potential customers' habits and behaviours?

A survey was conducted to understand the characteristics of individuals that maintain close relationships with children, as well as what they consider relevant and valuable in a children's book. The survey comprises three sections: Section 1 – Children's Book Market - Customer Demographics (to collect basic information about the people answering the survey and understand how representative it is of potential customers); Section 2 – Children's Book Market - Customer Preferences (to get insights on the potential customers' thoughts on children's books and their content, as well as on the importance of books in general and on the roles of schools); and Section 3 – Clarifying the Initiative - Customer Preferences (customers are asked about matters such as the price they would be willing to pay, content, language, distribution channels and advertisement). The full questionnaire can be found in [Appendix 21](#).

A summary of the responses from the first section of the questionnaire is provided in [Appendix 22](#). Despite the lack of male representation and non-Portuguese individuals, the last question indicates that there is a variety of adult-child relationships amongst the given answers, which will enable a holistic understanding of different types of customers' preferences.

In regard to the second section of the survey, it is evident that the overwhelming majority of respondents considered of very high (maximum) importance that children have exposure to books, both at school and at home, and that the latter explores social issues in class. As it is visible in the [Appendix 23](#) answers, it is also evident that, as the answers progress from very important to not important, the number of answers for each option decreases drastically. The second set of questions display a similar trend: the largest section of the inquired considered of very high (maximum) likelihood to engage in actions that encourage children to read and to choose education options that address social issues. Again, most answers are concentrated on the levels of likelihood 5, 4 and 3, and, as the answers progress from very likely to not likely, the number of inquired choosing each option decreases as well. There are not significant differences in responses across age groups, expect for the choice of school/day-care centre

(ATL), where the perceived importance of choosing an institution that explores social issues becomes less extreme as the age increases, especially for people above 55 years old. Nevertheless, both sets of questions reinforce that books have a central role in a child's life and that schools, books and education for social issues are intimately related and of high importance.

Continuing to the last section, an introduction to an initiative that resembles *Crescer com Consciência* is provided. Then, respondents were asked what price they would consider adequate for these books. Answers can be found in [Appendix 24](#). It is visible that 11-15€ range secures the largest share (44% of answers). However, opinions are quite varied and the price ranges of 5-10€ and 16-20€ are also significant, corresponding to 32% and 15% of answers, respectively. It is interesting to assess how the willingness to pay splits across age groups. By looking at [Appendix 25](#), it is observable that price sensitivity increases as age decreases, with the largest share of individuals aged between 18-25 reporting a willingness to pay of 5-10€ (43%). The majority of individuals aged between 26-44 years old report a willingness to pay of 11-15€. Interestingly, whereas individuals aged between 18-25 and 26-44 years old split the majority of their answers between the 5-10€ and 11-15€ ranges, older individuals (both the 45-54 and >55 ranges) record the majority of their answers between 11-15€ (preferred price) and 16-20€. Despite these preferences, the graph in [Appendix 26](#) suggests that the price is not the most important factor with no individuals above 26 reporting a very high likelihood of basing the purchase solely on it. Furthermore, the majority of individuals reports a likelihood of 4 or above to pay extra 5€ when purchasing a book thereby donating another to a child in need ([Appendix 27](#)). This applies to all age groups. Bookshops are the preferred channel for all age groups, followed by online platforms, except for individuals with 55 years old and above, whose second preference are supermarkets ([Appendix 28](#)). Gas stations, restaurants and coffee shops, and second hand are the least preferred channels for all age groups, reporting barely no answers.

For younger ages social media is, according to results ([Appendix 29](#)), the most appealing channel for book advertisement, followed by online advertisement (18-25; 26-44). As the age increases (45-54 range), results split between online advertisement (the preferred), social media and magazines/newspapers. The older range (>55), reports magazines/newspapers as the most appealing promotion channel for buying a book, followed by online advertisement and social media. Portuguese is the preferred language, which is not surprising since the overwhelming majority of answers come from Portuguese individuals. Finally, an interesting insight from the survey is that the majority of people (73%) would be more likely to purchase the books if they knew more about the company behind it (a likelihood of above 3), suggesting a positive impact of using this information in promotion ([Appendix 30](#)).

The third section, thus, indicates that the pricing that U.Dream has chosen for the books is adequate as well as the choice of advertisement, however, the channels in which the book is available are not the ones that potential customer find most appropriate.

Who are the current customers?

This analysis will be made considering aggregated sales between the end of 2019 (when the commercialization of the collection first began) and the beginning of 2022, as this was the information the organisation was able to provide. Regardless of this limitation, it is perceived has representative for analysis purposes, as the organisation followed the same strategy throughout the years. As stated in section 1, the organisation already sold 2185 books, out of which around 141 were sold in 2021. The low volume for 2021 might be explained by the fact efforts were mostly conducted upon launch and by having leveraged Covid to sell kits with the book (2019/2020). By looking at both GFK and Statista market estimates, it is hence concludable that U.Dream secured a market share of between 0,0006% and 0,0004% in 2021, relatively low. Currently, U.Dream's customers are divided into B2B and B2C.

Units sold to B2B customers were the primary source of sales, with 76% of units sold from 2019 to 2022. However, none of these came as a result of advertising, following from contacts that U.Dream's employees established directly with the companies (suggesting the purchase of the book/kit). Out of these 76%, 76% stem from Social Impact Campaigns, which are creative and dynamic personalized sales processes involving mainly the sale of kits including the books to corporates (Kits "*Correio da Esperança*"); these were then offered to kids in specific occasions (e.g., Christmas, Easter, Covid-19 isolations, etc.). The book is one item of the kit and is included at the standard price (10€). The remaining 24% were personalized sales made directly to corporate clients (traditional B2B) – for example Dst Group and Abaco, usually arranged by one of the founding partners. Due to the high level of personalization of the transaction, the price is highly variable. Nevertheless, most companies benefit from the discount price (7,5€ if companies acquire batches of 100 or more books).

B2C comprise the smallest group of customers, having purchased 11% of the total units sold between 2019 and 2022. These were mainly U.Dream alumni and families of helped children and usually purchase at the campaign price (15€ to purchase the book and donate another to a child in need). Virtually none of the B2C customers stem from an adequate advertising campaign. These clients either purchase online or through direct contact with the organisation (in the headquarters or at social initiatives).

Due to its sizeable share (14% of units sold), it is also important to consider the special case in which U.Dream donates its own books. This is typically done in social actions. Essentially, U.Dream self-purchases its books at the standard price through prizes/applications won (such as IPDJ), further donating these to students, young people, children and educators (e.g. in bootcamps, corporate events).

In order to understand the contribution to overall revenues of each customer group, assumptions were applied where prices are unknown. Knowing that books sold through kits are

priced at 10€ per unit and that U.Dream self-purchases at that same price, and assuming all traditional B2B clients purchase at 7,5€ (the typical case, although the price is negotiable) and that 75% of B2C sales were made at the campaign price (15€) and the remaining at the standard price (10€), it is easy to observe that B2B customers are the largest contributors to overall revenues (71%). B2C sales represent 15% of revenues. A summary of calculations can be found in [Appendix 31](#) and [Appendix 32](#).

Did the company conduct a Segmentation and Targeting analysis?

From meetings with U.Dream's management team, it became clear that the commercialization of the books thus far has been an experience managed daily, without a specific guiding strategy. Diogo Cruz and Diogo Mendes (2022) pointed that one of the aims of the engagement with Nova SBE is precisely to investigate the best way to structure a formal plan of action based on industry data and that aligns with the organisation's mission. Therefore, the organisation did not perform a clear and formal analysis to base its positioning on and no comprehensive segmentation nor targeting were conducted. Nevertheless, and given the decisions that U.Dream has made so far, it is possible to identify some rationale behind them, structuring what resembles the current implicit STP.

Regarding segmentation, as stated, the company did not extensively analyse how the market is divided/which division is most relevant for the commercialization of children books. Nonetheless, to make decisions, some divisions between customers must have been unconsciously identified. These are set to be "Global *versus* Local" and "B2B *versus* B2C" ([Appendix 33](#)).

With that in mind, targeting was mainly driven by an assessment of what were U.Dream's main capabilities. The aim was to select the customer groups that best suited the current state of the organisation, targeting short term goals. The choices can be summarized on the focus on the Portuguese market and B2B segment.

The focus on the Portuguese market is supported by the increased complexity of selling abroad, in particular due to cultural and language barriers. Furthermore, the focus on B2B customers was motivated by the perceived increased difficulty of competing against established writers on the B2C segment (Cruz e Mendes 2022). Additionally, in the f2f meeting, U.Dream's management team revealed insecurities about competing with "lighter-themed" books, namely those from Disney (Cruz e Mendes 2022). This suggests the organisation perceives challenges in communicating the reasoning behind the initiative to B2C customers. U.Dream typically focuses on companies settled near Oporto, where its headquarters are located. This is motivated by the added simplicity in processes, location advantages (such as the established brand name in the northern region) and U.Dream's already acquired relationships with relevant companies, with whom they are able to communicate and express the relevance and goal of the sale of the books.

4.4 Current Strategy

This sub-section continues with the analysis of U.Dream's current strategy. Having analysed the current customers, the positioning is now the main focus. The 7Ps framework will be used to structure the current procedures and strategies being followed.

What brand positioning is the company aiming to achieve?

The books included in the *Crescer com Consciência* aim to achieve a functional positioning as well as an experiential one. They solve the problem of addressing social issues with children in a relaxed and fun way, which may be hard for parents and educators. At the same time, it enables the establishment of an emotional connection through the sharing of reflections between the child and the adult (family member, educator, etc.). Both these aims are aligned with the organisation's mission of building social leaders from a young age. To deepen the understanding of the positioning, the 7Ps will be outlined.

The *product* is a collection of three high quality hard cover children's books, with colourful illustrations and around 30 pages ([Appendix 34](#)). The books are accompanied by two guiding manuals available online (1 with activities, for the children and 1 with learnings, for the educator), with questions and activities for child reflection ([Appendix 35](#)). They are not only used for entertainment but also for reflection and self-development and were projected to be experienced by a child and an adult together. Books are supported by videos regarding the true story that inspired them, hence classifying as an augmented product.

Regarding *place*, U.Dream does not explore traditional routes such as bookshops (the preferred channel according to the survey) or super/hypermarkets. Instead, it conducts personalized sale processes, especially with corporates. Thus, online purchases through the organisation's website and direct contact between customers, either through phone, e-mail or physical visit to the headquarters are the year round the options available to acquire the books.

In terms of *price*, the organisation did not follow any traditional pricing strategy (for example value-based pricing, penetration pricing, etc.). The aim has always been to accommodate the willingness and ability to pay of the different potential buyers it negotiates with. Currently, there are three price points (7,5€ - quantity discount price, 10€ standard price, and 15€ - campaign price (with the purchase of one book, other one is donated to a child in need)). However, especially when selling to B2B customers, these price points serve as mere guidelines, as each sale process is slightly flexible.

In regard to *promotion*, U.Dream is heavily dependent on reputation and word of mouth. The organisation has an established prestige in the north of Portugal, easily connecting with big companies located in and around Oporto. The two main forms it follows to promote its products are personal selling, through calling executives of companies with whom it already has a relationship (B2B) and earned media, asking friends to recommend its products and services (B2C). U.Dream counts with 8081 followers on Instagram and 39000 followers on Facebook

and the organisation has paid for occasional advertisements on social media (Cruz 2022). It has already made publications about the books; however, these were few, specially over the past year (1 on Instagram). Additionally, it once communicated the collection on RTP1 and Rádio Renascença. The sporadic, non-consistent approach followed to promote the collection stems from the lack of a concrete marketing strategy.

For *physical evidence*, the branding of the collection is not formally defined. Nevertheless, U.Dream already pitched the initiative on traditional communication channels (television – RTP1 and radio – Rádio Renascença), punctually posted about it on social media, and explores it on its website, where it is also possible to make a purchase. It also pitches it on some of its other initiatives (U.Purpose or U.Community activities). Additionally, the guiding manuals support the collection's existence, as well as children's true stories behind the books, made available online through videos to encourage the connection of the fictional and non-fictional story.

In terms of *process*, the organisation aims for the books to be experienced by the child and the adult (family member, educator, etc.) together. It involves more than passive reading, as the idea is to engage, discuss, reflect, and learn, developing skills that are essential to future social leaders. However, U.Dream's focus remained on the final part of the customer journey and the post-purchase process. The full customer experience and the buying process as part of the customer journey map was not formally outlined by the organisation.

In regard to the *people*, in total, it counts with 2 people in-house (the founders and CEO and CMO), 2 external people (writer and illustrator), 1 external organisation (printing company), and with the services arranged by the Social Leapfrog Program to plan, produce and commercialize the initiative.

What are the key takeaways?

- The supply chain includes 9 players that interact in the following order: Author, Editor, Illustrator/Designer, Marketing and Sales Specialists, Proof-reader, Printers, Wholesalers and Distributors, Retailers and end customer.
- To move their manuscript along the supply chain, authors can choose Traditional Publishing, Hybrid Publishing, and Self-Publishing, where the most common route is to interact with a publisher. As a self-publisher, U.Dream competes in a market dominated by authors who follow a completely different business model. Thus, indirectly, U.Dream ends up competing with publishers instead of other authors.
- *Crescer com Consciência* is a collection of three children's books inspired by U.Dream's social action. Having this inspiration makes the collection's development process more extensive than that of a traditional author. However, it can reveal to be a distinguishing factor relative to competitors.
- The Portuguese book market (located at the end of the supply chain), although relatively large in size, is considered mature and stagnant. Thus, if U.Dream wants to grow, it will not be able to attract new consumers to the market, nor will it be able to raise or lower the prices significantly (as they are relatively constant). Instead, it will have to capture market share from competitors.
- The fact that the Brazilian market is more attractive than the Portuguese one and very similar culturally and linguistically suggests that U.Dream must be aware of foreign competitors, but, at the same time, has a close market to which it can expand when its focus is on growing past national borders (further down the line).
- The point of market entry and exit are separated by around 9 years, which is relatively little. To tackle the inherent constraints, U.Dream should bear in mind that it will always have to focus on attracting new customers to replace those lost.

- The traditional definition of the book market does not include B2B customers, so the fact that U.Dream focuses on those displays a misconception of the market and further limits the access of the products to those who would most benefit from it.
- Moreover, the conducted survey's results, despite of its limitations, contrast with the organisation's pricing, channel selection and advertising choices, suggesting strategic choices that do not reflect customer's preferences.
- Not conducting an STP analysis results in a choice of customers that is not aligned with the market mix put in practice. This mismatch means that a solid and valid positioning is not being recognized by the majority of customers, thus identifying communication as the greatest challenge to overcome.

5. Strategy redefinition for *Crescer com Consciência* through a new approach to the marketplace, and practical roadmap for the future

| Section and Research Questions | Methodology |
|--|--|
| <u>5. - Key question</u> What are the strategic revisions that allow <i>Crescer com Consciência</i> to establish a successful positioning? | |
| <u>5.1 - Recommended Route</u> What is the most suitable publishing path for U.Dream? | <i>Industry analysis</i> |
| <u>5.2 - Marketing Strategy: Segmentation, Targeting & Positioning</u> What is the recommended marketing strategy? <ul style="list-style-type: none"> • How can the potential customers be Segmented? • What segments should U.Dream Target and why? • Does the value proposition align with the potential customer's profile? • How to strongly communicate the brand's value? Defining the positioning | <i>Value proposition canvas (Osterwalder & Pigneur, 2010), Brand Laddering (Keller, Strategic Brand Management: Building, Measuring, and Managing Brand Equity 2013), Segmentation matrix (P. Kotler 1994), STP model (P. Kotler 1984), Targeting (Kotler, 1994)</i> |
| <u>5.3 - Marketing Mix</u> What are the recommendations on the 7Ps? | <i>Extended marketing mix (Booms & Bitner, 1982), 6M Model (Avery e Teixeira 2016). Customer journey map (McKinsey, 2009)</i> |
| <u>5.4 – Conclusion and next steps</u> <ul style="list-style-type: none"> • What are the key takeaways? | <i>Implementation map (Nutt, 1986)</i> |

This section begins with an assessment of a key strategic decision: whether U.Dream should continue operating as a self-publisher or contact a publishing house. That is followed by the definition of a marketing plan for the initiative, where the Segmentation, Targeting and Positioning analysis will be performed. Subsequently, a value proposition that caters to the target customer will be outlined. This, along with the brand positioning, will serve as the baseline to elaborate an adequate marketing mix, thereby revising the current one. The methodology used comprises research and an analysis of the outcomes of the previous section through the STP, value proposition canvas, brand laddering and 7Ps' frameworks.

6. An analysis on the financial impacts of commercializing U.Purpose and *Crescer com*

Consciência and project wrap-up

Over the previous sections, the focus was on identifying gaps in the current commercialization strategies of U.Purpose and *Crescer com Consciência*, developing actionable go to market strategies that will allow U.Dream to position itself successfully in both markets. Holding the organisation's end goal with the commercialization of this service and product – creating revenue streams that ensure long-term financial stability, while contributing to its social mission – it is of high relevance to assess the financial impacts that the proposed strategies have on baseline profits. Further, the key conclusions and implications of the overall project will be outlined. This will be done through answering the following research questions:

| Section and Questions | Methodology |
|--|--|
| <u>6 - Key Question</u> What is the incremental impact on profitability from pitching U.Purpose and <i>Crescer com Consciência</i> to market? | |
| <u>6.1 – U.Purpose</u> What is the financial impact of commercializing U.Purpose? <ul style="list-style-type: none"> • What is the cost structure embedded in the strategic recommendations? • What is the aggregate cost analysis? • What is the break-even point and implied market share? • How can the price point be adjusted within the proposed range? • What are the maximum revenues and profits that U.Purpose can capture? Based on scenarios, what is the estimated profit? | <i>Bottom-up analysis</i> <i>Break-even analysis</i> <i>Scenario Analysis</i> <i>Sensitivity analysis</i> <i>Internal documents</i> <i>P&L forecast</i> |
| <u>6.2 – <i>Crescer com Consciência</i></u> What is the financial impact of commercializing <i>Crescer com Consciência</i>? <ul style="list-style-type: none"> • How does each marketing mix recommendation impact profitability? • What is the overall impact in profitability? • What is the break-even and implied market share? | <i>Bottom-up analysis</i> <i>Scenario Analysis</i> <i>Break-even analysis</i> |
| <u>6.3 – Overall Impact and Key Take-Aways</u> How do the defined go to market strategies impact the organisation's profitability? | <i>P&L analysis</i> |
| <u>6.4 – Project Wrap-up</u> <ul style="list-style-type: none"> • Considering U.Dream as a whole, what is in and out of scope in this project? What does it reveal regarding areas of concern and opportunities? • What are the main conclusions and limitations to the analysis? | |

6.4. Project Wrap-Up

Considering U.Dream as a whole, what is in and out of scope in this project? What does it reveal regarding areas of concern and opportunities?

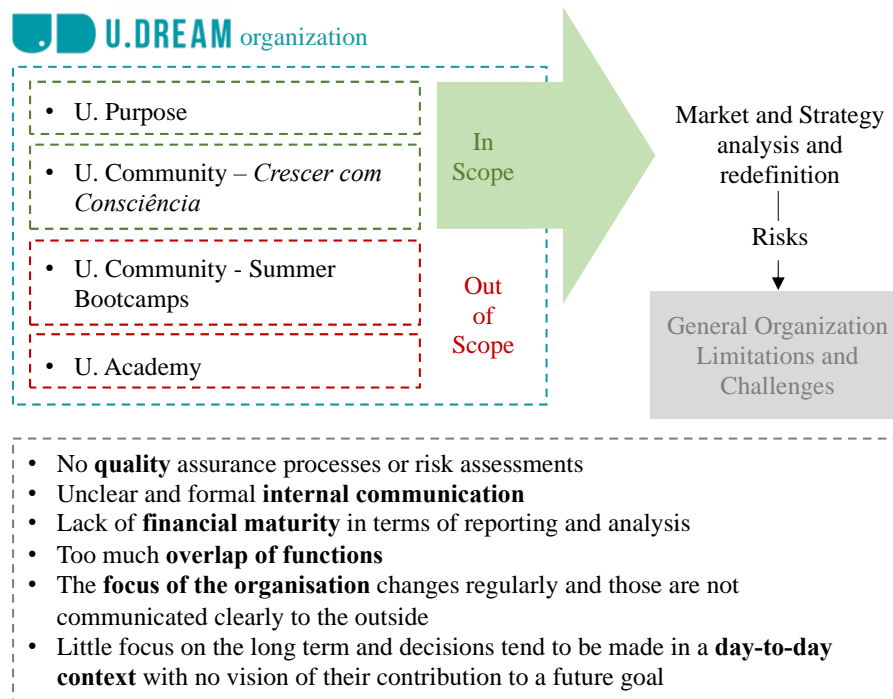


Figure 6: Summary of Thesis Scope and Limitations

- The project centered on the analysis of U.Purpose and *Crescer com Consciência* (initiative within U.Community). It excludes U.Academy, U.Dream's core business unit and key contributor to organic revenues. An analysis of U.Academy's current strategy might reveal opportunities that unlock financial and social value creation.
- While a general analysis of the organisation was performed under section 1, it was not the focus of the project. Nevertheless, it revealed aspects, on an organisational level, that may hinder the success of the go to market strategies. The key areas of concern are operations, where efficiency is low in light of a lack of standardized internal and external procedures, finance, where the lack of financial analysis hides risks and opportunities, and strategy, where the lack of clear long-term goals leads the team to lose its focus in regard to tasks prioritization and resource allocation on a daily basis.
- U.Dream must prioritize a deeper analysis on this level and revision.

What are the main conclusions?

Is there an opportunity for U.Dream in the children's book and CSR markets?

Yes.

Both *Crescer com Consciência* and U.Purpose are distinctive, quality offerings, that cater to attractive segment's needs. Whereas the CSR market is in an early stage, and therefore growing and with few competitors, the book market is mature, stagnated and highly competitive. As a consulting service, and therefore value-based offering, U.Purpose displays the highest potential to drive revenue and profit growth, sustaining the organisation in the future. Nevertheless, when ramped-up, *Crescer com Consciência* is expected to promise a steady revenue stream, allowing for diversification benefits.

In detail

1. What is U.Dream's current setting as it goes to market with U.Purpose and Crescer com Consciência?

- U.Dream is a social enterprise that focuses on developing social leadership skills. It is seeking business opportunities that allow it to deliver its social mission while ensuring future financial sustainability. With that purpose, it recently launched a collection of children's books – *Crescer com Consciência* – and a CSR consulting service for corporates – U.Purpose. However, this was done without a market assessment and clear strategy.

U.Dream's recent restructuring and healthy financial position place it well to succeed with the go to market strategies. The financial analysis reveals the need to do so. The P&L indicates high dependency on public funds – 61% of revenues sources – as well as a heavy fixed costs structure – 61% of costs are personnel expenses, and 84% of organic revenues concentrated in one business unit, suggesting potential diversification benefits from entering new markets. While the management team is driven and enthusiastic, the

organisational analysis revealed a lack of structure and long-term planning, with no clear and objective targets, strategic analysis and delivery and financial reporting procedures. Revising these is key to succeed in the CSR and children's book markets.

2. What is the current market landscape for U.Purpose?

- U.Purpose is a B2B business unit of U.Dream that offers Corporate Social Responsibility (CSR) consulting services to corporates. It has three packages of services that address different consumer needs in terms of price and time of the projects. When analysing the current market situation of U.Purpose it was found that the business unit has few direct competitors (Grace, Stravillia, Sair Da Casca and Impact team) a sizeable revenue pool (€139 million), a high threat of new entrants yet a moderate substitute product threat. Therefore, market conditions are extremely favourable to U.Purpose. Furthermore, the way U.Purpose differentiates itself is also extremely favourable due to the unique structure of the service provided (client volunteering, dreams realization, sense of community, lasting impact, wellbeing of client employees, mantra, and variety of packages). When looking at the "as-is" of the business unit however some questions were raised. Since it is still in a "pilot" phase, there is no systemized approach to dealing with customers or promotion activities. Furthermore, considerable issues surfaced in the gap analysis with regard to: logistics, location, prioritization, competitor price points, competitors processes, marketing strategy and customer acquisition. This chapter demonstrated the current limitations the business unit has in terms of operational/commercial issues and demonstrates the need for further research to be done on the above before U.Dream can successfully launch itself to market.

3. How can U.Dream successfully launch U.Purpose to market?

- U.Purpose's key value proposition gives the brand a competitive edge in the market however within its current state of affairs, the business unit faces significant constraints

that could hinder potential growth. Given that the brand is still in a pilot stage and has not yet officially launched to market, marketing is of utmost importance. The brand needs to leverage on both traditional and digital marketing practices to drive customer awareness and cater the message according to the cluster targeted. Furthermore, U.Purpose's pricing strategy must reflect current market demands. Lastly, the sub-brand needs to focus on the fundamental elements such as marketing, human resources, finance, and strategy to become the successful business unit U.Dream wants it to be.

4. What are the characteristics of the children's book industry and market and how is Crescer com Consciência positioned in the competitive landscape?

- The market and the book industry analysis indicates that the business model that U.Dream has chosen is the extreme opposite of what is the predominant choice. Thus, while U.Dream is responsible for all steps, from book development, to production and marketing, most of its competitors rely on publishers who work with the best professionals in each step. Furthermore, the Portuguese book market is considered mature and stable, with no significant variability in prices. These two facts stress the relevance of developing a strategy oriented towards competing with these professionals, leaving behind an ad-hoc methodology. This is reinforced by the fact that the way to grow will be to capture competitors' market share and/or (in a future phase) expand to other geographies. The organisation has already achieved differentiating and unique conditions in terms of production costs; however, it still needs to professionalize a strategy for the final part of the supply chain.

5. What are the strategic revisions that allow Crescer com Consciência to establish a successful positioning?

- Since B2B customers are not part of the traditional definition of the book market, an STP analysis was conducted to get a clearer picture of the type of customer to target.

The result was three different segments with similar characteristics: civic/social awareness, empathy, and alert. This reinforces U.Dream's responsibility to live up to its promises in terms of social action but, at the same time, represent a group of potentially loyal and activist consumers (earned media). The fact that U.Dream has not fully understood its market and has not developed a concrete strategy, explains the need to develop one that addresses the organisation's key challenge: communication. Therefore, most of the recommended 7Ps are oriented to support an integrated and cohesive promotion strategy such that potential customers understand the value proposition of the offer.

6. What is the incremental impact on profitability from pitching U.Purpose and Crescer com Consciência to market?

- U.Purpose and *Crescer com Consciência* are estimated to add at least €46 789 and at most €108 809 in profits until the end of FY2023, that add to €23 695 in Net Income in 2021. The values are promising, backed by U.Purpose's financial projection until 2026 and expectation that in 2024 U.Dream will already have been able to sell *Crescer com Consciência* in key retailers. However, it reveals some risks: U.Purpose's success is conditional to hiring and retaining talent, and of *Crescer com Consciência* to secure partnerships that allow it to compete with big publishers.

What are the main limitations to the analysis?

Some limitations are expressed in the disclaimer, namely lack of financial information per business unit and internal documents on the initiatives/overall organisation, and lack of availability to respond to data requests. Additionally, the CSR survey conducted presents a time-accuracy trade-off, where a larger sample could allow for more accurate conclusions. Further research can still be done to increase the accuracy in financial projections, namely integrating historical financial information and the impact of financing decisions.

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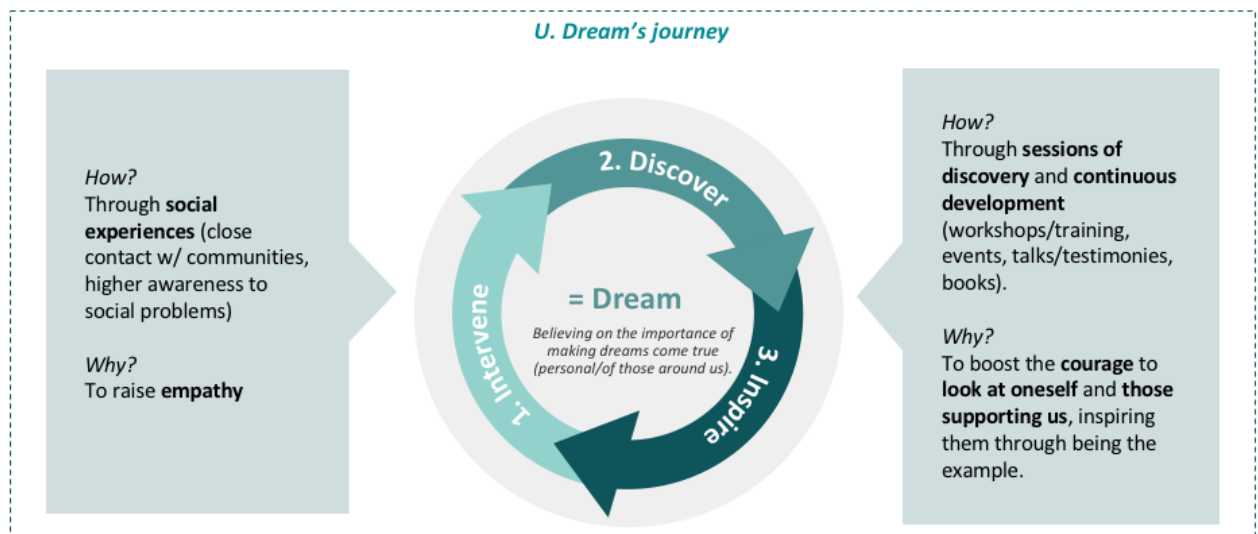
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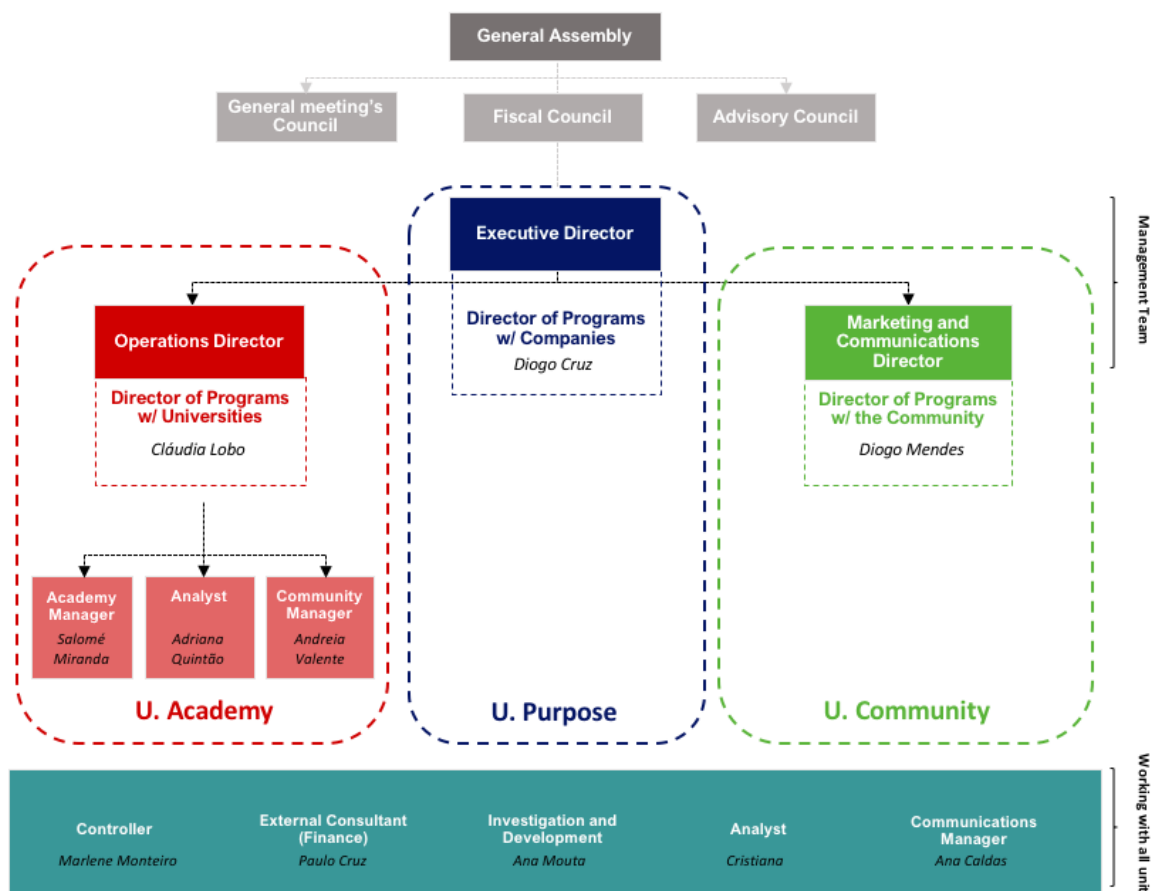
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Appendix

Appendix 1: U.Dream's journey



Appendix 2: Organogram



Appendix 3: Diagnostic Tool for Social Enterprises

| Score | Rating | Explanation |
|-------|---------------------------|---|
| 1 | Statement is False | There are no processes, policies, actions or documents in place |
| 2 | Statement is Partly False | The organisation is able to reference some of the documents, policies or procedures, but there is no evidence of these being embedded or implemented in practice. |
| 3 | Statement is Neutral | The organisation has the policies, procedures and documents in place, and can reference them, but the evidence of them being embedded and live is weak. |
| 4 | Statement is Partly True | The organisation has relevant policies and knowledge, but there is room for improvement in terms of embedding and using the processes or undertaking the actions. |
| 5 | Statement is True | Processes and policies are practiced and embedded in the organisation and continuous improvements to them are made. |

| | Score | Weight | Comment | Adviser's Notes |
|--|-------|--------|--|--|
| 1. Strategy | | | | |
| Section Goal: To explore the direction and strategic planning of the organisation, ownership of the strategy and alignment of new ideas with the overall direction. | | | | |
| The organisation has a strategy that defines its vision, mission and objectives. | 2 | 20% | The organisation recently shifted its vision, mission and objectives. Currently, documents regarding this shift are still being developed as the organisation tailors its new vision and mission to daily activities and works with external consultants. There is no scope definition of the organisation over the long-term. | Strategy is the direction and scope of an organisation over the long-term, setting out its aspirations and goals to meet the needs of the market and to fulfil stakeholder expectations, as well as taking into consideration the operating environment and resources available. A strategy can be a short document. |
| Where a strategy exists, it has been developed in collaboration with key stakeholders, and takes into account the organisation's strengths, weaknesses, opportunities and threats. | 3 | 20% | Strategies are developed considering, but not necessarily in collaboration with key stakeholders. The organisation uses the SWOT analysis punctually for internal purposes. However, it is not commonly used when developing strategies for new projects. | With the goal of creation of win win relationships with the involved parts. |
| There is a 3- 5 year business plan in place that is directly related to the organisation's strategy and identifies the activities to be undertaken to achieve the objectives. | 1 | 20% | The organisation currently manages its strategy ongoing. There is no definition of activities nor objectives for the time frame of 3 to 5 years. | A business plan is the working tool to turn the strategy into reality. It is a written management document which is used to develop, grow and manage a business. The business plan is aligned to the strategy and sets out the key operational issues and activities. |

| | | | | |
|--|-------------------|--------------------|---|--|
| <p>A person or team has been appointed to take responsibility for developing, monitoring and reviewing the business plan on at least a yearly basis.</p> | <p>1</p> | <p>20%</p> | <p>Over previous years, the organisation used frameworks such as a Balance Scorecard to review its business plan on a regular basis. Currently, it considers that reviewing its business plan adequately, deeply and regularly is too time consuming. Therefore, formally, there are no procedures for business plan revisioning on a yearly basis.</p> | |
| <p>New business development or project ideas are assessed against the overall strategy and the organisation's objectives. The project ideas are prioritized according to their impact on the overall organisation.</p> | <p>5</p> | <p>20%</p> | <p>Although a long-term strategy currently lacks and the overall strategy is being redefined, U.Dream follows a 3 step methodology to prioritize business development/new projects and ideas: alignment with the mission, generation of social impact vs. impact on the overall organisation and achieving financial sustainability.</p> | <p>Business development refers to activities which an organisation undertakes related to trading, sales or products, to grow the existing customer base and find new markets. This would include new contract and commissioning opportunities.</p> |
| <p>Avg. Weighted Score</p> | <p>2,4</p> | <p>100%</p> | | |

| | Score | Weight | Comment | Adviser's Notes |
|---|-------|--------|---|---|
| 2. Governance | | | | |
| Section Goal: To explore the direction and strategic planning of the organisation, ownership of the strategy and alignment of new ideas with the overall direction. | | | | |
| The organisation has an appropriate legal structure in place for its activities, and relevant legal documentation. | 5 | 15% | U.Dream is a non-profit youth association with public utility. This legal structure allows it to commercialize its activities (Books, U.Purpose, U.Academy) and access public funding. It has the relevant legal documentation. | It will be important to jointly explore with the organisation whether they have chosen an appropriate structure (e.g. Charity, IPS, CLG, CLS, LLP, CIC, other). If they are unincorporated explore with them if this is still appropriate to them, based on their income, scope of activities and risk. |
| A Board of at least 3 people has been appointed to guide the direction of the organisation. The Board meets on a regular basis (at least once every 6 months) to discuss the organisation's progress and strategic direction. | 2 | 20% | U.Dream has a Director's Council (9 people), a General Meeting's Council (3 people), a Fiscal Council (3 people), and an Advisory Council (3 people). However, none of these councils meet with each other or internally. The majority of the meetings that focus on the organisation's progress and strategic direction are held either by the management team (most common) or by the management team with external consultants and the advisory council. | Rules vary depending on the legal structure of the organisation as to the ideal number of board members, but a board of 3 people is recommended, to present a third voice in the event of disputes in decision making. |
| The Board meets with or receives regular updates from the Management Team of the organisation to ensure that it is aware of any operational and financial issues that could impact on the direction of the organisation. | 3 | 15% | The Director's Council meets with the management team in regard to operational and financial issues. However, this is not done regularly. | |

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| Board members are recruited based on their relevant expertise, influence and knowledge. The organisation provides capacity building for Board members. | 1 | 15% | The statement applies to the management team. The Board was set based on knowledge of the organisation and availability/willingness to be part of it. | Capacity building and training of board members is important, enabling them to give guidance and effective direction to the organisation. |
| An organisational chart is in place with clear lines of accountability and authority. | 5 | 15% | U.Dream as an organogram specifying lines of authority and accountability. It does not include the board (governing bodies), however these are present in the annual reports. | |
| The organisation has undertaken a stakeholder analysis to understand which parties have particular interest in it and influence over it. | 4 | 10% | The organisation understands who are its direct and indirect beneficiaries and stakeholders in general. Data in this sense could be more structured. | A stakeholder is a person, group, organisation, or system who affects or can be affected by an organisation's activities. |
| The organisation has established feedback mechanisms to ensure it is meeting the needs of key stakeholders. | 5 | 10% | All projects (except for <i>Crescer com Consciência</i>) have impact measurement, where participants/stakeholders fill an evaluation form at the beginning and end of the program and have the opportunity to provide feedback. | This could include consultations and evaluations completed by key stakeholders, via group meetings, virtual questionnaires or evaluation forms. |
| Avg. Weighted Score | 3,4 | 100% | | |

| | Score | Weight | Comment | Adviser's Notes |
|---|---|--------|---|---|
| 3. Customers & Users | | | | |
| Section Goal: | To explore the strength of the market, and the organisation's understanding and ability to meet the needs. | | | NB: majority of the times who's paying for the services/products is not the user |
| The organisation knows who its key customers are and has undertaken research to understand what customers want and how much they are willing to pay for products or services. | 1 | 20% | U.Dream researched potential customers for its for-profit goods and services (educational programs, corporate programs and books). However, this research is broad and not implemented in practice. A clear and detailed market research has not been done. Prices were set in line of what few competitors practice and willingness to pay of few customers and are often adapted in different situations. | Customers are those who pay for goods and services. Users are those using and benefiting from the services provided. Market research selects a sample of potential customers who do not yet buy the product or service and assesses what they are willing to pay and how often. |
| FThere is sufficient demand for the goods and services to make an economic case to stay in the market. | 1 | 30% | U.Dream is currently financing 70% of its costs through social funds. For such a reason, it is practicing cheaper prices. The organisation has not undertaken an analysis to understand the viability of its products or services, i.e. products and services may be viable but documentation, analysis and procedures lack. | There are enough customers interested and willing to buy the services and goods. |
| The organisation understands the needs of its service users / beneficiaries and has developed its activities to meet those needs. | 4 | 20% | U.Dream identifies a need for social leadership skills development in overall communities. It further tailors its products and services to the direct beneficiaries it aims to target. However, a target customer assessment would be beneficial to improve product and service offerings. | |

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| <p>Feedback from customers and service users is collected on a systematic basis and taken into consideration to improve the services and products supplied.</p> | <p>3</p> | <p>15%</p> | <p>Feedback from programs and projects is always collected. However, it is more focused on assessing impact. Nevertheless, when applicable it is taken into consideration for improvements. <i>Crescer com Consicência</i> currently do not have feedback mechanisms.</p> | <p>Ideally the organisation should be collecting a mixture of qualitative and quantitative data (eg are they satisfied with the services and products; are the prices relevant; how many people are utilising the services?) An organisation may be undertaking evaluations, surveys or questionnaires, so explore how and when these are undertaken and how they analyse the information they are collecting.</p> |
| <p>Customer and user satisfaction levels are good, and the organisation has a high success rate of repeat customer use.</p> | <p>1</p> | <p>15%</p> | <p>Repeat customer use does not apply to U.Purpose right now, as the goal is for the organisation to be involved within the time period of programs but afterwards continue developing by itself. Furthermore, as the organisation recently restructured and changed its core focus, the educational programs only began being commercialized now (first round, no repeat customer use yet), as well as U.Purpose. The organisation does not measure repeat customer use/buy for books.</p> | <p>In the case of socially focused businesses an organisation providing services for people with mental illness could measure satisfaction where a PCT continues to commission their services.</p> |
| <p>Avg. Weighted Score</p> | <p>1,9</p> | <p>100%</p> | | |

| | Score | Weight | Comment | Adviser's Notes |
|---|---|--------|--|---|
| 4. Social/Environmental Value | | | | |
| Section Goal: | To explore the wider positive social impact the organisation is contributing to, methods of measuring its outcomes and how it is demonstrating its value as an organisation. | | | Does the project have a clear value proposition? |
| The organisation understands the outcomes of its activities and the wider impact it seeks to achieve. | 4 | 20% | Although the organisation understands the outcome of its activities and wider impact it seeks to achieve, it does not have specific impact targets. | Outputs are the direct and tangible result of the activities the organisation undertakes. Outcomes are the benefit or change that results from the organisation's outputs. Impact is the overall difference made by your organisation or project by achieving the outcomes. |
| The organisation is aware of social impact assessment and the tools available to measure the outcomes and impacts of its activities. It has chosen an appropriate tool to prove its social value. | 5 | 20% | Yes, namely number of beneficiaries, measuring number of hours of volunteering, NPS and frameworks provided by the EU. | There is a raft of tools available for organisations to measure their outcomes and impact. Organisations may be aware of some or all of the following: Social Return on Investment (SROI), SIMPLE, Social Accounting, The Big Picture, Outcomes Star. There are also referral mechanisms that organisations could be made aware of to help them in selecting a tool (e.g. Prove and Improve and OASES). |
| The organisation has established a process and systems for measuring the outcomes of its activities and has allocated resources to implement them. | 5 | 20% | All projects have impact measurement and established processes and systems to assess activities' outcomes. Time and people are allocated to this task. | If a tool has been chosen and is being used, the organisation should have related systems and processes in place to measure the outcomes of its activities, to ensure effective implementation of the tool. The organisation will also need to have allocated resources (time, people and money) to implement the tool and measure their outcomes. |

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| Measuring the outcomes of the organisation is embedded into the operations of the organisation and is endorsed by the Management Team. | 5 | 20% | | In order for an organisation to effectively measure its outcomes it needs to ensure that it has set clear targets or indicators, and staff are collecting data in relation to its activities (e.g. collection of data using databases or spreadsheets). The manager and their team need to understand the value and need to collect such data and encourage staff to implement the established systems. |
| The organisation uses data from outcomes and impact assessment in marketing materials, funding bids, board reports and other organisational documents, to clearly articulate and demonstrate the social value of the organisation. | 5 | 20% | | Evidence of data being effectively used will be from annual reports and other communication documents, which demonstrate the change achieved for beneficiaries. |
| Avg. Weighted Score | 4,8 | 100% | | |

| | Score | Weight | Comment | Adviser's Notes |
|---|-------|--------|--|---|
| 5. Operations | | | | |
| Section Goal: To explore how the operations are undertaken, and what data and systems are in place to support the operations, and how the organisation considers risks or threats to its longer-term survival. | | | | |
| The organisation plans its activities and resources to achieve operational efficiency. | 3 | 20% | The organisation has a workload that is too high when compared to the current number of employees. Activity planning and resource allocation is therefore not always structured and operational efficiency is compromised. | Operational efficiency refers to the right combination of people, process and technology coming together to enhance the productivity and value of any business operation, while driving down the cost of routine operations to a desired level and avoiding duplication. This requires day-to-day management of operations. |
| Project and contract delivery are monitored to ensure resources are correctly allocated and spent and deliverables are achieved. | 5 | 20% | Yes, to the extent that social funds have specific requirements and audit project and contract delivery and resource allocation. | Is it possible to reduce the cost of the operation? How? What are the KSF that guaranty the quality of the operation? Possible bottlenecks? |
| Useful data is collected by the organisation and managed according to appropriate requirements and the Data Protection Act. | 3 | 15% | Not everything is done in accordance to the data protection rules. | Useful data could include output data for funders, beneficiary information, times sheets and financial data. Data collected has to be managed, stored and disseminated in compliance with the data protection act. |
| Data collected is analysed and shared with the Management Team and the Board, for strategic decision-making, reporting and marketing. | 3 | 15% | When data is collected, it is shared with the management team. It is shared with the board if relevant for decision-making. | |

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| <p>The organisation has undertaken an analysis of risks and has put in place strategies to deal with those which could have a significant negative effect on the organisation.</p> | <p>1</p> | <p>15%</p> | <p>No risk analysis is performed.</p> | <p>A risk is the threat that an event will adversely affect an organisation's ability to achieve its objectives. You want to find out if the organisation has considered risks related to its finances, staff, assets, reputation and operations. Have they factored in contingency plans in their business plan? For example: what will happen if customer invoices are not paid on time; what if grant funding is cut or reduced; what if key staff leave or have to be made redundant; do they have insurance or liability cover in place?</p> |
| <p>The organisation has quality assurance procedures in place that help the organisation to improve its operational effectiveness.</p> | <p>1</p> | <p>15%</p> | <p>No quality assurance procedures are in place.</p> | <p>These could be internal processes such as clearly documented processes and peer review or externally accredited processes which are methods for ensuring that the organisation is delivering good quality products and services. Externally accredited quality standards could include PQASSO and ISO, but these are not essential and are dependent on which sector the organisation is in.</p> |
| <p>Avg. Weighted Score</p> | <p>2,8</p> | <p>100%</p> | | |

| | Score | Weight | Comment | Adviser's Notes |
|--|-------|--------|--|-----------------|
| 6. Systems, Data & Processes | | | | |
| Section Goal: To explore the systems and processes in place to support and enhance the organisation's operations and allow efficient and effective working. | | | | |
| The organisation has Information Communication Technology (ICT) systems in place that meet their needs, are reliable and fit for purpose. | 4 | 20% | The organisation is working with Kaizen Institute to improve internal processes. It is currently implementing an analytical accounting system. Improvements can be made specially regarding managing financial data (e.g. the organisation does not know how much revenues were generated nor how much costs have been incurred per product or business unit. There is also a lack of analysis). | |
| There is suitable and easily accessible ICT support in place (in-house or externally) to manage the system. | 2 | 15% | No specific procedure for accessing ICT support. A professional is hired externally in case of need. | |
| All users of ICT in the organisation are trained and able to use the equipment and software in line with their role and responsibilities. | 5 | 20% | | |
| An IT back-up procedure is undertaken on a regular basis and contingency plans are in place, should the system fail. | 1 | 15% | Back-up procedures are done on drobox for long-term information. There aren't necessarily back-up procedures covering all of the information. There isn't a contingency plan. | |

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| The organisation has administrative procedures and filing systems (paper or on-line) in place, and proportionate staff time is designated to undertake this work | 3 | 15% | Not everything is done in accordance to the data protection rules. | Data collected has to be managed, stored and disseminated in compliance with the Data Protection Act. |
| All staff understand what is required of them in terms of systems, processes and data management. | 2 | 15% | Not necessarily. No communication of procedures. | |
| Avg. Weighted Score | 3 | 100% | | |

| | Score | Weight | Comment | Adviser's Notes |
|---|-------|--------|--|--|
| 7. Finances | | | | |
| Section Goal: To explore the financial management procedures in place, the organisations attitude to managing risk, and their overall financial stability. | | | | |
| The organisation has a designated person responsible for strategic and operational financial matters. This person is supported by the Chief Executive and the Board (or committee of the Board) to effectively manage the finances of the organisation. | 3 | 15% | The executive director is also responsible for strategic financial matters (not the core focus). Operational financial matters are mostly handled by an external consultant providing services on a weekly basis. Execution is handled by a certified accountant when needed. There is a gap between strategy and operations. The organisation should have a finance department (i.e. employees fully focused on financial matters). | In some cases, this could be a board member (treasurer), but it is important that there is a designated person. |
| The organisation has written financial policies and procedures, approved by the Board, which relevant staff is aware of and action as necessary. The organisation has policies including a reserves policy, an accounting policy and a risk register, in order to ensure the effective financial management of the organisation | 1 | 10% | No written financial policies or procedures. | Reserves are funds (i.e. surpluses/profits) that become available to the organisation and are to be spent at the discretion of the directors in furtherance of any of the organisation's objectives, but which are not yet spent, committed or designated – they are 'free'. A Reserves Policy is a specific policy implemented by an organisation with the objective of accumulating reserves. |

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| <p>Financial information is produced regularly and includes: income and expenditure accounts with actual compared to budget; balance sheet; cash-flow forecasts; and reports on significant financial risks.</p> | <p>3</p> | <p>15%</p> | <p>No financial risks report is done.</p> | <p>An Accounting Policy refers to the specific accounting principles adopted and consistently followed by an organisation in the preparation of its financial statements. These principles will have been determined by the organisation to be the most appropriate for presenting fairly its financial results and operations. A Risk Register is a tool commonly used in project planning and organisational risk assessments. It is often referred to as a Risk Log. This tool is widely used within Risk Management for identifying, analysing and managing risks. In this context a risk is the threat that an event will adversely affect an organisation's ability to achieve its objectives. The register contains the information on the identified and collected risks that the organisation faces.</p> |
| <p>Financial management information is presented in a consistent format, is accessible and easy to understand; it is also based on robust data management systems and data quality is assured.</p> | <p>3</p> | <p>10%</p> | <p>The formatting of financial information is consistent. The last annual report is published on the organisation's website. However, there is a lack of notes and explanations making it hard or impossible to understand key line items (such as revenues/revenue sources). The organisation outsources the production of financial information to a certified accountant, but mismatches have been found while analysing this data (e.g. FY2018 Balance Sheet). Quality is not ensured. An analytical accounting system is currently being implemented.</p> | |

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| Break even points for the organisation's products and services are understood. | 1 | 10% | This analysis is not performed. | The break-even point is the point at which cost, or expenses and revenue are equal: there is no net loss or gain. The break-even point is one of the simplest yet least used analytical tools in management. It helps to provide a dynamic view of the relationships between sales, costs and profits. |
| The organisation is managed pro-actively to ensure its financial sustainability (profitability, liquidity and solvency). | 1 | 15% | The organisation is profitable and healthy from a liquidity and solvency perspective. However current values are inflated by public funding (large cash inflows, big share of total revenues). These analysis are not performed by the organisation. | Profitability: Measure that indicates how well a firm is performing in terms of its ability to generate profits, (i.e. sales and revenue are larger than costs and expenses). Liquidity: is the ability of an asset to be changed into money easily (e.g. a cheque is more liquid than an investment in property). Solvency: ability to pay all outstanding debts; having enough money to pay all the money that is owed to other people or organisations. |
| The organisation understands and meets all its legal and statutory financial requirements, including those of Companies House, Charity Commission, Inland Revenue, funders and regulatory authorities. | 5 | 15% | The organisation has legal support from VdA. It understands and meets legal and statutory financial requirements. | |

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| The Board receives regular reports on the financial management of the organisation, including on significant financial risks and how these are being managed. | 3 | 10% | The Board is aware of the financial management of the organisation, but a financial risk assessment is not done. | |
| Avg. Weighted Score | 2,6 | 100% | | Financial risk of the income sources should be evaluated |

| | Score | Weight | Comment | Adviser's Notes |
|--|-------|--------|---|--|
| 8. Income Generation | | | | |
| Section Goal: To explore the diversity of revenue sources the organisation has and is pursuing to ensure a stable income base for future sustainability. | | | | |
| The organisation has diverse sources of income and there is no single customer which constitutes more than 20% of its turnover. | 1 | 15% | The organisation is currently highly dependent on few income sources (more than 50% of Total Revenues are Operating subsidies and donations). | This refers to the concentration and diversity of the customer base and number of contracts that the organisation has. |
| The organisation has business development plans in place to minimize dependency on grants and move towards self-sustainability. | 3 | 20% | Although the goal of having started to commercialize U.Academy, U.Purpose and <i>Crescer com Consciência</i> was to make to organisation financially sustainable (less dependent on public funding and donations), business plans to reach this goal are not clear, detailed and an implementation plan lacks over the long run. The organisation recently worked with Maze (consultancy) to assess financial sustainability and develop a strategy to be financially sustainable until 2023. | |
| The organisation is aware of how to identify funding and tender opportunities using a wide variety of sources (including networks, internet portals and publications), and how to prioritize them. | 4 | 20% | The organisation is aware of how to identify funding/tender opportunities through a variety of sources but currently does not have a procedure on how to prioritise (it is trying to get all opportunities). | Funding bids refer to grants and tenders refer to private or other public sector contracts. |

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| The organisation has in-house capacity to prepare or outsource funding bids and tenders. | 5 | 10% | | |
| The organisation focuses on winnable opportunities and has a high success rate for contracts or business won. | 4 | 15% | The organisation targets all funds that it is aware of and are applicable. It is being successful in winning contracts thus far. | The success rate is relative to the number of bids the organisation is submitting and they are smart in pursuing opportunities where they have a high chance of winning. This could be based on the geography, scale and scope of the opportunities. |
| In preparing bids, the organisation secures as a minimum full cost recovery in all product and contract pricing. | 4 | 20% | The organisation analysis all bills prepared | |
| Avg. Weighted Score | 3,45 | 100% | | |

| | Score | Weight | Comment | Adviser's Notes |
|---|---|--------|--|--|
| 9. Marketing & Communications | | | | |
| Section Goal: | To explore how the organisation markets its products and services and communicates its value and activities to a wider audience. | | | |
| The organisation has a marketing plan in place to promote its services and products. | 3 | 20% | The organisation is currently developing a marketing plan. There is, currently, a communication plan. There haven't been marketing campaigns for the most recently launched products. | The marketing plan may sit within the overall business plan or may be a separate plan. This should include promotional and sales activities that the organisation is undertaking related to its products and services. |
| The organisation has designated resources (staff, time and money) for sales and marketing activities. | 4 | 20% | There is a marketing and communications director and a marketing and communications department with 4 people (including the director). | |
| Marketing materials clearly articulate the services / products of the organisation and are targeted at potential customer groups. | 3 | 20% | For the products/services to which there are marketing materials, articulating those could be done more clearly. Nevertheless, marketing for the main brand is generally strong. | Marketing materials promote and sell the services and products that are delivered. |
| The organisation has developed a Unique Selling Point and exploits this to attract customers. | 4 | 10% | The organisation has a unique selling point for its products/services and communicates it when selling them to potential customers. However, it would benefit from communicating it clearly in an uniform manner through a marketing strategy. | The Unique Selling Point is what makes a product or service stand out from the competition. For example, if a social enterprise is providing catering services, which are undertaken by people with disabilities, the USP is the social value which it brings, compared with a traditional catering company. Where an organisation has undertaken assessment of its social values and outcomes, this should help them in |

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| | | | | articulating their value and USP. No relation with strategy or value creation proposition: benchmarking, blue ocean, etc. |
| The organisation has a mechanism to measure the effectiveness of its marketing activity. | 2 | 15% | The organisation only relies on statistics such as those provided on Facebook ads. No mechanism to measure the effectiveness of overall marketing activities. | For example, does the organisation ask new customers where and how they heard about the organisation and its products and services? |
| The organisation has a communication plan to articulate its value and activities to key stakeholders. Communication materials are sensitive to the needs of and accessible to user groups. | 4 | 15% | Has the organisation did not conduct a market research for its most recently launched products, the communication plan can improve to reach potential user groups and better target their needs. | Communication materials aim to tell the story, successes and aims of the organisation and they are shared with key stakeholders (for example users, trustees, local authorities, funders). |
| Avg. Weighted Score | 3,3 | 100% | | |

| | Score | Weight | Comment | Adviser's Notes |
|---|-------|--------|--|--|
| 10. HR & Organisational Development | | | | |
| Section Goal: To explore the systems and procedures in place to support staff and volunteers, and which contribute to building an environment conducive to good staff performance. | | | | |
| All staff members have an employment contract and relevant job description. | 5 | 20% | | Employment contracts only apply to paid staff, but it is recommended that organisations have job descriptions and role specifications for volunteers. Organisations have to ensure volunteer documents do not set out "rights" or "obligations". |
| The organisation has a staff handbook which covers all HR and organisational policies which staff is to be aware of and is responsible for adhering to. | 1 | 10% | | The handbook should also include volunteers. |
| A staff appraisal system is in place and all staff have a development plan. The organisation actively supports the training of staff in relation to their development plans. | 4 | 20% | The organisation actively supports staff development and training. | You want to explore with the organisation how they assess staff performance and identify gaps in staff capacity and skill sets and provide appropriate training. |
| Good staff performance is recognized and rewarded. | 3 | 10% | The organisation rewards good performance and increased experience. However, this is not formally specified. | You will want to explore with the organisation how performance is rewarded. Reward may be financial or non-financial. Evidence they may be able to cite could include bonuses, share dividends, staff surveys, staff away or fun days, training etc. |

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| The organisation has health and safety, diversity and equal opportunity policies which are reviewed at least once a year to ensure they are in line with new legislation and monitored to ensure that the organisation operates in compliance with its policies. | 1 | 15% | Nothing formally specified. | These policies are not mandatory for all organisations but is considered good practice for an organisation to have them in place, to ensure the organisation is compliant with the relevant legislation and that it can demonstrate that these issues have been considered, in the event of an employment tribunal. |
| The organisation has clear communications, grievance and staff (including volunteer) complaints procedures in place and any staff issues are dealt with in accordance to the policies. | 3 | 15% | The organisation recently established a procedure to handle staff complaints has it happened for the first time (earlier no policy or procedure existed). | |
| The organisation undertakes a regular review of its business plan to identify and fill any gaps in its resources, knowledge or skills which could prevent it from effectively delivering its service | 4 | 10% | The number of employees is associated with requirements for co-financed projects. As the organisation undertakes new projects, it hires the appropriate number of human resources to be able to deliver them. However, generally, the organisation would improve by assessing the gap in resources to undertake its regular operations, especially as it restructures business units and shifts/broadens its focus (e.g. executive director currently manages 5 departments; excessive workload may harm performance on his traditional functions). | |
| Avg. Weighted Score | 3,2 | 100% | | |

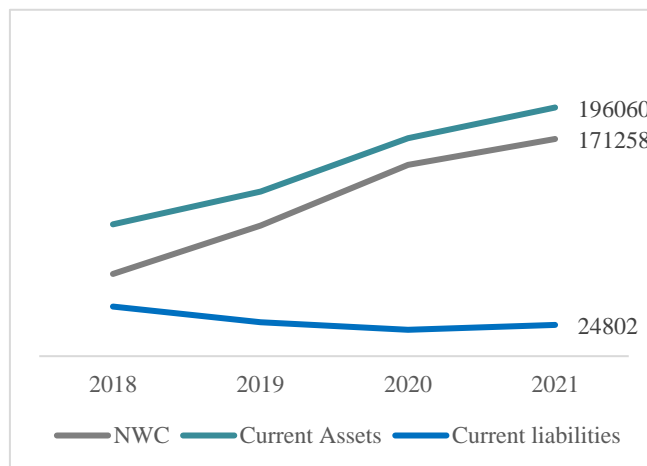
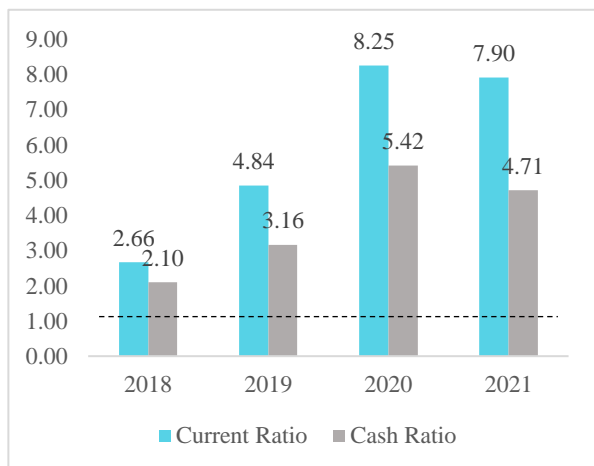
Appendix 4 : U.Dream's Financial Statements – Balance Sheet

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| Assets | | | | | | |
| <i>Non-current Assets</i> | | | | | | |
| Property, plant and equipment | 2245,95 | 2245,95 | 2245,95 | 2856,84 | 1904,55 | 4515,41 |
| Financial Assets (Investments) | - | - | 318,89 | 1410,61 | 1912,84 | 2590,11 |
| Total | 2245,95 | 2245,95 | 2564,84 | 4267,45 | 3817,39 | 7105,52 |
| <i>Current Assets</i> | | | | | | |
| Inventory | | | | | | |
| Accounts Receivable | 3000 | - | 21740 | 44844,65 | 13361,1 | 8823,75 |
| State and other public entities | 1681,72 | - | - | - | - | - |
| Deferrals | 59,58 | 650,61 | - | 205,12 | 200,91 | 2743,17 |
| Other current assets | 4231,12 | 48230,84 | - | 68,02 | 45370,52 | 67615,46 |
| Cash and cash equivalents | 14148,02 | 27066,47 | 82210,74 | 84698,8 | 112718,7 | 116877,44 |
| Total | 23120,44 | 75947,92 | 103950,74 | 129816,59 | 171651,23 | 196059,82 |
| Total Assets | 25366,39 | 78193,87 | 106515,58 | 134084,04 | 175468,62 | 203165,34 |
| Equity | | | | | | |
| Retained earnings | 16296,73 | 44387,76 | 67393,74 | 107275,54 | 154668,54 | 178363,18 |
| Total Equity | 16296,73 | 44387,76 | 67393,74 | 107275,54 | 154668,54 | 178363,18 |
| Liabilities | | | | | | |
| <i>Non current liabilities</i> | | | | | | |
| Other accounts payable | 1828,89 | - | - | - | - | - |
| Total | 1828,89 | 0 | 0 | 0 | 0 | 0 |
| <i>Current liabilities</i> | | | | | | |
| Accounts payable | - | - | - | 359,88 | 1044,88 | 5846,92 |
| State and other public entities | 169,53 | 2526,39 | 2323,47 | 451,09 | 6853,69 | 6654,12 |
| Interest bearing loans and borrowings | | 895,18 | 33988,37 | 25602,32 | 1331,22 | 33,61 |
| Other current liabilities | 7071,24 | 30384,54 | 2810 | 395,21 | 11570,29 | 12267,51 |
| Total | 7240,77 | 33806,11 | 39121,84 | 26808,5 | 20800,08 | 24802,16 |
| Total Liabilities | 9069,66 | 33806,11 | 39121,84 | 26808,5 | 20800,08 | 24802,16 |
| Total Equity and Liabilities | 25366,39 | 78193,87 | 106515,58 | 134084,04 | 175468,62 | 203165,34 |

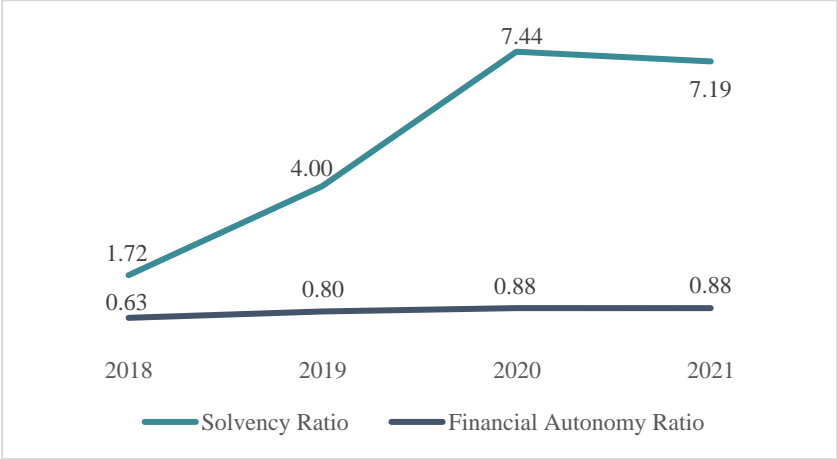
Appendix 5: U.Dream's Financial Statements – Income Statement

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-----------------|------------------|------------------|------------------|------------------|---------------|
| Revenues | 51091,89 | 116464,54 | 182155,65 | 140275,73 | 98612,67 | 146539 |
| Operating subsidies and donations | 7086,59 | 80415,34 | 74788,86 | 171672,01 | 172152,38 | 233099 |
| Total Revenues/Subsidies and donations | 58178,48 | 196879,88 | 256944,51 | 311947,74 | 270765,05 | 379638 |
| Change in inventories | - | - | - | - | - | - |
| COGS | - | - | - | - | - | - |
| Operating expenses | -35148,7 | -64468,06 | -103780,3 | -113596,92 | -57183,63 | -125296 |
| Personnel expenses | -5247,05 | -103247,4 | -127996,9 | -149130,61 | -160047,16 | -215420 |
| Other operating income | - | - | - | 65,92 | 763,19 | 596 |
| Other operating expenses | -1486 | -287,01 | -1641,19 | -4476,18 | -3884,12 | -13856 |
| EBITDA | 74475,21 | 28877,41 | 23526,12 | 44809,95 | 50413,33 | 25662 |
| Depreciation/Amortization | - | - | - | -3198,24 | -952,29 | -1325 |
| EBIT | 74475,21 | 28877,41 | 23526,12 | 41611,71 | 49461,04 | 24337 |
| Finance income | - | - | - | - | 0,15 | 2 |
| Finance expense | - | -786,38 | -520,14 | -1729,91 | -1650,48 | -1 |
| EBT | 74475,21 | 28091,03 | 23005,98 | 39881,8 | 47810,71 | 24338 |
| Income tax expense (not corporate tax; steams from non-tax exempt services hired) | - | - | - | - | -417,71 | -643 |
| <i>% tax</i> | | | | | 0,9% | 2,6% |
| Net income | 74475,21 | 28091,03 | 23005,98 | 39881,8 | 47393 | 23695 |

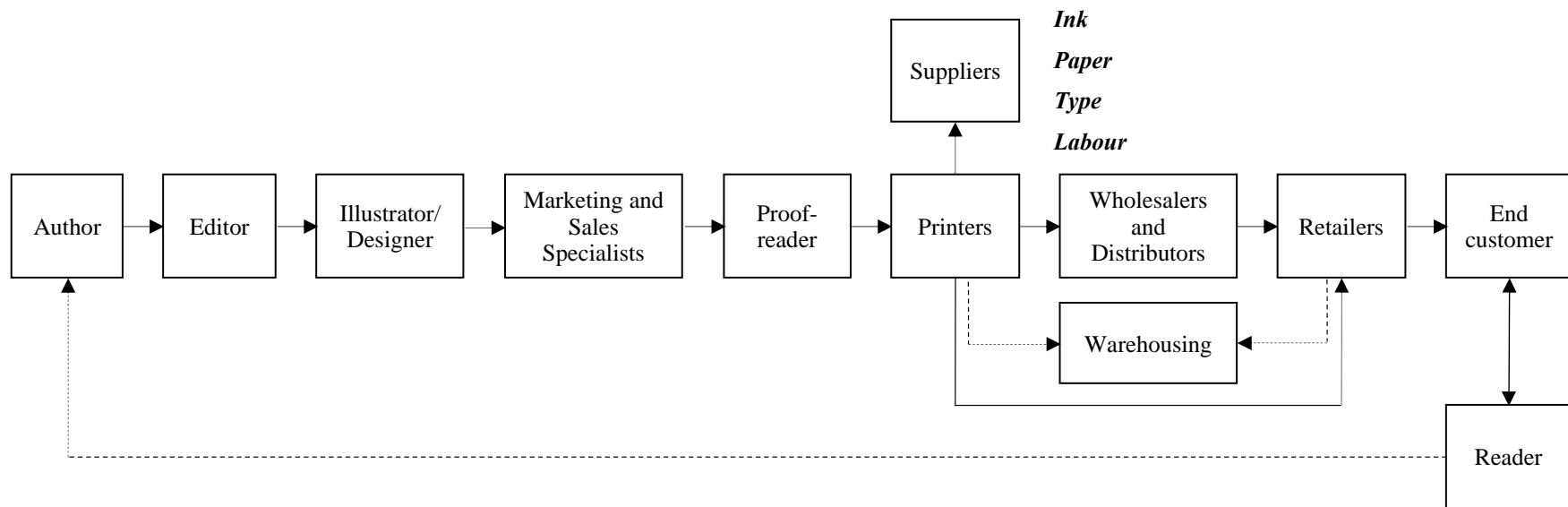
Appendix 6: Liquidity Analysis



Appendix 7: Capital Structure Analysis

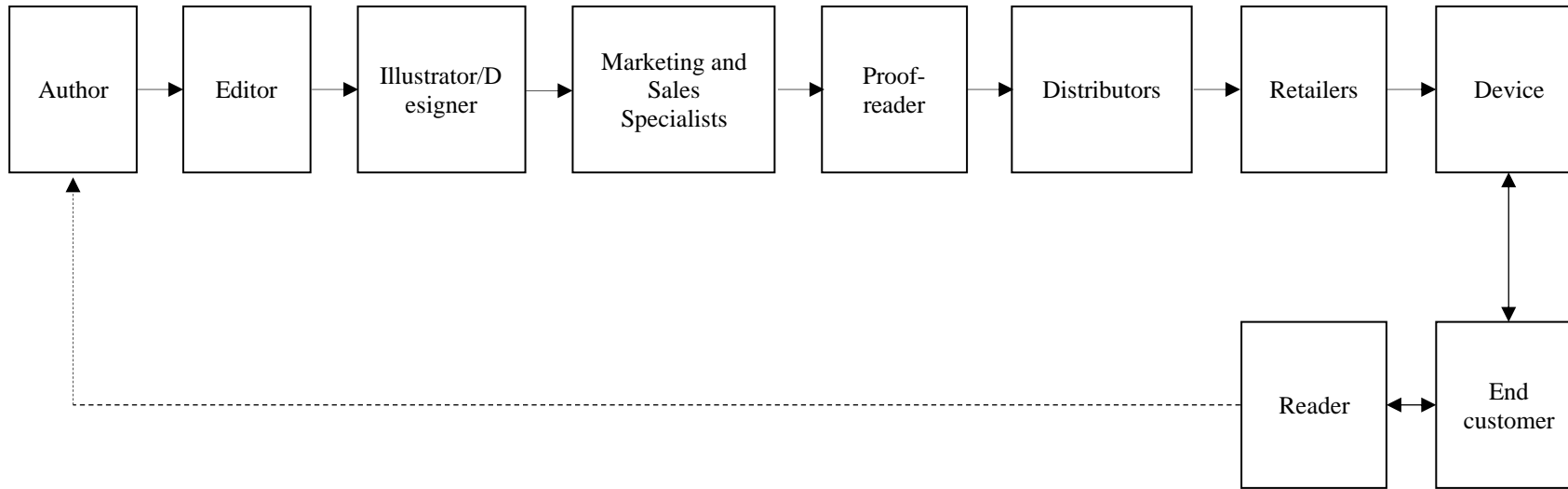


Appendix 13 Industry Supply Chain (Physical)

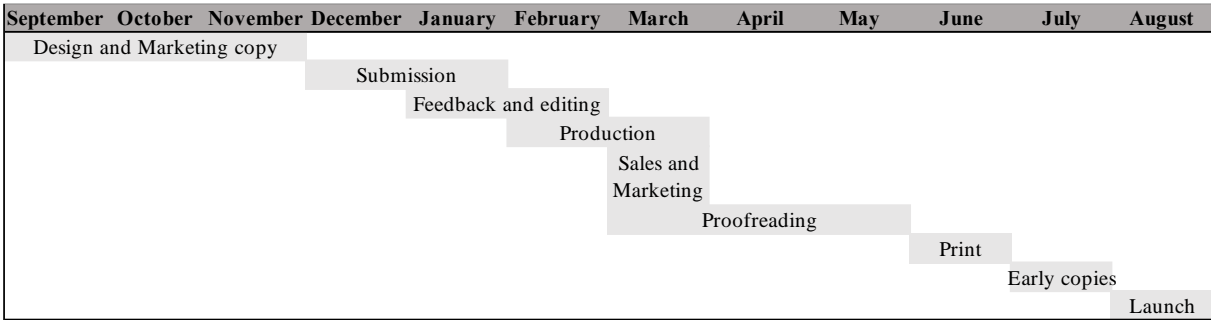


Appendix 14: Industry Supply Chain (Digital)

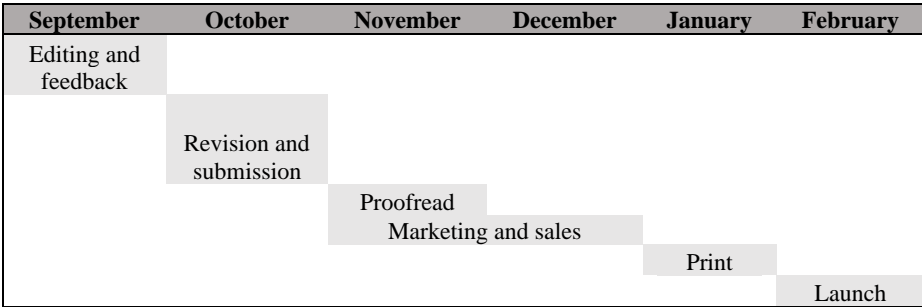
- Device manufacturers*
- Aggregators*
- E-commerce platforms*



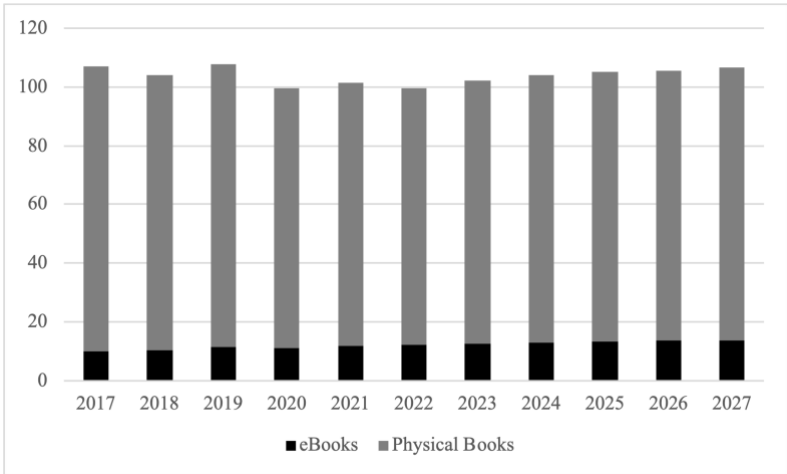
Appendix 15: Publishing Timeline – Traditional Publishing



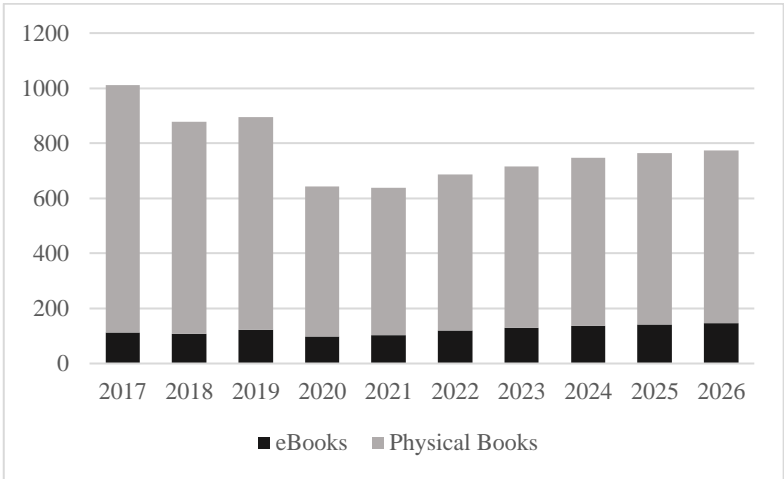
Appendix 16: Publishing Timeline – Self-Publishing



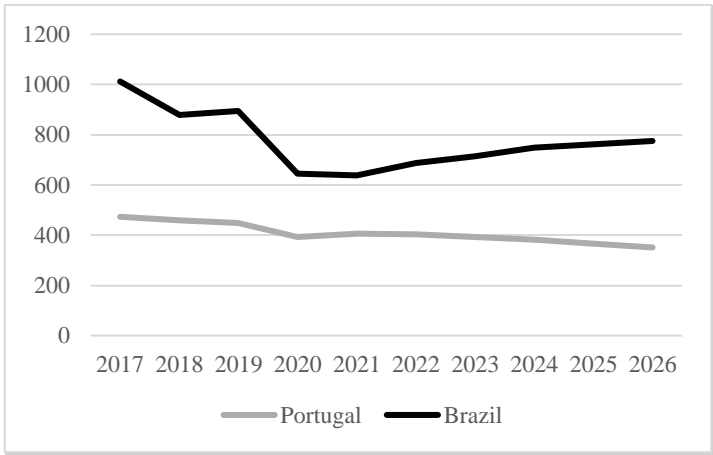
Appendix 17: Revenue by Book Market Segment Worldwide – in billion €



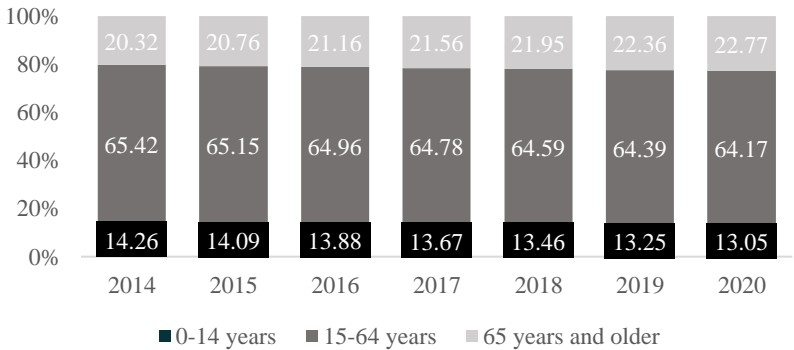
Appendix 18: Revenue by Book Market Segment in Brazil – in million €



Appendix 19: Comparison between Book Market Revenues in Portugal and in Brazil– in million €



Appendix 20: Portugal: Age structure (2014-2020) in % of the total population



Appendix 21: Survey to Potential Customers

Children's Book Market - Customer Assessment

We are a group of 5 students from Nova SBE currently working on our Master Thesis. Our Master Thesis is being held within the Social Leapfrog Program and consists of a consulting project with a hybrid organisation.

As part of this project, we are currently assessing the children's book market. The goal of this survey is to understand customer preferences and purchasing behaviours in regard to children's books.

The survey only takes up to 5 minutes and would be of great help for us! All answers are anonymous. We kindly ask you to fill it as honestly as possible.

Have a great day!

| |
|---|
| Section 1 |
| What is your gender? <input type="radio"/> Male <input type="radio"/> Female <input type="radio"/> Other |
| Which category bellow includes your age? <input type="radio"/> < 18 <input type="radio"/> 18-25 <input type="radio"/> 26-44 <input type="radio"/> 45-54 <input type="radio"/> 55-65 <input type="radio"/> > 65 |
| What is your nationality? <input type="radio"/> Portuguese <input type="radio"/> Non-Portuguese |
| Do you have close contact with children aged between 3 - 12 years old? |

Yes

No

If so, choose the options that apply:

Son/Daughter

Grandchildren

Nieces/Nephews

Cousins

Brothers/Sisters

Friend's family

I work with children (e.g. teacher, volunteer, etc.)

(Other)

Section 2

From a scale of 0 to 5 (0 - Not important; 5 - Very Important), how important is it for you that:

| | 0 | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|---|
| 1. Children have exposure to books while growing up | | | | | | |
| 2. Children's books provide a meaningful lesson and reflection | | | | | | |
| 3. Children's books have more images and activities to improve child's communication and comprehension | | | | | | |
| 4. Children have the tools to be responsible for their own happiness | | | | | | |
| 5. Schools explore social issues with children | | | | | | |

From a scale of 0 to 5 (0 - Not Likely; 5 - Very Likely), how likely are you to:

| | 0 | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|---|
| 1. Think that a book is a good present to a child | | | | | | |
| 2. Think of books as an integral part of the development of children | | | | | | |
| 3. Read a book to a child | | | | | | |
| 4. Think it is useful to include reflection questions in children's books (e.g. a guide with questions to reflect) | | | | | | |

5. Choose a school/daycare center (ATL) for a child that explores social issues

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
|--|--|--|--|--|--|--|

Section 3

Consider a Portuguese social enterprise that conducts volunteer projects with children with illnesses. This enterprise has developed a collection of children books inspired in the children they've helped in order to finance its operations. The books also come with a reflection guide with suggested questions for parents and educators to explore with the child. In the end, these books come as enablers for kids to be able to express their own thoughts, equipping them with the tools to be responsible for their own happiness and raise social awareness.

How much would you be willing to pay for these books?

- < 5 €
- 5-10 €
- 11-15 €
- 16-20 €
- > 20 €

Where would you consider to buy these children's books?

- Online Platforms
- Company's Website
- Bookshops
- Gas Stations
- Supermarkets
- Stall/Book Fair
- (Other)

What type of book advertisement is more appealing to you?

- Flyers
- Online Advertisement
- Radio
- Television

| | | | | | | |
|--|---|---|---|---|---|---|
| <input type="checkbox"/> Magazines/Newspapers <input type="checkbox"/> Social Media <input type="checkbox"/> Outdoor Advertisement <input type="checkbox"/> (Other) | | | | | | |
| From a scale of 0 to 5 (0 - Not Likely; 5 - Very Likely), how likely are you to: | | | | | | |
| | 0 | 1 | 2 | 3 | 4 | 5 |
| 1. Base your purchase mainly on the price of the book | | | | | | |
| 2. Decide to purchase the book if you knew more about the company behind it | | | | | | |
| 3. Pay extra 5€ when purchasing a book to donate another to a child in need | | | | | | |
| What language would you prefer to have the book on? | | | | | | |
| <input type="radio"/> Portuguese <input type="radio"/> English <input type="radio"/> (Other) | | | | | | |

Appendix 22: Survey Results – Demographics

1. Gender

| | Number | Percentage (%) |
|--------------|------------|----------------|
| Female | 118 | 73% |
| Male | 43 | 27% |
| Total | 161 | 100% |

2. Age

| | Number | Percentage (%) |
|--------------|------------|----------------|
| 18-25 | 89 | 55% |
| 26-44 | 37 | 23% |
| 45-54 | 21 | 13% |
| >55 | 14 | 9% |
| Total | 161 | 100% |

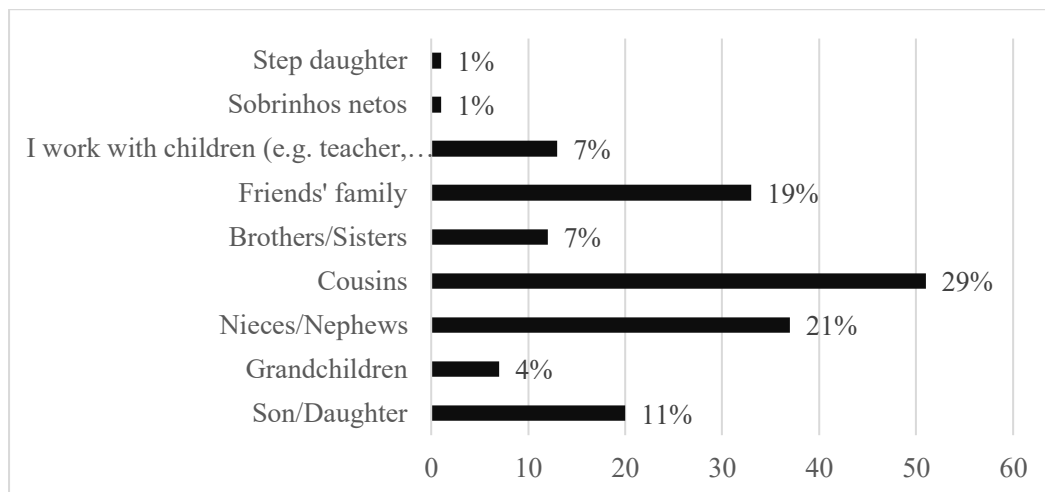
3. Nationality

| | Number | Percentage (%) |
|----------------|------------|----------------|
| Portuguese | 144 | 89% |
| Non-Portuguese | 17 | 11% |
| Total | 161 | 100% |

4. Close contact with children

| | Number | Percentage (%) |
|--------------|------------|----------------|
| Yes | 115 | 71% |
| No | 46 | 29% |
| Total | 161 | 100% |

5. Relationship



Appendix 23 : Survey Results – Section 2 Analysis (n=161)

| From a scale of 0 to 5 (0 - Not important; 5 - Very Important), how important is it for you that: | | | | | | |
|---|---|---|---|---|----|----|
| | 0 | 1 | 2 | 3 | 4 | 5 |
| 1. Children have exposure to books while growing up | 1 | 4 | 4 | 5 | 11 | 13 |
| | | | | | | 6 |

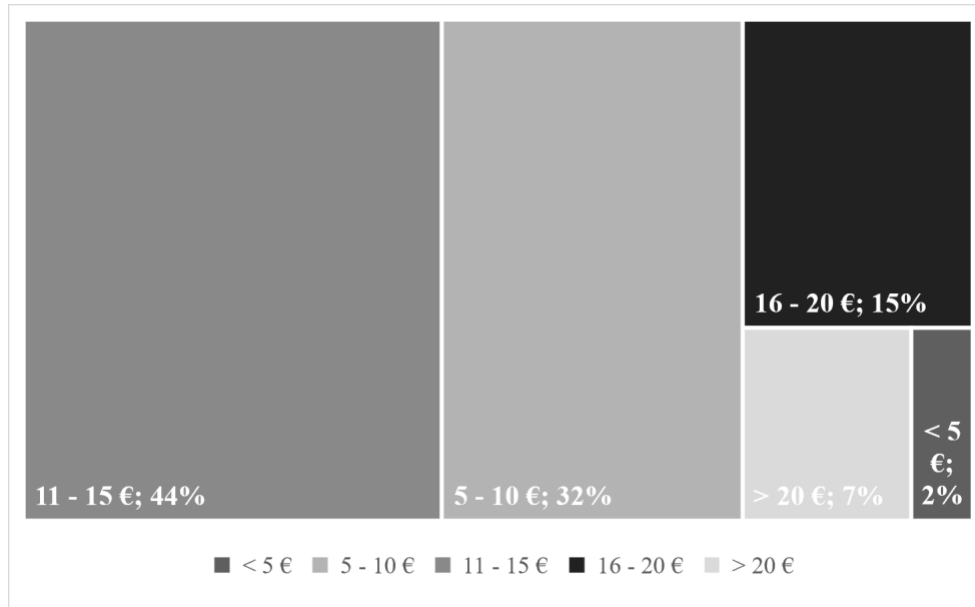
| | | | | | | |
|--|---|----|----|----|----|----|
| 2. Children's books provide a meaningful lesson and reflection | 1 | 1 | 10 | 11 | 44 | 94 |
| 3. Children's books have more images and activities to improve child's communication and comprehension | 0 | 1 | 10 | 16 | 42 | 92 |
| 4. Children have the tools to be responsible for their own happiness | 4 | 10 | 13 | 24 | 39 | 71 |
| 5. Schools explore social issues with children | 3 | 8 | 10 | 25 | 41 | 74 |

| From a scale of 0 to 5 (0 - Not Likely; 5 - Very Likely), how likely are you to: | | | | | | |
|--|----------|----------|----------|----------|----------|----------|
| | 0 | 1 | 2 | 3 | 4 | 5 |
| 1. Think that a book is a good present to a child | 1 | 4 | 10 | 24 | 33 | 89 |
| 2. Think of books as an integral part of the development of children | 0 | 1 | 8 | 8 | 37 | 107 |
| 3. Read a book to a child | 3 | 8 | 12 | 12 | 25 | 101 |
| 4. Think it is useful to include reflection questions in children's books (e.g. a guide with questions to reflect) | 2 | 7 | 9 | 32 | 47 | 64 |
| 5. Choose a school/daycare center (ATL) for a child that explores social issues | 3 | 7 | 13 | 26 | 55 | 57 |

| Choose a school/daycare center (ATL) for a child that explores social issues | | | | | | |
|---|----------|----------|----------|----------|----------|----------|
| | 0 | 1 | 2 | 3 | 4 | 5 |
| 18-25 | 2 | 5 | 6 | 19 | 25 | 32 |
| 26-44 | 0 | 1 | 3 | 4 | 14 | 15 |
| 45-54 | 1 | 0 | 2 | 1 | 9 | 8 |
| > 55 | 0 | 1 | 2 | 2 | 7 | 2 |

| | |
|--|--|
| | |
|--|--|

Appendix 24.: Willingness to pay (n=161)



Appendix 25: Willingness to pay, per age group

| How much would you be willing to pay for these books? | | | | | |
|---|----|------|-------|-------|-----|
| Price, in € | <5 | 5-10 | 11-15 | 16-20 | >20 |
| 18-25 | 3 | 38 | 35 | 10 | 3 |
| 26-44 | 0 | 11 | 20 | 5 | 1 |
| 45-54 | 1 | 2 | 7 | 6 | 5 |
| > 55 | 0 | 0 | 9 | 3 | 2 |

Appendix 26: Importance of price in purchasing decisions, per age group

| From a scale of 0 to 5 (0 - Not Likely; 5 - Very Likely), how likely are you to base your purchase mainly on the price of the book? | | | | | | |
|---|---|----|----|----|----|---|
| | 0 | 1 | 2 | 3 | 4 | 5 |
| 18-25 | 5 | 10 | 16 | 34 | 16 | 8 |
| 26-44 | 0 | 5 | 8 | 14 | 10 | 0 |
| 45-54 | 5 | 5 | 3 | 6 | 2 | 0 |
| > 55 | 3 | 2 | 6 | 1 | 2 | 0 |

Appendix 27: Likelihood of paying +5€ to donate a book, per age group (in %)

| From a scale of 0 to 5 (0 - Not Likely; 5 - Very Likely), how likely are you to | | | | | |
|---|----|----|----|-----|-----|
| Price, in € | 0 | 1 | 2 | 3 | ≥ 4 |
| 18-25 | 5% | 3% | 8% | 27% | 57% |
| 26-44 | 6% | 9% | 6% | 19% | 61% |



Appendix 28: Preferred place to purchase, per age group

| Where would you consider to buy these books?* | | | |
|---|--------------------|------------------------------|------------------------------|
| Preference | 1 st | 2 nd | 3 rd |
| 18-25 | Bookshops (30%) | Online Platforms (25%) | Supermarkets (20%) |
| 26-44 | Bookshops (30%) | Online Platforms (25%) | Supermarkets (16%) |
| 45-54 | Bookshops (37%) | Online Platforms (25%) | Supermarkets (18%) |
| >55 | Bookshops (48%) | Supermarkets (17%) | Online Platforms (14%) |

*Note: respondents can give multiple answers

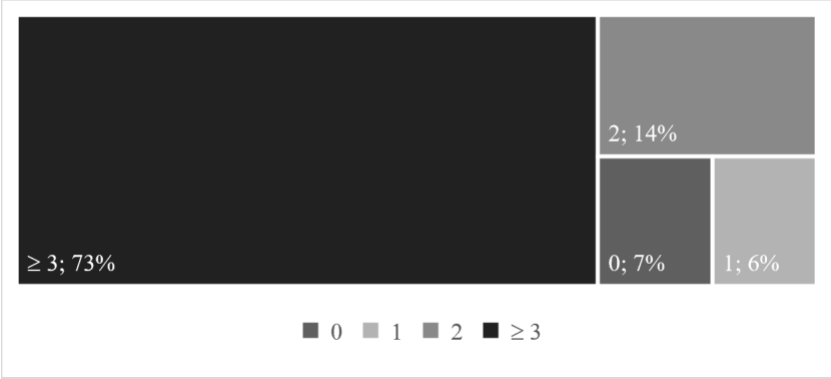
Appendix 29: Preferred advertising channels for the product, per age group

| What type of book advertisement is more appealing to you?* | | | |
|---|-----------------------------------|-------------------------------|-----------------------------------|
| Preference | 1st | 2nd | 3rd |
| 18-25 | Social media (35%) | Online advertisement (22%) | Television (18%) |
| 26-44 | Social media (36%) | Online advertisement (23%) | Magazines/ Newspapers (18%) |
| 45-54 | Online advertisement (24%) | Social media (19%) | Magazines/ Newspapers (17%) |
| >55 | Magazines/ Newspapers (30%) | Online advertisement (21%) | Television (18%) |

**Note: respondents can give multiple answers*

Appendix 30: Likelihood of buying the book knowing more about the organisation behind

it



Appendix 31 *Crescer com Consciência* Sales Volume between Nov. 2019 and March 2022

| Customer Group | Units Sold (#) | in % | Sale Context | Units Sold per Sales Context (#) | in % | HQ Meeting (Clarifying notes) |
|-------------------------------------|----------------|------|-------------------------|----------------------------------|-------------|--|
| B2B | 1650 | 76% | Traditional B2B | 400 | 24% | Sold mainly at a discount price (subject to negotiation; 7,5€ for orders above 100 units) |
| | | | Social Impact Campaigns | 1250 | 76% | Kits Correio da Esperança. 12,5€ per kit that companies purchase to donate to children (applicable to particular events - Covid, Christmas, Easter, etc; seasonal sale). 10€ per book applies. |
| Total B2B | | | | 1650 | 100% | |
| B2C | 235 | 11% | Traditional B2C | - | - | Purchase through the website or direct contact with the organisation. Not present on traditional selling points due to the current focus on B2B clients. |
| Special Case - Donations by U.Dream | 300 | 14% | Social Actions | - | - | Actions where U.Dream theoretically self-purchases the books at the standard price (10€) with funds and/or prizes/applications won, donating these to children. E.g. in bootcamps. |
| Total | 2185 | 100% | - | - | - | - |

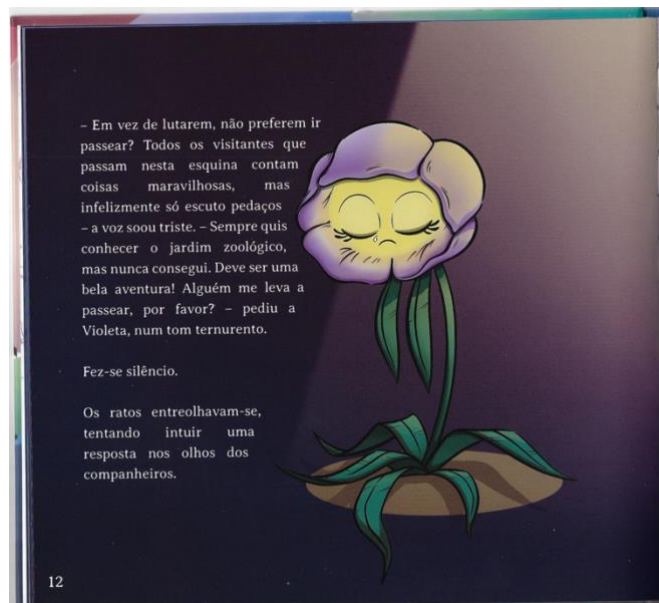
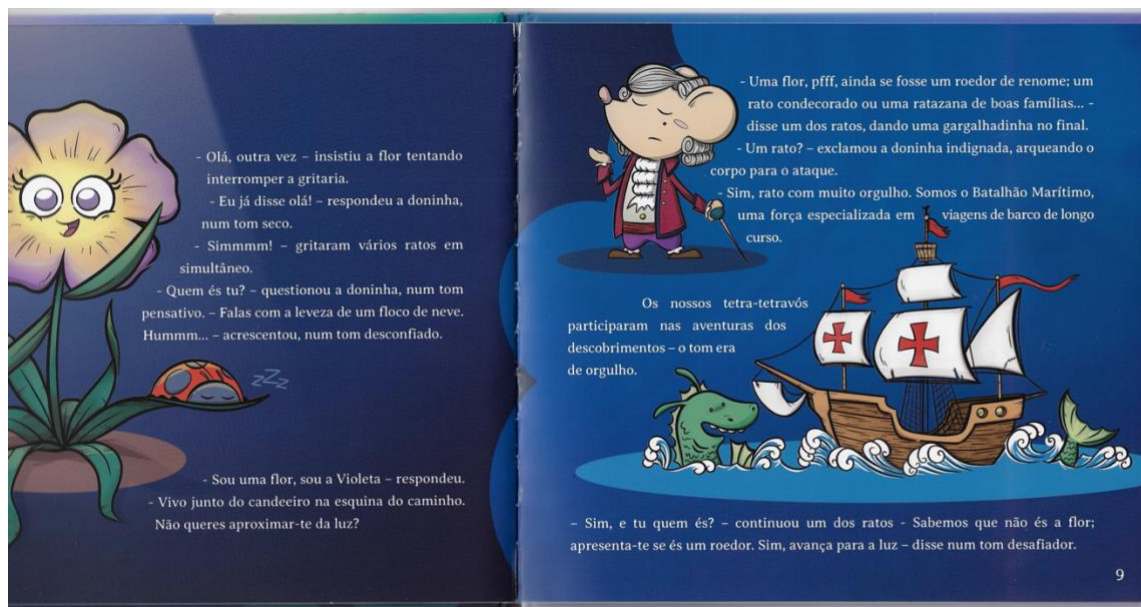
Appendix 32: Crescer com Consciência Revenues between Nov. 2019 and March 2022

| Customer Group | Units Sold (#) | Sale Context | Units Sold per Sales Context (#) | Price (in EUR) | Revenues | in % | Assumptions | Reasoning |
|-------------------------------------|----------------|-------------------------|----------------------------------|----------------|--------------------|--------------|---|---|
| B2B | 1650 | Traditional B2B | 400 | 7,5 | € 3 000,00 | - | All traditional B2B clients purchase at 7,5€. | Most sales are made at the discount price. The price is negotiable and can be either higher or lower. Therefore, 7,5€ was considered a reasonable estimate. |
| | | Social Impact Campaigns | 1250 | 10 | € 12 500,00 | - | - | - |
| Total B2B | | | 1650 | | € 15 500,00 | 71,3% | | |
| B2C | 235 | - | 235 | 10 or 15 | € 3 231,25 | 14,9% | 75% of B2C sales were made at the campaign price; 25% were made at the standard price | The organisation declared the majority of sales were made at the campaign price. |
| Special Case - Donations by U.Dream | 300 | - | 300 | 10 | € 3 000,00 | 13,8% | - | - |
| Total | 2185 | - | | - | € 21 731,25 | 100% | - | - |

Appendix 33: Segmentation Matrix

| | Global | Local | |
|---------------|---------------------------|------------------------|-----|
| Customer Type | International Companies | Portuguese Companies | B2B |
| | International Individuals | Portuguese Individuals | B2C |
| | Geographic Location | | |

Appendix 34: Product Overview – examples of text and illustrations from “As Aventuras da Violeta”



Appendix 35: Guiding Manuals Overview – examples of activities/teachings from “As Aventuras de Nória”

Proposta de atividade

Dizem que a gratidão é a memória do coração e por isso, para celebrar a forma única e especial como cada um ama, sugerimos trabalhar com as crianças a possibilidade de prepararem ações de gratidão com as suas famílias/amigos, mostrando-lhes assim que há muitas formas de mostrarem de amor.

Para isso vamos criar o baú da gratidão, um baú que todos nós temos dentro do nosso coração e que deve ser encheido com sorrisos das pessoas que amamos, o truque para as fazer sorrir? Agradecer-lhes pelas coisas boas que trazem para a nossa vida.

Sugerimos começar por listar/desenhar as pessoas e depois definir porque motivo essa pessoa é especial para nós. Por outras palavras, porque é que gostamos dessa pessoa, para que depois seja mais fácil planificar todos os gestos que vão surpreender essa pessoa.

Lista de gestos que podem ser feitos pelas crianças, provando assim que há muitas formas de “amar”:

- Escrever bilhetes (“Obrigado por...”) e deixar num sítio onde essa pessoa possa ir
- Pedir ajuda a uma das pessoas da família para preparar uma refeição surpresa e depois explicar o porquê
- Pedir ajuda a uma das pessoas da família para preparar/comprar um docinho e escrever uma nota
- Gravar um vídeo e enviar para amigos ou familiares mais distantes com quem não temos estado
- Dar um abraço apertado

Outras atividades/filmes/livros:

Filme - Brave, Paddington 2
Curta metragem -Reach-
Livro -Amor Monstro-

12

Perguntas de reflexão para fazer à criança

O que é que o boneco de neve sentia quando as famílias o iam visitar?
Resposta de apoio: Sentia-se feliz, sentia-se amado, davam-lhe mimosinhos.

As visitas que as famílias faziam ao boneco de neve eram iguais? Porquê?
Resposta de apoio: Não, eram diferentes. Alguns brincavam com ele, outros davam abraços, traziam roupa.

Porque acham que as visitas eram diferentes?
Resposta de apoio: Porque as famílias são feitas de pessoas e as pessoas são todas diferentes.

E na tua vida, como é que as pessoas te mostram que gostam de ti?
Resposta de apoio: Quando brincam comigo, quando me dão coisas que eu gosto, quando me dão carinho.

Há formas de gostar de ti melhores do que outras? Porquê?
Resposta de apoio: Não. As pessoas mostram que gostam de mim de formas diferentes porque são pessoas diferentes, e não há nada de errado nisso.

13

Aprendizagem #2

Valor: Regulação Emocional (não será autoconsciência)

Mensagem: O outro lado dos dias contrários

Objetivo da reflexão: É normal existirem dias bons e dias contrários, e que toda a gente os tem. Podemos transformar dias contrários em dias bons, utilizando a energia que guardamos dos dias bons. Percebermos que os nossos dias contrários podem ter impacto nos outros e que nos dias contrários deles nós temos o poder de os ajudar.

Excerto (páginas 10 e 11): “Dias bons e dias contrários, a montanha segue o ritmo da vida, a montanha é a vida. Os animais da montanha aprenderam com os seus tetra avós a guardar a energia dos dias bons para gastar nos dias contrários, e assim tudo é mais fácil.”

Perguntas de reflexão para fazer à criança:

1. O que significa dias contrários? Como nos sentimos nos dias contrários?
2. Quando é que os dias contrários aparecem na tua vida?
3. Como podemos guardar a energia dos dias bons e usá-la nos dias contrários? *Resposta de apoio: Relembrar os momentos dos dias bons, conversando com pessoas que estiveram nesses momentos, vendo fotografias, recorrendo à imaginação, fazendo as coisas dos dias bons.*
4. Será que as outras pessoas também têm dias contrários? Como é que eu posso ajudá-los? *Resposta de apoio: Sim. Ajudando a relembrar a energia que recebe nos dias bons, conversando com essa pessoa, fazer coisas que essa pessoa gosta.*