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METRO KIDS' POSITIONING STRATEGY IN A NEW COUNTRY, BRAZIL

Author: Rita Álvaro Dias

Advisor: Professor Doutor Pedro Celeste

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“A billion pieces manufactured this year, a growth rate of 6% per year, revenues of around US\$ 4,5 billion in 2008... This is the Brazilian children’s apparel market.”

ABIT Report, 2008

“There are around 38 million children in Brazil and apparel for children has already reached 20% of the whole apparel market. This market size makes me work hard everyday to expand my brand throughout this country, which has a huge potential.”

Mafalda Montezuma de Carvalho, the Managing Director of Metro Company U.S.A. in Brazil,

2011

PREFACE

In the last stage of my Masters, this thesis represented the bridge between the end of my academic life and the beginning of my professional life. During five months I had to be extremely goal-oriented as it was not only an individual challenge in which I had to succeed, but its output would also be important and valuable to the company I was studying, Metro Kids Company U.S.A. Therefore, it was a very enriching experience as it gave me the opportunity to work closely with the company in a foreign country and to get to know an industry that was completely unknown to me, while making my own research.

Nevertheless, this project would not have succeeded without the support of a group of people who helped me during this process and to whom I want to sincerely thank for their valuable input in my dissertation.

First of all, I would like to thank Prof. Pedro Celeste for having guided me throughout this entire journey, and also for having supported me and given me a word of encouragement and advice when necessary.

Second, I would like to leave a special word of acknowledgement to Dr. Mafalda Montezuma de Carvalho, the protagonist of this case-study, who is the Managing Director of Metro Kids Company U.S.A. in Brazil and that was extremely helpful in giving me an overview of the industry and of the company itself.

Then, I have to thank Dr. Mariana Antunes da Cunha, Metro Kids' Marketing and Commercial Director in Brazil, for being constantly present during this dissertation, always providing me all the necessary data and details, without which this thesis wouldn't be complete.

I am also very grateful to the whole team in Brazil, who were extremely committed to help me and make me feel an insider during my visits to São Paulo.

I thank my parents for investing and believing in me, and for being always by my side, supporting and motivating me whenever I needed.

Finally, I want to thank to all my friends, who were extremely patient with me during these five months and who entertained me when I was more anxious about this dissertation.

ABSTRACT

Title: Metro Kids' Positioning Strategy in a New Country, Brazil

Author: Rita Álvaro Dias

Globalization is a trend that is not indifferent to any ambitious company. As a result, companies tend to go abroad in order to expand the business and gain influence in international markets. This can be done in a large variety of ways, such as exportation, franchising format, international alliances with local companies, or the creation of an international subsidiary.

Taking as an example a Portuguese company that manufactures and sells apparel for children - Metro Kids Company U.S.A. - which is already present in some European cities, and more recently Brazil, this thesis starts by giving some theoretical background on topics such as the children's apparel industry trends worldwide, and some notions on market orientation, stakeholder engagement, positioning and international branding concepts, with a focus on the decision of whether should a multinational company adapt locally or replicate globally. Finally, the integrated marketing communication concept, considered to be an effective way of promoting a brand, is developed and analyzed.

Metro Kids' case-study is a way of seeing the practical application of all these topics to a real company. The company has been expanding to several countries in Europe, but Brazil was the major step in its internationalization strategy, as it aimed to create an international subsidiary with production facilities, managerial offices and, logically, some stores. However, to adequately establish in this new country, Metro faced a challenge: it had to adapt to the local conditions.

Therefore, this thesis aims to gain some insights on the market – both on the customer-side and on the competition-side - and develops a whole positioning strategy explaining step by step what did Metro adapt to local conditions and what did it replicate based on its successful experience in Europe.

Besides the short time of operations of 5 months in Brazil, it was possible to take some important conclusions from this thesis. First of all, it was rewarding to see that clients really liked the product and would repeatedly go to the store, so the positioning strategy seemed to be, so far, correct. The problem was that only a few people knew the store and brand awareness was very low. It was now time to start an effective integrated marketing communication campaign in order to increase brand awareness and boost sales.

RESUMO

Tema: Metro Kids' Positioning Strategy in a New Country, Brazil

Autor: Rita Álvaro Dias

A globalização é uma tendência que não é indiferente a nenhuma empresa ambiciosa. Como tal, as empresas tendem a sair do país de origem para expandir o negócio e para ganhar influência nos mercados internacionais. Isto pode ser feito de várias maneiras, entre as quais a exportação, os contratos franchising, a realização de parcerias internacionais com empresas locais, ou através da criação de subsidiárias internacionais.

Tendo por base o exemplo de uma marca portuguesa, a Metro Kids Company U.S.A. - uma empresa de confecção e venda de roupa de criança já presente em alguns pontos da Europa - a minha tese começa por enunciar referências teóricas sobre as tendências da indústria do vestuário infantil a nível mundial, noções básicas sobre conceitos como orientação para o mercado, compromisso com os stakeholders, posicionamento, gestão de marcas internacionais e a ponderação entre a decisão de adaptação local ou standardização global de uma multinacional. Por fim, desenvolve-se o conceito de campanha de marketing e comunicação integrada, como meio eficiente de promoção da notoriedade de uma marca.

O case-study da Metro Kids permite-nos ver a aplicação prática de todos estes tópicos a uma empresa real. Esta empresa, que já se tinha internacionalizado para algumas cidades europeias, viu no Brasil a oportunidade de fazer algo mais ambicioso: a criação de uma subsidiária internacional com fábricas de produção, escritórios e, inevitavelmente, a abertura de um conjunto de lojas. No entanto, para se estabelecer corretamente neste país, a Metro deparou-se com um desafio: teria que se adaptar às condições locais. Tendo presentes tais preocupações, a minha tese analisa o mercado - do lado do consumidor e do lado da concorrência - e desenvolve toda uma estratégia de posicionamento, explicando detalhadamente aquilo que a Metro adaptou ao mercado local e aquilo que a Metro replicou a partir da sua experiência de sucesso na Europa.

Apesar do curto período de 5 meses de operações no Brasil, foi possível tirar algumas conclusões importantes deste estudo. Em primeiro lugar, foi recompensador ver que os clientes gostavam muito do produto e que faziam repetidas visitas à loja. O problema mais relevante residia no facto de poucas pessoas conhecerem a loja e de a notoriedade ser muito baixa. Daí a necessidade e a oportunidade para iniciar uma eficiente campanha de marketing comunicação integrada, com o objectivo de aumentar a notoriedade e dar um impulso nas vendas.

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1. INTRODUCTION

1.1. Introduction

This thesis is integrated in the last stage of the International Masters of Science in Business Administration, which I am taking in Católica Lisbon - School of Business and Economics, under a dissertation seminar whose main topic is “Cases in Marketing Strategies”. The main objective of this thesis is to understand the process of internationalization of multinational companies, and to which extent should they adapt or replicate the marketing mix elements according to the country of operations, especially its competing environment and the consumer behavior habits. To illustrate this, I studied the example of a Portuguese company called Metro Kids Company U.S.A. that manufactures and sells apparel for children, and which has just expanded to Brazil.

To suit this purpose, it is analyzed how cultural differences can affect and tailor the positioning of a brand in a different country and which marketing and strategic elements, in Metro’s case, have been adapted locally to Brazil, and which of them have been replicated globally. To guide this analysis, some key research questions were addressed:

1. Regarding environmental factors like competition and consumer behavior, was Metro’s positioning strategy an adequate one? Does it really differentiate from competition? Does it meet customer’s needs?
2. Is it, so far, a failure or a success? Why?
3. How can Metro Kids improve its strategy in the future, so that it can sustainably expand?

1.2. Methodology

After having determined the key research questions that I would like this thesis to answer, I started researching in EBSCO not only for academic articles, mainly from top journals, using the “spider web technique” and the analysis’ method taught by Prof. Rita Coelho do Vale in the Research Methodologies Workshop; but also from other sources such as books, journals and magazines, related to the topics I would cover in the case-study and that would provide me with a solid theoretical knowledge to write the literature review.

Regarding the case-study itself, I gathered:

- **Primary data:** through the collection of information from a face-to-face questionnaire on client’s preferences, perceptions and decision-making process in this industry, which I conducted in São Paulo, in four main shopping areas, and which was later posted on the company’s webpage in some social networks like Facebook and Twitter to gather some online responses from the clients. As I realized from my personal

interviews that most of the respondents didn't know the brand and I wanted to analyze its image, I adapted the same questionnaire to be conducted inside the store to people who could give insights on the brand. I gathered a total of 89 responses (29% within the store, 63% face-to-face outside the store, 8% online), which was not possible to go further due to the geographical distance and lack of time and resources. However, it is already possible to take some conclusions with a significant degree of relevance. Also interviews were done both with Metro Kids' managers to understand the reason behind the positioning strategy, and with the sellers to have a deeper understanding of clients' behaviors and demands inside the stores.

- **Secondary data:** mainly from online publications of ABIT's reports and press releases (Associação Brasileira da Indústria Têxtil e de Confecção), Metro Kids' website, competitors' websites, and magazine and newspaper articles, to have an accurate overview of the industry.

2. LITERATURE REVIEW

2.1. Introduction

The case-study I am writing is about Metro Kids Company U.S.A., a Portuguese children's apparel company, which although having already internationalized through totally owned stores and also franchising format, has now decided to take a bigger step and establish an international subsidiary in Brazil, São Paulo.

To better understand the topic, I will do an overview of the children's apparel industry worldwide and the consumer behavior trends in this market, then I will briefly explain the market orientation concept that a company should take into account when entering a new market allied with the importance of stakeholder engagement. Additionally, it is provided an explanation of the positioning concept related to international branding, and it is debated whether should a company standardize or rather adapt to local conditions. Finally, I will explain the importance of Integrated Marketing Communication for a company that wants to increase brand awareness and improve brand associations.

2.2. Overview of the worldwide children's apparel industry

2.2.1. Children's apparel worldwide

According to a study to more than 200 countries in the recent years, the potential industry earnings for children's apparel are not evenly distributed across the world (Parker, 2005).

Regarding the results of this study, by 2006 Asia was the largest market (32%), followed by Europe & Middle East (29%) and, in the 3rd place, North America & the Caribbean (25%). These three regions all together accounted for 86% of the world market share for children's apparel.

This analysis also suggests that within the region of Asia, there is a particular emphasis in China, a powerful country that accounted on its own for 34% of the Asian market and 10,75% of the global market, in 2006. Moreover, due to its large labor force, resources and growing economic power, it was expected to keep increasing, achieving, by 2011, almost 36% of the Asian region market and 11,6% of the global market.

Another noticeable fact is that, by 2006, Latin America accounted for only 8% of the global market, in which Brazil had a major role with 33%, and São Paulo was the national leader with 13% of the Brazilian market (accounting for US\$ 86.58 million and ranking the 55th city worldwide).

Finally, Parker (2005) concludes that the world market for children' apparel, with a value of US\$ 24.178.01 million in 2001, was expected to achieve in 2011 a value of US\$ 29.824.20 million, sustainably growing during the decade, but market shares by region wouldn't change

that much. For example, Latin America would, by 2011, still account for 8% with a value of US\$ 2.390.71 million and Brazil would have 32.5% of the region (US\$ 779.12 million) and 2.6% of the globe.

2.2.2. Growing interest for tweens and teens

According to the *Apparel Market Research Handbook (2006)*, throughout the last decade, the interest of apparel retailers for tweens (the group of children aged between 6 to 12 years old) has been raising, not only due to its demographic growth, but also because tweens have been educated to be financially responsible since an earlier age, being able to manage their own money and participating actively in the shopping experience.

In the specific “Tween and teen apparel” chapter of this same book, it is said that while female tweens expenditures have been increasing mainly due to the purchase of apparel and accessories, male tweens spend more money on footwear.

Concerning the teens (group of people between 13 and 19), this chapter states that they recently have much more money of their own than previous generations did and also parents spend more money on them than they used to. As teens have the power to choose what they buy, their consumption habits became a topic of study.

In fact, children influence 90% of a parent’s buying decision and, therefore, marketers should target children with promotional merchandise (Kimbrough, 2006). As a result, due to all these trends, the children’s apparel segment has become the object of interest to a lot of apparel companies that have realized its potential.

2.2.3. Trends and shopping habits in the tween and teen’s markets

According to *Apparel Market Research Handbook (2006)*, a characteristic of teens’ consumption habits that may be both a risk and an opportunity is the fact that they randomly change brands and trends. This book adds that although they are not price sensitive, they are brand sensitive and, therefore, price should be consistent with the value of the brand, otherwise it won’t be appealing.

As trends change very rapidly and teens automatically follow them, the strategy adopted should be one of reacting to the trends instead of trying to predict them. Reacting involves the process of buying samples from a domestic supplier to ensure a good speed (as the process of conceptualizing from idea to store can take from 6 to 9 months when production is overseas, against to 6 to 8 weeks if it uses a domestic vendor), testing it in a few stores, and in case it suits the market, then producing it for all the stores (*Apparel Market Research Handbook, 2006*).

Concerning fashion trends for tweens, there has been all over the world a marketing trend of using superstars as a way to reach them (*Apparel Market Research Handbook, 2006*). It is given the example of Wal-Mart that used the twin celebrity superstars Mary Kate and Ashley Olsen, and was the outstanding leader in tween apparel market in the USA.

The same *Apparel Market Research Handbook* (2006) says that regarding shopping habits, both tweens and teens rate good value for money, wide range of sizes in stock, frequent sales, high quality merchandise, and offering the basics for the wardrobe as the most important shopping attributes. When analyzing beyond value and quality, while parents value convenience, store locations and credit card acceptance, children value unique brands (mainly the boys) and fashionable merchandise (mainly the girls).

Moreover, it also states that while mothers usually buy in discount stores - which is the primary retail channel for ages between 8 to 12, because tweens usually shop accompanied by their parents - and also national chains; teens, on the other hand, prefer specialty stores.

It is also important to notice that market shifts are taking place in the tweens' market, as not only their shopping habits are becoming very similar to those of teenagers and adults, but also "adults love to see their kids in small versions of their own clothes" (Kimbrough, 2006).

As a result, Kimbrough (2006) notes that children's apparel brands adopted a strategy in which they copy adult styles and adapt them to children's sizes, or coordinate children's garments with the branded apparel for adults, imitating grown-up fashion.

This trend also increased the already intense competition since brands of adult apparel have seen this as an opportunity to increase sales and have created their own children's clothing product line. Rivalry has come to a point that the teen apparel market recently seems mature and overcrowded, and retailers, in the future, may be looking for growth through the adoption of concepts to target older demographic segments (*Apparel Market Research Handbook, 2006*).

2.2.4. Mother's role and motivation in the decision-making process

Women have been trying to construct a motherhood identity through baby clothing, more specifically, through the styles and brands they choose for their children (Thompson & Haytko, 1997). Besides being a way to show love and care, it also plays an important role in the mother's status in the society as mothers themselves are perceived according to their children's appearance. Therefore, they have allocated a lot of time and money, which they used to buy clothes for them, to shop for their children.

As I said before, the market of infants' clothing is moving towards an appropriation of the fashion already established for teens and adults (Pennington, 2005) and, still regarding this

bond between children's wear and mother's identity, mothers actually prefer to dress their children like little adults, to emphasize their own taste and preferences, as if children were part of a mothers' extended self (Belk, 1988).

Another noticeable fact is the evident absence of fathers' opinion in children's clothes' consumption, in such a way that women in this study claimed to be solely responsible for the whole decision making process concerning apparel for children, which makes it being regarded as a mother's task (Andersen, Sorensen & Kjaer, 2008).

2.3. Market Orientation and stakeholder engagement

According to Kumar, Jones, Venkatesan & Leone (2011), in the past fifteen years, a growing number of companies have become market-oriented and they confirm that it is positively correlated with sales and profit both in the short and in the long term. Market orientation is a marketing concept related to firms' ability to sense market trends and accurately respond to market changes, which means it enables them to identify and understand strategic orientations that will help to sustain performance, even in the presence of rapid changes in market conditions (Kumar, Jones, Venkatesan & Leone, 2011). Due to this trend's growth, market orientation that had once been a source of unique competitive advantage for a firm (or a success provider), it has now become simply the cost of competing (or a failure preventer) (Varadarajan, 1985).

This concept is strongly related to the dissertation topic, as globalization has brought the need to incorporate into the general market orientation philosophy the multicultural dimensions (Kumar, Jones, Venkatesan & Leone, 2011).

According to Kumar, Jones, Venkatesan & Leone (2011), market orientation strategy is crucial for two main reasons. First of all, to stay in tune with customers' preferences, provide real-time market information and facilitate proactive and reactive tactics. Secondly, it is a way to respond to market competitive intensity by constantly scanning the environment and developing proactive strategies in order to improve competitive performance.

However, a firm should not only pay attention to customers and competitors' changing behaviors, but to all the stakeholders in general (Freeman, 1984).

According to Freeman (1984), stakeholders are "any group or individual who can affect or is affected by the achievement of an organization's purpose", such as customers, employees, suppliers, financiers and communities.

As every company needs to communicate with its stakeholders, either directly or indirectly, stakeholder engagement was the answer to help to solve some problems, as it helps the management to see the future, works as a facilitator of trust, has a network of potential

influential partners, and improves the company's public image, contributing to improve a company's economic performance (Smith, Ansett & Erez, 2011).

Among numerous communication channels, some of the most used are marketing and contractual relationships (Smith, Ansett & Erez, 2011). While some decades ago communication between companies and the stakeholders was one-sided with the objective of informing and mitigating risks, nowadays new forms of stakeholder engagement are emerging with a focus on dialogue with civil society, multilaterals and global trade unions; therefore, this new approach requires from the company's management team some time and relationship building skills (Smith, Ansett & Erez, 2011).

In conclusion, both market orientation and stakeholder engagement strategies will help the firm to better fit and match the market and the stakeholders' needs, and to succeed.

2.4. Positioning and International Branding: Adaptation vs. Replication decision

2.4.1. Positioning Strategy

Positioning is the attempt to modify both the tangible characteristics and the intangible perceptions of a marketable object in relation to competing products (Arnott, 1993). Therefore, according to Arnott (1993), a product's position is the place occupied by a firm in consumers' minds relative to competition, and how they perceive it on important defined attributes, being crucial to develop a strong customer base and strengthen brand equity.

According to Manhas (2010), four important things should be considered when developing a positioning strategy: firstly, the target market; then, in which way the product is different or better than competition; to which extent the points of differentiation are valued by the target market; and, finally, the ability to efficiently communicate them this difference. According to Kapferer (2004), brand-positioning answers questions such as "a brand for what", "a brand for whom", "a brand for when", and "a brand against whom".

In a long term perspective, positioning should be managed in the following way: setting positioning aims and objectives and identifying appropriate strategies to support those objectives; developing advertising and other marketing communication strategies to deliver the desired message; and, managing the activities over the life cycle stages (Arnott, 1993).

The main objective of a brand positioning strategy is to create a new image, correct negative images, or simply reinforce the positive images already held (Manhas, 2010). The actual characteristics of the products can be modified and also the target audience's perceptions can be influenced by Marketing Communication strategies (Blankson and Kalafatis, 2007).

Barnham (2009) says that some brand propositions may work well in one country, but then they fail in other parts of the world, so according to Alden, Steenkamp and Batra (1999), a brand going abroad means facing new cultural challenges, and sometimes implies adapting the positioning strategy. Therefore, it is understandable the importance of the positioning concept in international marketing and, also the creation of a Global Consumer Culture Positioning as tools that marketers can use in the global marketplace (Soundararaj & Rengamani, 2002).

2.4.2. International branding

Globalization is not without risks for brands (Holt, Quelch, and Taylor 2004; Schuiling and Kapferer 2004). According to Whitelock & Fastoso (2007), “international branding is a field within international marketing concerned with the challenges faced by companies when their brands cross national borders.” These challenges may relate either to the essence of the brand regarding the brand name, visual and sound elements (like jingles, colors, logo and music) or, to the understanding of the best strategy to build a strong brand across borders (Cayla & Arnould, 2008).

In fact, consumer behaviorists have been showing interest on the interaction between brands and culture, discussing it from different perspectives. However, findings support an international branding strategy rooted in the target’s cultural context, reflecting a broader conceptualization (Whitelock & Fastoso, 2007).

To effectively define a positioning strategy, the brand management team has to consider the cultural differences in each market (Aaker & Joachimsthaler, 1999; Cayla & Arnould, 2008; Holt, Quelch & Taylor, 2004). When firms reflect and appreciate cultural differences in the global economy, higher levels of localization are possible, and brands will more probably develop strong and more profitable customer relationships over time (Batra et al., 2000; Craig & Douglas, 2000; Eckhardt, 2005).

On the other hand, not taking into account local specificities, consumers might react negatively (Cayla & Arnould, 2008). Consumers make an evaluation of the quality of apparel products at the points of purchase and at the moment of usage and, according to their knowledge, they will set expectations for the products, and they will experience negative disconfirmation if these expectations (whether they are realistic or unrealistic) are not met (Laufer, 2002). According to Weiner’s (2000) attribution theory, the consumer will think that the cause of the failure is the manufacturer, the retailer, the consumer himself, or everyone’s fault. In case failure is attributed to the retailer or to the manufacturer, the consumer will engage in behaviors motivated by negative emotions, such as telling friends, making complaints, boycotting, switching to another brand, and so on (Weiner, 2000). So, it is utterly important

that consumers are provided with information that enhances their knowledge and assists them to make responsible choices, mainly through labeling (Marson, De Klerk, Sommerville & Ashdown, 2008).

Finally, regarding the preference for brand's local adaptation rather than global replication, one should not generalize, as effectiveness of brand management decisions is totally dependent on the context and type of culture in which the brand operates (Eisingerich & Rubera, 2010). For example, in cultures that are collectivist, long term oriented and that rank high on power distance, being customer oriented will increase brand commitment; something that has no effect in short term oriented, individualist, and low on power distance cultures (Eisingerich & Rubera, 2010).

2.4.3. Franchise format: an uniformity case

Julien & Castrogiovanni (1995) say that franchising is a very common format used by retail companies to pursuit international expansion and it consists in a contractual relationship between two legally independent businesses: the franchisor and the franchisee. The franchisee gains the right to trade using the franchisor's name and product or service, under the conditions and daily operations' procedures required by the franchisor, therefore replicating an existing business format in new markets (Julien & Castrogiovanni, 1995).

So, it is crucial for the success of the franchise format to have a high degree of standardization of the product or service across locations, and franchisors are not tolerant to variations from the standard format, restricting franchisees' freedom to develop their own initiatives (Michael, 1996). According to Michael (1996), while the franchisor decides everything regarding the product, operating procedures, suppliers and advertising, the franchisee is left with decision power for issues regarding local operation policies like pricing, promotion, hiring of labor, hours of service and location.

Regarding this particular format, while local adaptation limits the ability to innovate, uniformity enables the company to achieve cost minimization and to consistently communicate the concept and maintain an integrity image amongst customers, providing them at every location the exact same product or service (Kaufmann & Eroglu, 1999).

However, as said before, the geographical conditions of a specific location influence the business strategy of small firms, because local variations make it difficult to maintain uniformity, requiring some adaptation in order to maximize performance and compete effectively, distorting the uniformity and standardization of the format and endangering the brand image and competitive advantage (Sorenson & Sorensen, 2001).

2.5. Integrated marketing communications

2.5.1. IMC and brand equity

There are a lot of factors that influence customer-based brand equity, such as product, price, distribution and integrated marketing communications (Keller, 2003).

According to Schultz (2004), "IMC strategy is the planning, development, execution, and evaluation of coordinated, measurable, persuasive brand communications programs over time with consumers, customers, prospects, employees, associates, and other targeted, relevant external and internal audiences."

For Keller (2001), IMC has become generally accepted, has expanded to various levels within the firm and has become an essential part of brand strategy, because according to him "marketing communications represent the voice of a brand and the means by which companies can establish a dialogue with consumers concerning their product offerings". Consequently, it enables the formation of brand awareness and the development of a positive brand image congruent with the aspirational brand identity, which will form brand knowledge structures and constitute brand equity.

Regarding brand-oriented advertising (not price-oriented advertising), it differentiates products, increases brand awareness and strengthens brand image (Aaker, 1991; Keller, 1993), and it may also be, in consumers' minds, positively correlated to product quality (Kirmani & Wright, 1989), strengthening brand equity. Therefore, it has been found a positive effect of brand-oriented advertising on sales (Dekimpe & Hanssens, 1999).

2.5.2. Evolution of IMC

In the last decades, the nature of the brand has significantly changed (Grant, 2002; Chevalier & Mazzalovo, 2004). In fact, Barnham (2009) says that although a brand once was simply a name attached by the manufacturer to a product, nowadays it is expected to have a vision and its own personality and, this shift was, in large part, due to the changing dynamics of brand communications, mainly through advertising. What brand communication does is both presenting the consumer with a set of values and delivering a specific propositional hierarchy that may differ from the existing one in consumers' minds (Barnham, 2009).

According to Schultz, Tannenbaum & Lauterborn (1993), the customer can have a contact with the brand in a variety of ways, such as word of mouth or product's usage, and these contacts will influence a company's brand equity. Some of the ways to contact with the brand are marketer-controlled communication such as "media advertising, direct response and interactive advertising, place advertising, point-of-purchase advertising, trade promotions,

consumer promotions, event marketing and sponsorship, publicity and public relations, and personal selling” (Keller, 2001).

IMC has been growing and evolving due to the explosive growth of new electronic media (Bezjian-Avery, Calder & Iacobucci, 1998), the numerous and diverse means of communication (Keller, 2001), the reach, speed and span of electronic communication which is driving firms to adopt a global perspective (Kitchen & Schultz, 2003), and the rapidly changing advertising environment (Gould, 2004). So, according to Schultz (2003), brand communication is transmitted through not only advertising, but through a whole combination of vehicles, and it can be either planned (controlled by the marketer like the marketing mix) or unplanned (not controlled by the marketer such as word-of-mouth and non-paid publicity). Planned communication can directly and positively influence brand loyalty and also negatively influence brand loyalty to competing brands. However, it is very important to acknowledge that the brand strategist cannot control some important brand contacts (Duncan & Moriarty, 1998; Schultz, 2003).

Responses to advertisements are affected both by visual onsets, which are a result of perceptual distinction (such as color, contrast and size), and by semantic distinction through an emotional content stimuli (Nielsen, Shapiro & Mason, 2010). In order to make the audiences respond more effectively, brand communication manipulates the advertising message into positive or negative frames; it is said that positive frames improve persuasiveness, but the truth is that a negatively framed message will lead the audience to process deeply the advertising appeal (Shiv, Britton & Payne, 2004). According to Shiv, Britton & Payne (2004), the persuasive function of positive versus negative framed messages depends on the message, the audience and the conditions, and using framed messages for brand advertising campaigns in the wrong scenarios can damage the brand image. “Strong (weak) motivation to process the advertising content explains why the consumers of high (low) product knowledge segment are more receptive to (negatively) positively framed message”, says Tsai (2007).

In conclusion, it is now accepted that brand communication is a crucial driver of brand equity, because a higher level of brand knowledge means a higher probability of being chosen, a greater consumer loyalty and a lower vulnerability to competitive marketing actions (Keller, 1993; Hartman & Spiro, 2005).

3. CASE-STUDY

Metro Kids' Positioning Strategy in a New Country, Brazil

As a usual day in São Paulo city, in the rush hour, Mafalda Montezuma de Carvalho, the Managing Director of Metro Kids Company U.S.A. in Brazil, was stuck in the endless traffic in the middle of Paulista Avenue and, in the meanwhile, she was thinking on the direction the company should take.

In the beginning, the challenge was whether would Metro fit in this extremely competitive market and if there was any market space left for Metro's products. Metro thought Brazil was a high-potential market and decided to go ahead, and it had now been 5 months since Metro opened the first store in São Paulo in one of the best shopping malls of the Latin America, Morumbi Shopping.

Everything had been planned in detail for the grand opening, expected to be on the 25th of November of 2010, in order to take advantage of the crazy Christmas sales, but due to unplanned issues that affected logistics, the signature of contracts, production delays, the lack of sales staff, and so on, Metro found itself incapable to open before the 30th of December, disastrously right after the annual sales peak: Christmas.

After the grand opening, there was only hope for better times to come, but Metro soon faced more and more operational problems that had not been expected. Five months later, the results did not match those predicted. It was time to review potential problems or failures, solve them, and explore new opportunities to move on.

3.1. The Brazilian Market

3.1.1. Brazil and São Paulo's potential for growth

Metro Kids Company U.S.A., founded in Portugal in 1987, had started its internationalization process in the 90's, either through totally owned stores, which were around 65% of the total number of stores (Exhibit 1), or through franchising. Already present in countries like Spain, The Netherlands, Lebanon and Belgium, with a total of 60 stores, Metro decided that it was now time to bring to a new promising country with high-potential growth the know-how and techniques it had acquired throughout these years of operations. This was a step that would take Metro's internationalization strategy to a stage where the goal was to establish an international subsidiary with managerial offices, production facilities and stores.

Being the largest economy within the Latin American nations (Exhibit 2), Brazil has proven to be a country with a great potential for international investment. It did not only rank in 2009 the world's 8th largest nominal GDP, but also the 7th country worldwide with biggest purchasing power parity. Moreover, growth was not stable yet, Brazil was still growing at a

very fast pace, with an average annual GDP growth rate of around 5%. In the next decades, Brazil was expected to become a top 5-world economy¹.

However, if this Portuguese company was seeking exclusively for economic growth, it could also find it in other countries such as China, Russia or India, but

“The final choice for Brazil relied on the historical linkage between this country and Portugal, as it was a former Portuguese colony, and most of all because of the common spoken language in the two countries, which is one less barrier to overcome.”²

So, combining the 200 million people willing to consume, an increasingly growing economy, the abundant natural resources and the strong cultural linkages, Brazil has become the major destination for Portuguese companies’ internationalization, a land of opportunities where Portuguese managers can implement the European know-how³.

Within Brazil, São Paulo is the financial, corporate and commercial center of the Latin America. It is not only the most populous city in the whole country, but it is also the most influential Brazilian city both nationally and internationally (Exhibit 3), as it accounts for 12,26% of the Brazilian GDP, being the largest center of national wealth, and representing, just by itself, the 10th biggest GDP in the world. Another important city in Brazil is Rio de Janeiro, ranking the 2nd place nationally, but still far from São Paulo’s GDP (Exhibit 4). As a result, 63% of the multinationals that expand to Brazil, they choose to establish the headquarters in São Paulo. And so did Metro Kids. This was exactly the city it chose to start its operations in Brazil⁴.

3.1.2. Clothing industry in Brazil

In the last ten years the total investment in the Brazilian textile sector had been of US\$13 billion. While it had decreased in 2009, it then increased in 2010 (Exhibit 5), and it was again expected a 2 billion investment for 2011⁵. Due to the high investment, this sector included more than 30 000 companies in Brazil, and played by 2010 an important role in the Brazilian economy accounting for 5,5% of the whole manufacturing industry GDP. It was also the 2nd biggest employer within the manufacturing industry, with more than 1.7 million jobs (Exhibit 6).

In the global scenario, this sector was also very important, ranking the 2nd biggest producer of denim (in 2010, it produced 430 million meters, a 10% increase comparing to 2009, and it sold

¹ Source: <http://pt.wikipedia.org/wiki/Brasil>

² Mafalda Montezuma de Carvalho

³ Source: Expresso, 26 de Março de 2011

⁴ Source: [http://pt.wikipedia.org/wiki/São_Paulo_\(cidade\)](http://pt.wikipedia.org/wiki/São_Paulo_(cidade))

⁵ Source: ABIT publications, “Estudo Prospectivo Sectorial – Têxtil e Confecção”

around 230 million pieces of jeans only in Brazil), the 3rd biggest producer of knitting, and the 5th biggest textile sector worldwide, therefore having an important contribution to the worldwide commercial balance, exporting to and importing from all over the world (Exhibit 7). Brazilian's apparel national market had been increasing, mainly in the domestic market (Exhibit 8). In 2010, only a small percentage of the apparel revenues were international (Exhibit 9). Its importance had been growing and developing in such a way that it had created high expectations for the future.

In 2010, it aimed to be recognized and admired for its economic, political and social relevance, to be globally competitive, and to be an outstanding exporter worldwide. It would use as competitive advantages the cultural values, an ethical and sustainable usage of its diversified natural resources, human competences and technology, emphasizing Brazil's identity in a creative way to make customized, innovative and functional products, that would emotionally appeal to the consumers, meeting their needs and expectations, for all market segments. Finally, it would expect to create an agile, versatile and knowledge-intensive production chain from conception to distribution and availability in the points of sales.

Regarding the last aspect, habits were changing in such a way that ABIT's report study on the evaluation of the apparel chain's stages concluded that in 2008 "distribution and commerce" was considered the most important stage in the global chain, but in 2023, it would be "design" the most valued stage.

Moreover, in Brazil, the productive chain was able to offer high quality products, but not always was it able to offer competitive prices, due to the high levels of national and international rivalry. Nevertheless, due to the technological advancements, such as web sales, sales per capita had been growing (Exhibit 10).

The industry was growing and developing and new trends were expected to be seen in the short/medium run, such as a fair, ethical and sustainable commerce; a more judicious, exigent and conscious customer in terms of quality, design and social responsibility; higher level of consumption per capita, also from the lower social classes C, D and E; the diffusion of information technology and communication within the apparel sector; and, finally, a high potential growth for the children's apparel market.

Also regarding technology new trends were being implemented. The first one was the usage of new materials such as fabrics that changed color, that were flame resistant, or that released fragrances. Other materials were manufactured fibers with the characteristic properties of natural fibers, or the so-called smart textiles that reacted to environmental stimuli. Finally, concerning production processes, companies were moving towards short production cycles,

considered being a source of competitive advantage, and to efficient and flexible human capital.⁶

For 2011, the perspectives were that the clothing industry would keep growing in Brazil, appointing for a growth of 5% in the manufacturing industry, a growth of 3,5% in the textile sector, a 4% growth in confection and a 6% growth in retail, and the creation of around 40.000 new jobs⁷.

3.1.3. Children's apparel: competitive environment and consumer behavior

Within the enormous Brazilian apparel industry, children's apparel has been gaining relevance and impact.

Not only had children's apparel annual revenues in Brazil been growing by 6% every year, by 2010, which accounted for a 15% market share (US\$ 4,5 billion) in the whole Brazilian apparel industry (US\$ 30,5 billion), but it was also able to produce around 1 billion of children's apparel products every year.

Moreover, 70% of the sales were products tailored for girls, not boys, something that Metro would later take into consideration.

From all these numbers, São Paulo was responsible for 40% of it, being a major player in this national scenario⁸.

One of the main barriers found when going to Brazil was the high level of rivalry in this industry. Brazil was not only attracting the biggest and best companies of the world, but it was also promoting the growth and expansion of its local brands, which led to a very competitive industry, with both national and international players.

Concerning the particular market of apparel for kids, in São Paulo, the main brands of children's clothing targeting the same segment as Metro were very distinct from Metro in the products offered. However, all of them had either the advantage of being Brazilian brands, already successfully established in the market for some years, or giant multinationals known all over the world, presenting high levels of brand awareness.

Regarding the national brands, the main ones were Paola da Vinci, Monsó de Amarilis, Spezzato Teen, Tyrol, Brookfield Jr, Puc, Tip Top, Green, Lilica and Tigor, and Tkts (Exhibit 11).

Besides these ones, there were international brands such as Zara Kids, Lacoste, Ralph Lauren, Tommy Hilfiger, Hollister and Abercrombie & Fitch (Exhibit 12) that were very popular in this

⁶ Source: ABIT publications, "Estudo Prospectivo Sectorial – Têxtil e Confecção"

⁷ ABIT Publications, "2010-2011 Presentation"

⁸ ABIT Publications, "Vestuário Infantil"

segment, not only for its designs influenced by European or American attitudes, but also for the status associated to wearing a foreign brand.

According to some primary data gathered through a questionnaire⁹ (Exhibit 13), the top three brands where the target segment would buy more were Tyrol, Puc and Zara Kids (Exhibit 14).

Each of these brands was evaluated in every important attribute, and it was concluded that each of them offered something valuable (Exhibit 15). Tyrol was known for the quality of its products and was a top-of-mind brand, established in the market for 40 years, it was also expensive and, therefore, connected to an idea of status. People would mainly buy Tyrol for quality and brand reasons (Exhibit 16).

Regarding Puc, this brand was also a Brazilian brand very well known mostly for the comfort of its products, which were made of special materials, and for its outstanding service, offering playgrounds and bar services within some of the stores (Exhibit 17).

Finally, Zara Kids, an extension of the main brand Zara, was a European brand that had been extremely successful in the Brazilian market. Zara took advantage of the admiration for European products and positioned as a premium brand in Brazil. Zara was mostly known for its prices, which were higher than in Europe, in order to match customer expectations, but still lower than Tyrol, so it was considered to have a very good price-brand relationship. Another very strong point of Zara was its modern designs, different from what the Brazilians were used to (Exhibit 18).

Taking into account the consumer behavior habits of the specific segment Metro wanted to target, class A (Exhibit 19), there were some main points to retain.

“This segment is wealthy (a minimum of around R\$ 8.000 monthly income) and, in general, is not conscious at all about spending money, having a strong desire for consumption, independently from the price. Some people go to the shopping mall everyday! However, they are extremely sensitive about quality, brand status, service and design.”¹⁰

They were elite and wanted to be treated accordingly. To match their needs, it was a requirement to have personalized treatment on a one-to-one basis inside the store. A client should have total attention from the seller since the moment of entrance in the store until the moment of leaving it.

Considering that Metro had always valued product quality and charged medium/high prices, the team was confident that the company would fit this market segment in terms of the

⁹ Personal questionnaire conducted by me face-to-face outside the store, inside the store, and online, to the target segment in São Paulo, in the main shopping areas, with a total of 89 responses, see “Attachment 1”

¹⁰ Mariana Antunes da Cunha, Marketing and Commercial Director of Metro Company U.S.A., in Brazil

product and service offered. However, it would still have to adapt some issues to this premium upper class segment's requirements.

3.2. Metro Kids as part of the Brazilian market

3.2.1. Metro Kids background

Metro Kids Company U.S.A. was created in 1987 in Portugal. The first store opened in Coimbra, and soon Metro Kids was opening stores all over the country, at an accelerating pace, either totally owned or through franchising. In the late 90's, it started the internationalization process. The first country to which Metro expanded was Spain, due to geographical proximity and cultural similarity. Twenty-four years later, Metro Kids had a total of 60 stores around Europe and the Middle East.

Combining the American attitude and lifestyle with the classic European elegance, the brand bases its competitive advantage on its exclusive and original designs, always produced with the best materials and processes. In Brazil, the brand emphasized its ultimate goal of becoming "A reference to a reference", by delivering the best product to the best client, because the main target was the middle-upper class in Europe and the upper class in Brazil, an elite target market that overvalues the high quality of the product and is willing to pay a premium price for it.

3.2.2. Analyzing the market

It had been a long process since Mafalda arrived in Brazil in the beginning of 2010.

Metro had no clue on the processes used in Brazil and didn't have any partnership connections when it first sent there a team to do local research.

The main goal was to create a whole production line in São Paulo, so that it could avoid the exportation and transportation costs, and also create an infrastructure that could support the whole Latin America in the long run. This way, it would be easier to adapt to this new and so far away from Portugal market, since a whole team was expected to stay permanently in São Paulo, being responsible for all the processes from the creation of the designs until the sales' points.

In the beginning, it was supposed to be implemented a replication strategy in Brazil, but right after arriving there, Mafalda realized that a lot of local adaptation would be required. So, taking into consideration all the local adaptation required, the geographical distance, and some differences it would have from the parent company, it would have to be an international subsidiary operating in some way independently from the Portuguese company, with decentralized decision power, so that it could function more efficiently.

The deadline was to open the first store before the annual Christmas peak, so a lot of tasks would have to be done simultaneously. While some people would be analyzing the buyer side, working in market research to understand customers' preferences, behaviors and consumer habits, and also analyzing the competing products; others would be studying and negotiating with the supplier side, trying to establish partnerships and find the best suppliers of fabrics, cotton, elastics, buttons, stickers and all the other accessories.

At a first glance all the products offered concerning children clothing were very different from the kind of products Metro was used to sell: from the style of the clothes, which was very different from Metro's designs, to the prices, which were very high compared to the respective quality that seemed to be quite low for the European standards.

So, the first thing Mafalda had to find out was whether Metro's main designs would fit the market or not and also why, luckily or not, there was no Brazilian brand similar to it. Would it be because Metro was an European brand with an American inspiration that the Brazilian customers were not used to, did not like and were not willing to buy; or, was it because they did not know how to produce those kind of designs and use processes with higher quality?

After analyzing the relevant target segment (upper class), both through market research and meetings with influent people in this industry, Mafalda realized that, in fact, Brazilian customers liked the American and European designs for themselves and their kids, but as there was no brand like that in the Brazilian market, they usually bought it abroad. Some examples of these brands similar to Metro that they really liked and bought abroad were Abercrombie & Fitch, Hollister and Ralph Lauren, which in São Paulo could only be found in multi brand stores or online, not having every product available.

“So, the problem was an internal one: Brazilians liked it, but they didn't know how to create or reproduce neither European nor American designs!”¹¹

3.2.3. The relevant segment

After having observed the market dynamics, Metro realized that Brazil, as opposed to Portugal, and most of the other countries it had entered, had an extremely stratified society. Each class lives and visits specific places like streets, shopping malls or supermarkets, specifically targeted for them, and which people from upper or lower classes do not frequent.

¹¹ Mafalda Montezuma de Carvalho

Besides this, within each class, for example class A, the highest class, there are distinctions on how much money or power people have compared to other people from the same class, giving birth to subclasses such as A1 and A2. Once Mafalda and her team realized this social issue, which is quite evident in the Brazilian society, she soon understood that defining the right target segment to address would be crucial to decide how to position the business and to design the marketing strategy accordingly.

“I read in some market studies’ reports that class C was the one presenting the highest levels of consumption, in volume, but the problem is that I don’t know which products do they like and I don’t know how to create lower quality products with lower prices for them. I am just not used to it...”¹²

In fact, in Portugal, Metro had always been used to manufacture products with very good quality and to practice medium/high prices that not everyone could afford. The main target was the upper middle class. But, in the Brazilian market, having the opportunity to choose a segment to target, and being aware of the fact that European brands were extremely overvalued in this market since they had a profound admiration for what was done on the other side of the Atlantic, there was only one reasonable choice: to position it to the upper class, class A. Not only was Metro a European brand, but also it had always expressed an American attitude influencing its designs, which the Brazilians looked up to.

So, Metro saw a lot of potential for the brand in this relevant segment, but it would have to adapt a lot of things. The strategy would be mostly based on adapting the strategy locally rather than replicating it.

3.2.4. Points of differentiation with the other main competitive brands

Taking into account the target segment’s preferences in the children’s apparel industry, clients valued two main factors: quality and trendy designs¹³ (Exhibit 20). Among all the competitive brands considered in the questionnaire, the ones where the sample would buy the most were the Brazilian brands Tyrol and Puc, and the European brand Zara Kids.

According to the same survey, and focusing on these top three brands, what clients valued the most in each of them were the price (good value for money) and the trendy designs in Zara Kids, the quality and associated brand status in Tyrol, and the comfort and service in Puc.

The three brands offered something that the customer really valued, but none of them ranked well in both of the top two valued factors, which were quality and trendy designs, and that is

¹² Mafalda Montezuma de Carvalho

¹³ Primary data gathered from my personal questionnaire

exactly where Metro would position, differentiating through the competitive advantage of addressing the two biggest needs of the customer in one single brand.

3.2.5. Marketing Mix

Most of the research done by Metro Kids was a result of a lot of meetings with influent people in this industry, observation of social and consumer behaviors, some questionnaires, and focus groups.

After the research was done, it was time to take the most important decisions, mainly on what to replicate and what to adapt to this new country. Therefore, Mafalda and her team had to figure out how they would position: what to offer, for how much, where, and how.

Place

In São Paulo, a city and a society with a high degree of stratification, class A and randomly some people from upper class B would shop in four main places: Óscar Freire street, Iguatemi Shopping - the most exclusive of all, offering brands such as Channel, Gucci or Louis Vuitton -, and two others called Shopping Cidade Jardim and Morumbi Shopping that were not so exclusive, but still offering very good quality and expensive brands (Exhibit 21).

From these options, Morumbi was the biggest, most complete and least exclusive upper class shopping mall in São Paulo, offering a great variety of products and services from fashion and food to leisure options, in a total of 480 stores.

“Around 60.000 people come to Morumbi Shopping every day, on average, during the week. On weekends, the average is of 110.000 people per day.”¹⁴

So, it seemed the perfect option to open the first store, as it would give the brand some visibility and status. The store, according to Morumbi Shopping requirements, was open everyday from 10 a.m. to 10 p.m., except on Sundays, when it opened from 2 p.m. to 10 p.m.

The store was placed in the main corridor of the shopping, right in front of Starbucks, one of the most crowded places in the mall. It was simple and attractive. The walls were all white, only with a big white wood table right in the middle, some plants to create a cozy environment, and then a lot of colorful clothes that attracted a lot of kids and adults to come in (Exhibit 22).

¹⁴ Mariana Antunes da Cunha

Product/Brand

In São Paulo, children from this upper class aspired to be like the Americans. They were both mentally and physically more developed than children from the same age in Europe. Especially regarding girls, as a Portuguese store manager said,

“It is astonishing how a little 10 year old Brazilian girl looks much older, both in physiognomy and in attitude, when compared to a Portuguese girl from the same age. We have a lot of work to do regarding the brand and the product...”

So, it was pretty clear that if Metro was producing clothes from size 2 to 16, it would have to adopt some kind of strategy both to the brand and to the product itself to make these children buy in Metro and not in some teenagers’ store.

Regarding physiognomy differences, one of the first steps would be to adapt the sizes and designs.

Concerning attitude differences, Metro Kids decided to change its original name, and consequently the logo, which was obviously associated with children, to Metro Company U.S.A. (Exhibit 23), something that emphasized the American influence in the designs and that was not so strongly correlated to clothing for children, as tweens¹⁵ didn’t like to be associated to “Kids”, but rather to teens¹⁶.

To emphasize the idea of a product for an elite, class A, a slogan was created in English, “A Reference to a Reference”, once again emphasizing the American influence that was so much appreciated.

Other thing that was pretty obvious was the fact that designs that were usually sold in the Winter collection in Portugal and other points of Europe would definitely not fit this market. This was due both to the climate and to the lifestyle they had. In São Paulo, winter temperatures range from 11 to 24 degrees, on average, which made clear that clothes designed for Lisbon Winter temperature average between 3 and 17 degrees, would not sell. So, it was created a new large collection of stamped shorts, skirts, t-shirts and polos for girls (Exhibit 24). Regarding boys, it was much easier, since the variety of clothes was smaller. They maintained the jeans, the polos, the shirts and t-shirts, and introduced some shorts’ designs. Although a lot of adaptation was made regarding positioning, branding and some products, Metro still replicated the standard store design (Exhibit 25) and some of its classic designs, which were embedded in the brand portfolio.

¹⁵ Children aged between 6 and 12 years old

¹⁶ People aged between 13 and 19 years old

Price

Concerning that Metro was targeting people mainly from class A, it had to practice high prices that would give them the perception of quality and status, which is what this class was looking for. This class is sensitive to prices in the way that they do not trust cheap products, as it is an indicator of bad quality for them. Moreover, the place where they shop is by itself a reference of the quality-price relationship that they will find inside.

So, after searching for the prices competition was practicing and for the final production cost of the products, Metro decided that, on average, each piece would have a final price to the customer 5 times bigger than the final production price, a price which was within the average level of prices practiced by competition.

As a result, margins would be much bigger than, for example, in Portugal, where the price applied was usually 3,5 or 4 times the total production cost, both because Brazil had a very large textile industry where production could be cheaper, and because the customers targeted were willing to pay a significantly higher price.

In the first collection, all the prices would vary between R\$ 86 and R\$ 185.

Moreover, in Brazil there is a payment system that enables customers to use credit cards very frequently as they can subdivide each purchase into several payments. Metro Company U.S.A. would allow credit card purchases to be subdivided into a maximum of four payments (Exhibit 26).

Promotion

Metro was not sure whether to invest in communication before the launch or not, mainly because they had the example of the launch in Portugal, where everything had worked on a basis of word-of-mouth, investing on advertising only some years later (Exhibit 27).

Due to budget restrictions and the high initial investment, Metro could not start an aggressive communication campaign, so the only option was to do a low-cost divulgation, which was also more low profile and not so effective.

In order to create awareness, Metro bet in the shopping bags, which were big and classy, white with a large logo printed, being quite noticeable. It was expected that while some clients would carry the bags, other people would notice and would look for the store. Other strategy adopted was to stamp the logo and the name in almost every piece of cloth (Exhibit 28), especially in shirts and t-shirts. By doing this, it was expected that Metro's clothes would be advertised at school and reached a lot of children. In fact, it is known that concerning kids clothing, word-of-mouth works very well between parents. Between kids and teenagers the

best way to sell is to make the clothes to become a trend, because once some children at school have a Metro polo, the others will look for it, so that they do not feel outsiders.

“We have to make kids feel that wearing Metro’s clothes is cool!”¹⁷

Metro also did since the beginning an intensive training in sales and service, which had to be adapted to the high standards to which the market was used. This would promote the store through its excellent customer service. According to one of the Portuguese store managers,

“While in Portugal there is a distant relationship between the client and the sellers, and usually the client is more likely to come into the store and look on his own for what he wants and, sometimes, too much attention from the seller’s part can be annoying; in Brazil, it is exactly the opposite! Clients in Brazil want someone who can give them full attention, a completely personalized service.”

As a result, it was very common to see in a normal shopping mall store an exaggerated number of sellers, since they had to guarantee that every single client would have an individual employee, to avoid losing sales. Clients did not like to wait to get attention and usually left the store when this happened.

As a result, some common practices were adopted to meet client’s expectations. In Metro’s store, the seller would pick the clients at the door as soon as they entered, would ask for what they were looking for, show them all the products, try to sell other products that would fit well, ask them to fulfill the client’s file, and always take the bags to the door, where the bag would be handed to the client. As Metro was dealing with this exclusive segment, sellers would make an effort to remember some faces and names, which made the clients feel important, so that when the client did a repeated visit, the saleswoman would ask how did the clothes fit the child, if there was any type of problem with the clothes, and ask again for what they were looking for. Additionally, Metro wanted to invest in Customer Relationship Management in order to retain its clients and increase customer loyalty.

Another thing that made the clients very proud and somehow connected to the brand was the fact that children were constantly invited to be present in the annual casting for the company catalogue, becoming an active part of the brand.

3.3. Metro’s new challenge

3.3.1. So far, successful or not?

Five months after the grand opening of the first store in Brazil, it was now time to analyze the operational results in order to measure whether the company was achieving the predicted success or not.

¹⁷ Mariana Antunes da Cunha

It was quite obvious for the saleswomen who were in the store every day that the actual sales did not match the expected sales for that initial period, but they did not know the size of the gap.

According to sales data, the only source of revenues, Metro was not achieving its objectives for the predicted success. The Commercial Manager, Mariana Antunes da Cunha, confirmed:

“The first month was terrible. The store opened on the 30th of December and January is the worst month of the year for every shopping mall. People usually spend a lot of money in the previous month, December, and just come to the mall in January to change Christmas presents. But we had not sold anything in December and we were the only store in Morumbi Shopping that was not doing price discounts, so it was terrible... I would say that, in the first month, our sales were around 30% of the expected!”

Besides the low sales in the 1st month, in the 2nd month there was a boost in sales due to Morumbi Shopping requirements, which obliged Metro Company to adhere to the price discount promotions of the year, a special month when not only the upper class would go to the Shopping, but also the middle upper class (class B) would go there to look for good brands at cheaper prices. In the 3rd month, there was a decline in sales due to the end of price promotions, the delay of the Winter collection, and the low brand awareness, but since then sales have been growing steadily (Exhibit 29).

Regarding customers' perceptions of the brand, Metro was being highly perceived as a good quality and foreign brand, it ranked medium-high in the service offered, in the trendy designs and in the appeal of the store and, finally, it was moderately perceived as expensive and as a new brand in the market (Exhibit 30).

The reason for the lower level of sales was not difficult to figure out and the brand awareness analysis confirmed the suspicions: only 5% of the enquiries¹⁸ knew the brand, according to the already mentioned face-to-face questionnaire (Exhibit 31). But the interesting fact was that

“From all the clients we had already had here in São Paulo, around 35% of them came back again more than once to buy new products, which means they really liked the brand. So, the main problem is definitely that the major part of this segment still doesn't know about our brand, which means the brand awareness is really low!”¹⁹

So, the customers that knew the brand liked the product and were willing to return (Exhibit 32). There was only one course of action to take and one strategic objective for the future: to make the brand known to the target segment, which means, increase brand awareness levels, in order to increase sales volume and value.

¹⁸ Primary data gathered from my personal questionnaire

¹⁹ Mariana Antunes da Cunha

3.3.2. What to do in the future?

For Mafalda, besides this setback, the future was not looking uncertain; she knew that when Metro first opened a store in Portugal, it happened the same, the first months are always complicated and unexpected and, in Brazil, the future looked much more promising and rewarding.

In fact, clients' biggest needs (quality and trendy designs) were being met, which means Metro was delivering the right product to the right client, but a lot of potential clients didn't know about its existence. So, it was now time to plan an effective integrated marketing communication campaign to implement in the future, as it could not be applied in the short-run due to budget constraints.

For the moment, Metro would not massively attack with advertising in media channels and major events, as it happened in Portugal, where it only introduced advertising some years later. However it was already searching for some innovative and low cost promotion techniques to implement as soon as possible.

In order to increase awareness, Metro started to take advantage of everything it could use as promotion tools to communicate with the outside world: from business cards to all the other documents serving business purposes such as invoices, receipts, letters or fax, everything would have the logo printed.

Some of the main ideas for the near future included also the sponsorship of uniforms for the best schools in São Paulo (the private schools Vértice, Móbile, Santa Cruz, and Bandeirantes), the creation of the client card and the gift card, the launch of the website of the brand in Brazil, the compilation of the company book using real clients' pictures, special partnerships with other companies such as the already done "Liquidação Lápis Vermelho" in São Paulo (Exhibit 33) - which is a price discount campaign done in the shopping malls all over Brazil -, also the sponsor of charity or environmental causes - as it is already done in Portugal through a partnership with the Lisbon Zoo (Exhibit 34) -, the increase of brand awareness through the social networks such as Facebook, Twitter and, also, Orkut and LinkedIn, the offer of small gifts to children inside the store, such as balloons or lollypops in an attempt to call them in and, finally, the invitation of clients to an opening cocktail in the launch of the Winter season.

Even in leisure times, employees should never stop promoting the company through merchandising such as a white t-shirt with the logo, or a pen, or a shopping bag, and distributing the business cards in any social event, whether it was more personal or more professional.

Other initiatives included writing articles about the company's core business and publish them in the website or send by mail or email to the stakeholders, as well as press releases about the company's biggest achievements such as increase in sales, new products offered or awards through the media channels that would better reach the target segment (journals, magazines, websites, industry related blogs, radio, television, and so on), because these would be widely seen, commented, discussed or admired. Metro could also establish a professional relationship with a few journalists that could help the company in future opportunities.

It could also participate in seminars, conferences and presentations related to the business area to share experience and know-how and make itself known to potential investors, partners and clients.

Moreover, also partnerships with companies from other business areas or with companies that sold complementary products, such as shoes and accessories for children, for the same segment, were effective ways to increase the number of potential clients.




Concerning price discount campaigns (Exhibit 35), these usually both retain repeated clients and attract new ones in Europe, where they were actually quite effective but, in Brazil, the segment was different, it was a risky decision to do discount promotions.

Although these are all activities that do not involve a large amount of money, they are time-consuming, so Metro's Marketing department should definitely put some effort on it, in order to see its medium/long term results translated into a higher market share and sales as soon as possible.

There was still a long way to go.

EXHIBITS

Exhibit 1 – Metro Kids’ totally owned stores (65% of the total number of stores)

 Portugal (32)		
Albufeira (1)	Almada (1)	Aveiro (1)
Beja (1)	Braga (2)	Caldas da Rainha (1)
Carregado (1)	Cascais (1)	Coimbra (3)
Covilhã (1)	Évora (1)	Famalicão (1)
Faro (1)	Figueira da Foz (1)	Funchal (1)
Gaia (1)	Guimarães (1)	Lisboa (4)
Matosinhos (1)	Montijo (1)	Paço de Arcos (1)
Porto (1)	Santarém (1)	Sintra (1)
Vila do Conde (1)	Vila Real (1)	
 Spain (5)		
Gijón (1)	Las Palmas (1)	Madrid (2)
Oviedo (1)		
 Lebanon (2)		
Beirut (2)		

Source: Metro Kids’ Portuguese website, www.metrokidscompany.com

Exhibit 2 - List of Latin American and Caribbean countries by nominal GDP – Brazil ranks the 1st place

Rank	Country	2011 GDP millions of US dollars
—	World	57,937,460
—	Latin America and Caribbean	4,512,784
—	 CARICOM	64,771
1	 Brazil	2,090,314
2	 Mexico	1,039,121
3	 Argentina	370,269
4	 Colombia	285,511
5	 Venezuela	283,412
6	 Chile	203,323
7	 Peru	152,830
8	 Ecuador	61,489
9	 Dominican Republic	50,874
10	 Guatemala	40,773

Source: [http://en.wikipedia.org/wiki/List_of_Latin_American_and_Caribbean_countries_by_GDP_\(nominal\)](http://en.wikipedia.org/wiki/List_of_Latin_American_and_Caribbean_countries_by_GDP_(nominal))

Exhibit 3 – List of cities worldwide by nominal GDP – São Paulo ranks the 10th place

City	Country/Region	PWC Rank	PWC 2008 est.(\$BN) ^[1]
Tokyo	Japan	1	\$ 1479
New York City	United States	2	\$ 1406
Los Angeles	United States	3	\$ 792
Chicago	United States	4	\$ 574
London	United Kingdom	5	\$ 565
Paris	France	6	\$ 564
Osaka	Japan	7	\$ 417
Mexico City	Mexico	8	\$ 390
Philadelphia	United States	9	\$ 388
São Paulo	Brazil	10	\$ 388

Source: http://en.wikipedia.org/wiki/List_of_cities_by_GDP

Exhibit 4 – Rio de Janeiro ranks 2nd place nationally, with a large gap size from the 1st place, São Paulo

City	Country/Region	PWC Rank	PWC 2008 est.(\$BN) ^[1]
Shanghai	China	25	\$ 233
Madrid	Spain	26	\$ 230
Singapore	Singapore	27	\$ 215
Sydney	Australia	28	\$ 213
Mumbai	India	29	\$ 209
Rio de Janeiro	Brazil	30	\$ 201
Phoenix	United States	31	\$ 200
Minneapolis	United States	32	\$ 194
San Diego	United States	33	\$ 191
Istanbul	Turkey	34	\$ 182
Barcelona	Spain	35	\$ 177

Latin America Top 10

Rank	City	GDP in \$ID BN	Population (MIL)
1	 Mexico City	\$ 390	19.028
2	 São Paulo	\$ 388	18.845
3	 Buenos Aires	\$ 362	12.795
4	 Rio de Janeiro	\$ 201	11.748
5	 Santiago	\$ 120	5.720
6	 Brasília	\$ 110	3.599
7	 Lima	\$ 109	7.605
8	 Monterrey	\$ 102	2.056
9	 Bogotá	\$ 100	9.600
10	 Guadalajara	\$ 81	4.320

Source: http://en.wikipedia.org/wiki/List_of_cities_by_GDP

Exhibit 5 – Investment in the apparel industry in the 3 last years



Nota: *câmbio médio de 2008: R\$ 1,83/ **câmbio médio de 2009: R\$ 1,99

Source: ABIT Publications, "2010-2011 Presentation"

Exhibit 6 - Jobs in textile sector in Brazil



Fonte: CAGED/MTE
 Elaboração Departamento de Economia - ABIT

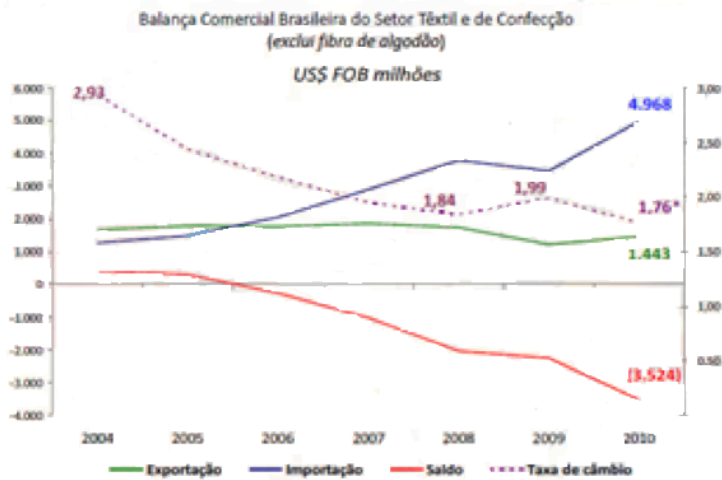
Source: ABIT Publications, "2010-2011 Presentation"

Exhibit 7 – Imports and Exports of the Brazilian apparel sector

	2009	2010
Faturamento	US\$ 47,6 bi	US\$ 52 bi*
Exportações**	US\$ 1,2 bi	US\$ 1,4 bi
Importações**	US\$ 3,4 bi	US\$ 4,9 bi
Déficit da Balança**	US\$ 2 bi	US\$ 3,5 bi
Geração Empregos – Caged	11.844	63.261
Investimentos do Setor	US\$ 867mil	US\$ 2 bi*

(*) Estimativas
 (**) sem fibra de algodão

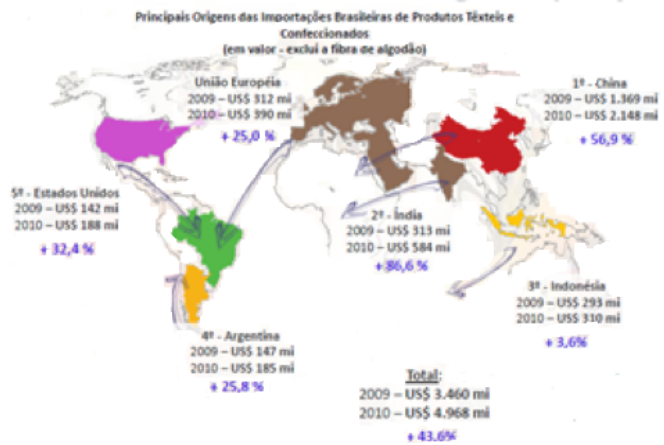
Balança Comercial



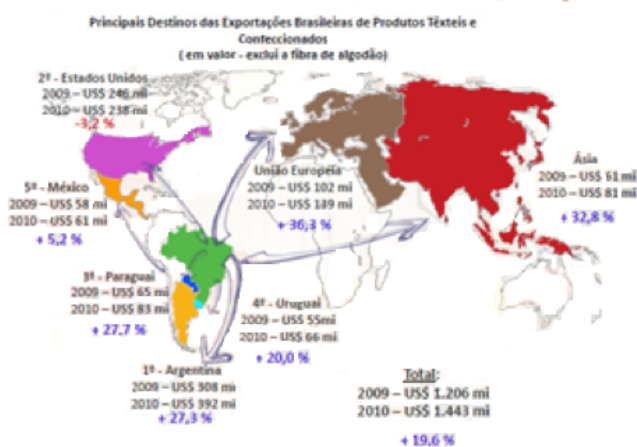
*câmbio médio do ano

Fonte: MDIC – Sistema ALICEWEB

Países de Origem - Importações



Países de Destino - Exportações



Fonte: MDIC/ ALICEWEB

Source: ABIT Publications, "2010-2011 Presentation"

Exhibit 8 – Growth of the Brazilian apparel market



*Dados até Novembro
Fonte:IDGL

Source: ABIT Publications, “2010-2011 Presentation”

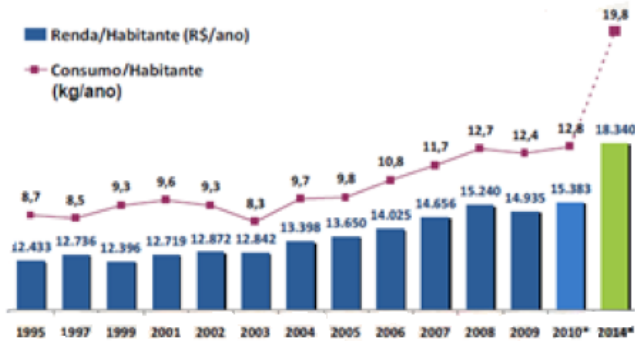
Exhibit 9 – Percentage of Brazilian’s apparel sector national and international revenues



Source: ABIT Publications, “2010-2011 Presentation”

Exhibit 10 – Growth of consumption per capita

Renda e Consumo de Têxteis por Habitante no Brasil



Fonte: Relatório Sectorial da Indústria Têxtil Brasileira 2009 – EMI
2010* - Projeção do Departamento de Economia da ABIT

Source: ABIT Publications, “2010-2011 Presentation”

Exhibit 11 – Some national competitors



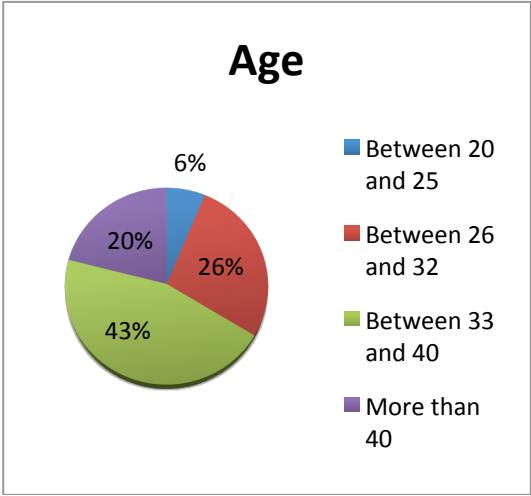
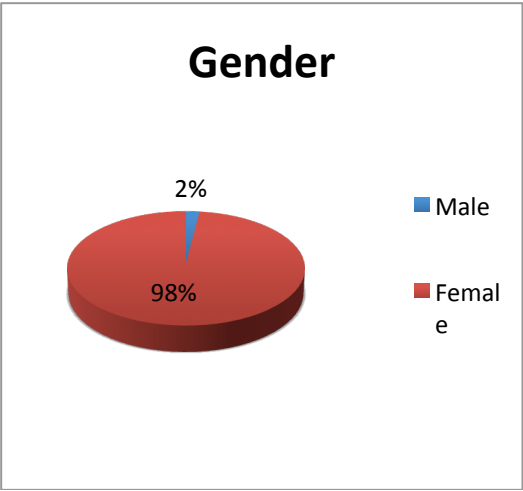
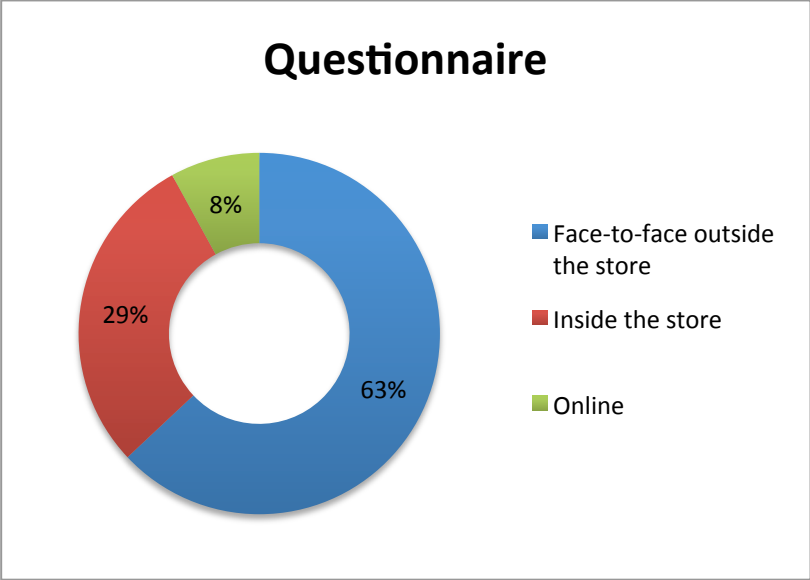
Source: www.google.com

Exhibit 12 – Some international competitors

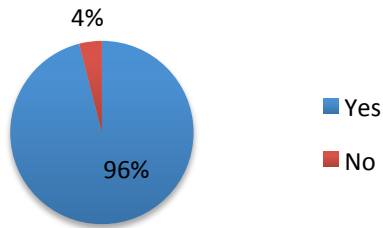


Source: www.google.com

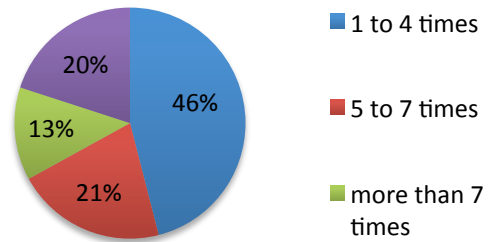
Exhibit 13– Primary data: Respondents’ data



Respondents responsible for children's apparel purchases



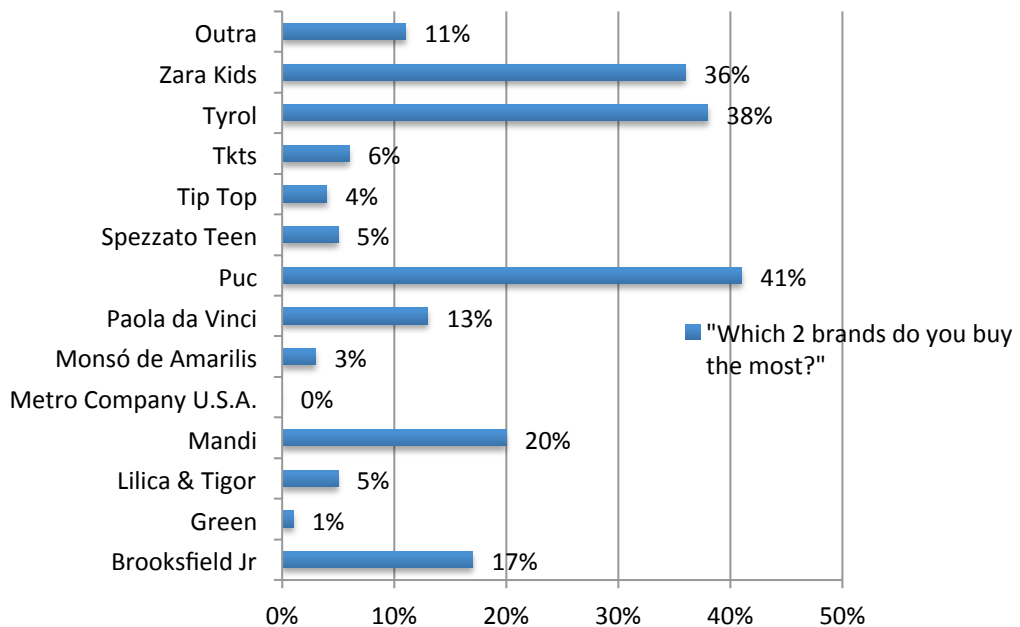
Frequency of visits to children's apparel stores, per month



Source: Primary data gathered through a questionnaire, with a total of 89 responses, conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

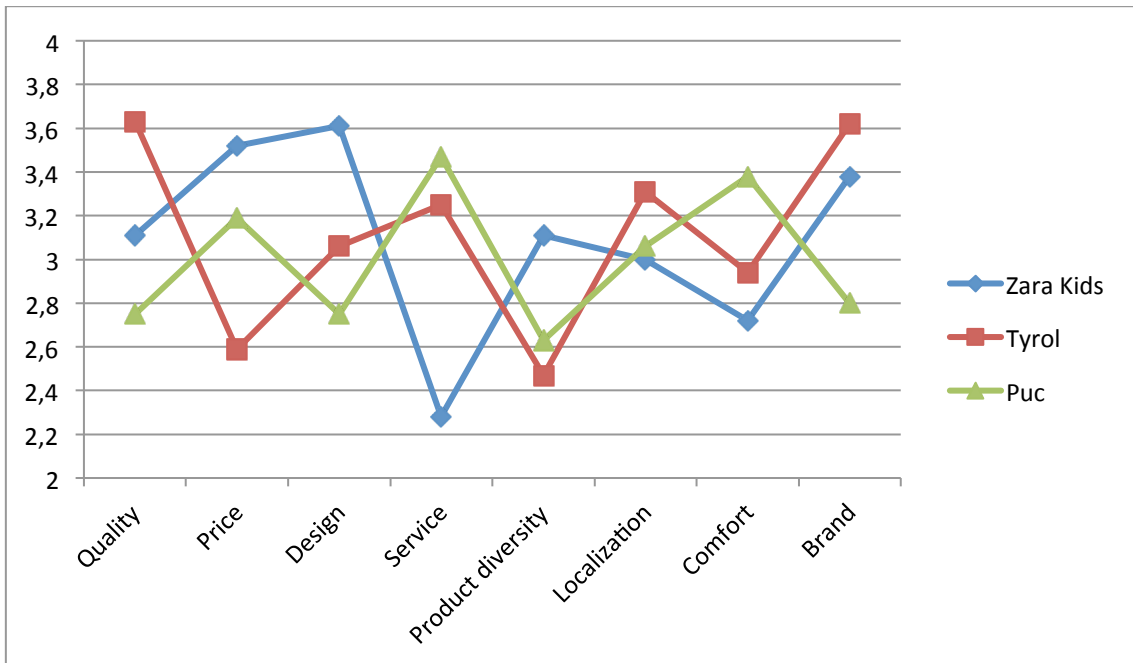
Exhibit 14 – Most bought brands

"Which 2 brands do you buy the most?"



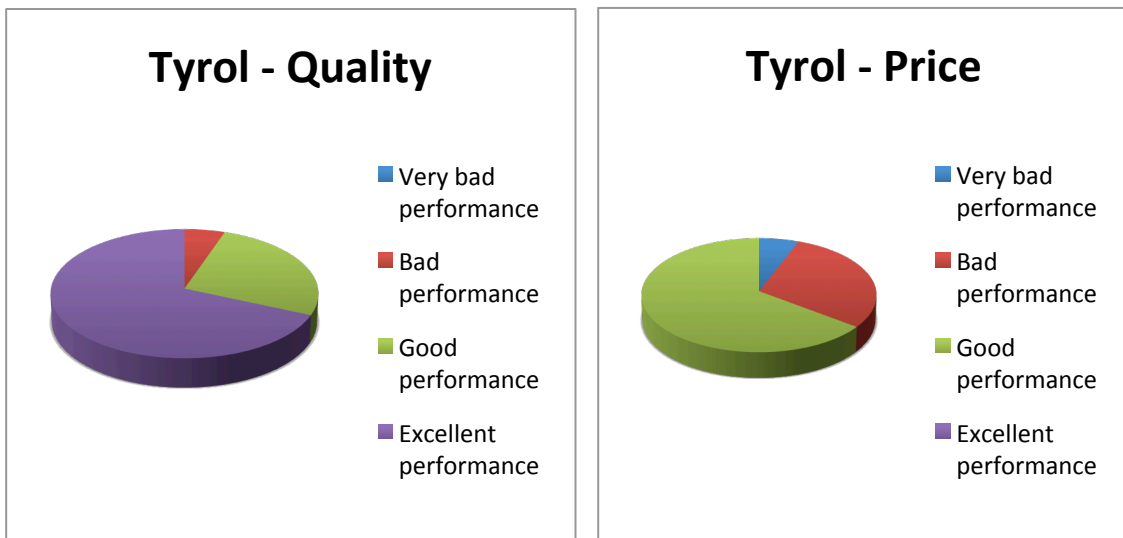
Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

Exhibit 15 – Attribute’s average performance of the top 3 brands in a scale from 1 – very bad performance to 4- excelente performance

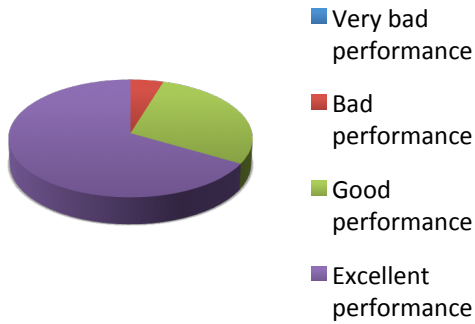


Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

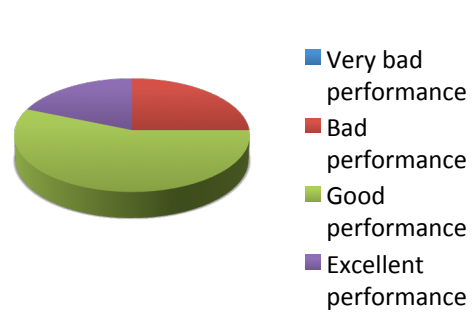
Exhibit 16 – Tyrol attributes’ performance



Tyrol - Brand



Tyrol - Comfort



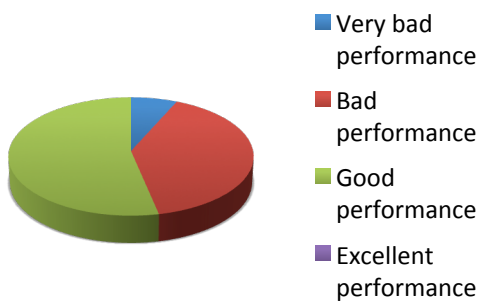
Tyrol - Design



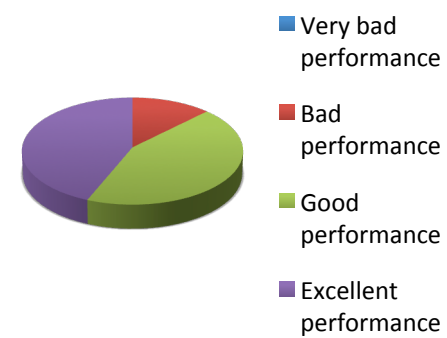
Tyrol - Service



Tyrol - Product Diversity

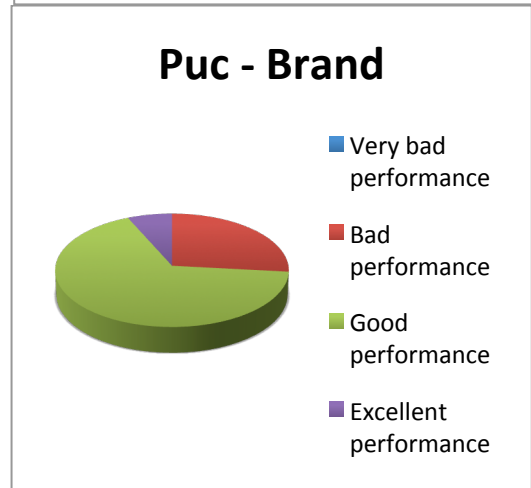
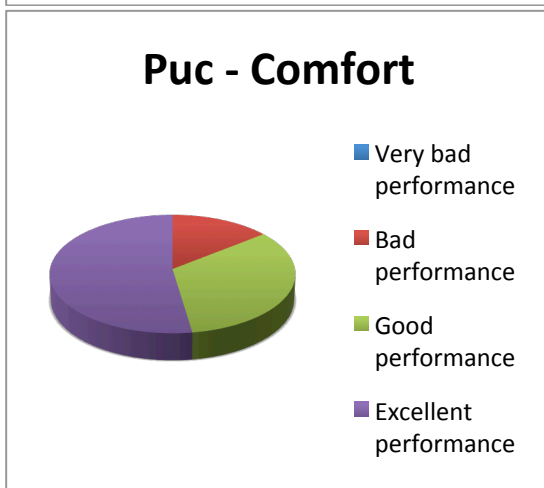
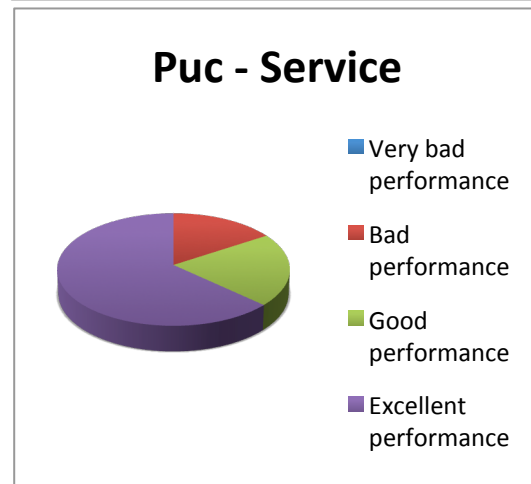
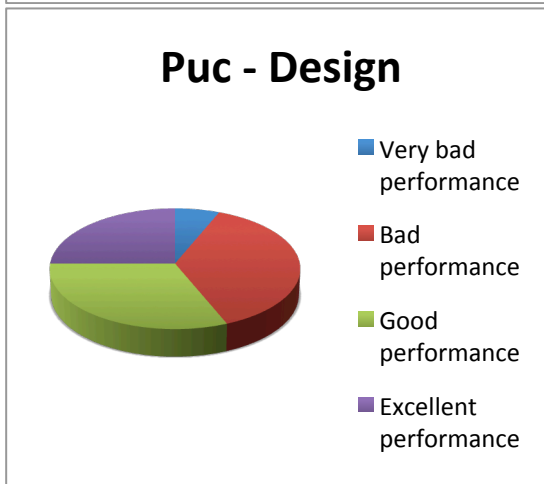


Tyrol - Localization



Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

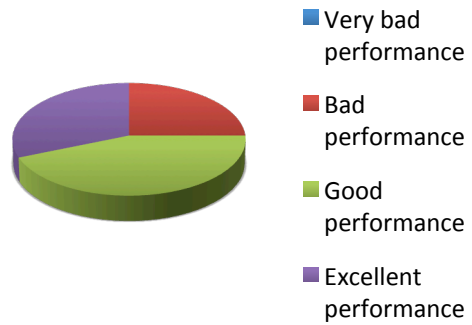
Exhibit 17 – Puc attributes' performance



Puc - Product Diversity



Puc - Localization



Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

Exhibit 18- Zara Kids attributes' performance

Zara Kids - Quality



Zara Kids - Price

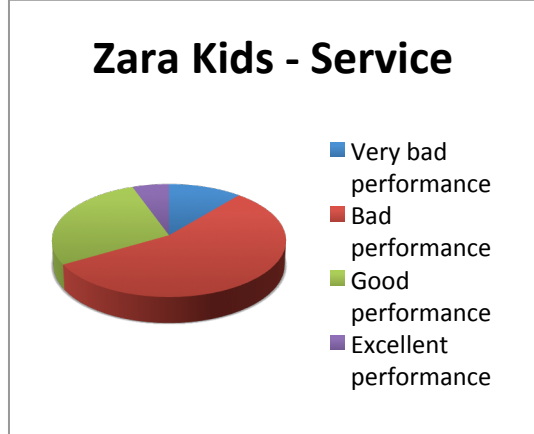
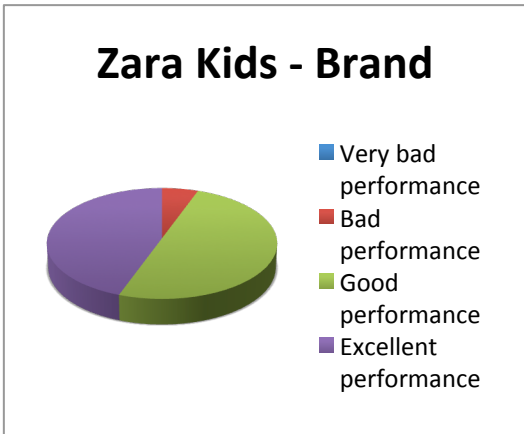


Zara Kids - Comfort



Zara Kids - Design





Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

Exhibit 19 – Social classes' division

Classe A1: inclui as famílias com renda mensal maior que R\$ 14.400

Classe A2: maior que R\$ 8.100

Classe B1: maior que R\$ 4.600

Classe B2: maior que R\$ 2.300

Classe C1: maior que R\$ 1.400

Classe C2: maior que R\$ 950

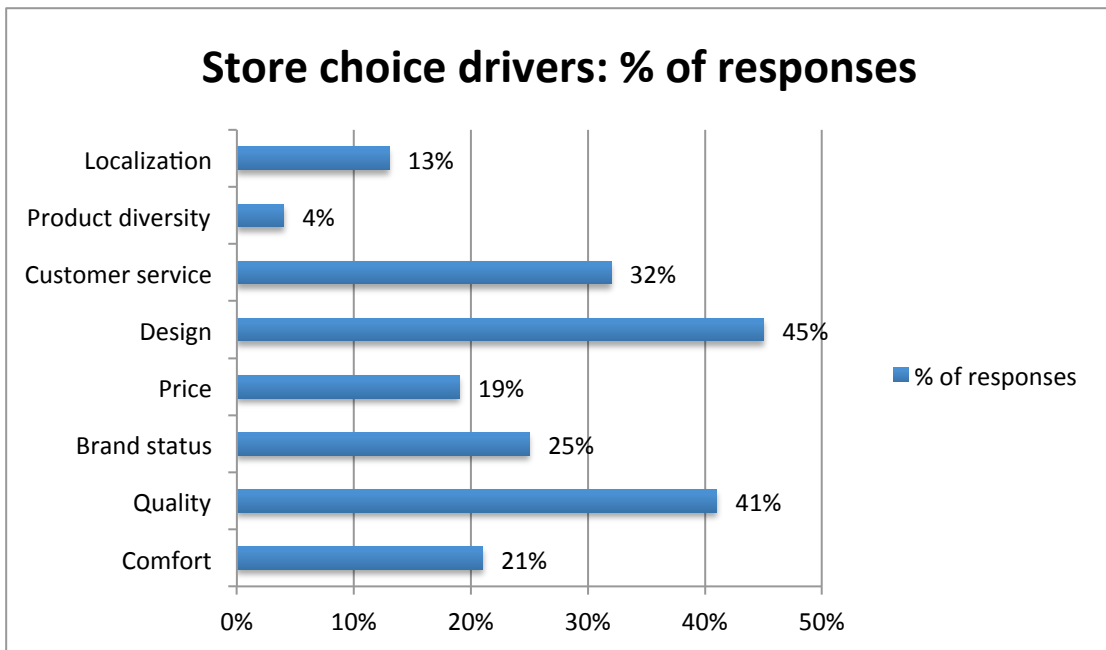
Classe D: maior que R\$ 600

Classe E: maior que R\$ 400

Classe F: menor que R\$ 200

Source: http://pt.wikipedia.org/wiki/Classe_social

Exhibit 20 – Most valued attributes by the customers



Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

Exhibit 21- Main Shopping areas for the upper class, class A



Picture 1 – Shopping Cidade Jardim



Picture 2 – Óscar Freire street



Picture 3 - Iguatemi Shopping



Picture 4 – Morumbi Shopping

Source: www.google.com

Exhibit 22 – Inside Metro Company U.S.A.’s store



Source: Metro Company U.S.A.’s Facebook webpage

Exhibit 23 – The different Logos



Picture 1 – European Metro Kids’ logo



Picture 2 – Brazilian Metro Company U.S.A.’s logo

Source: Facebook webpages both of Metro Kids and Metro Company U.S.A.

Exhibit 24 – Adaptation of designs



Pictures 1- Winter collection in Europe



Pictures 2 - Winter collection in Brazil

Source: Facebook webpages both of Metro Kids and Metro Company U.S.A.

Exhibit 25 – Replication of store design

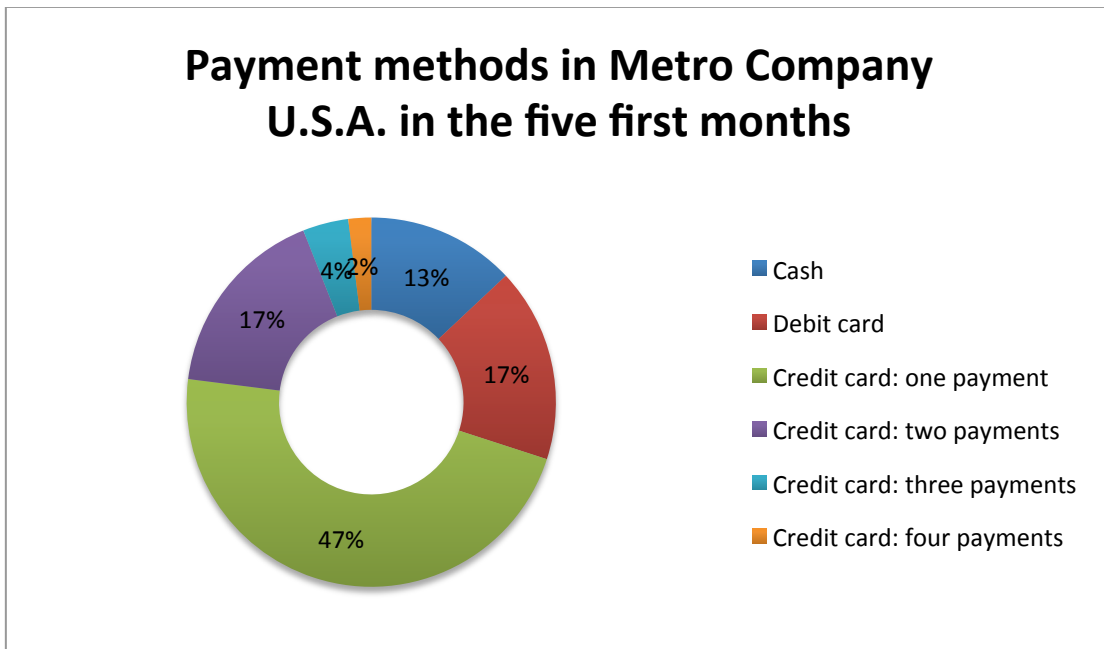


Picture 1- Portuguese store

Picture 2- Brazilian store

Source: Facebook webpages both of Metro Kids and Metro Company U.S.A.

Exhibit 26 – Payment Methods in Metro Company U.S.A.



Source: Metro Company U.S.A.'s reports

Exhibit 27 – Example of advertisement used in magazines in Portugal



Source: www.metrokidscompany.com

Exhibit 28 – Logo printed in every product



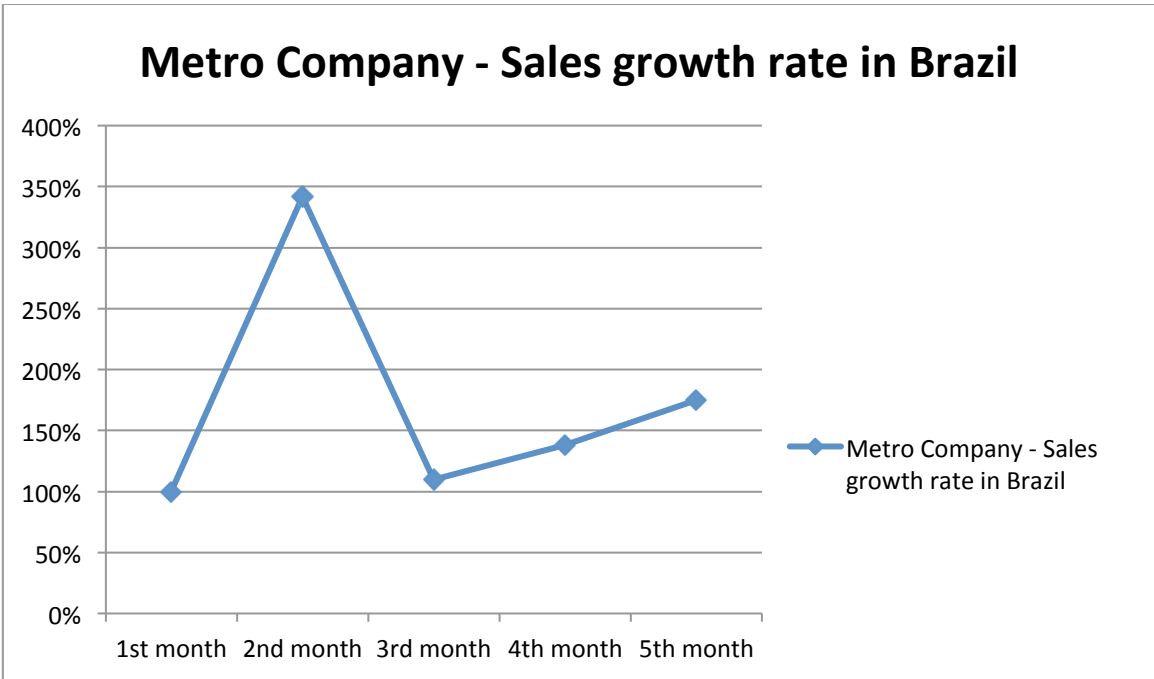
Picture 1 – shorts



Picture 2 – polos

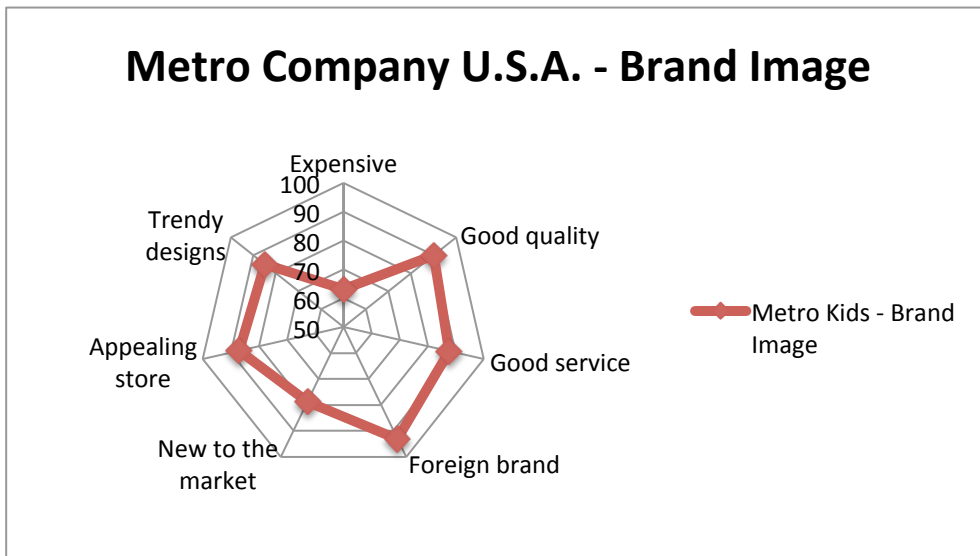
Source: Facebook webpages both of Metro Kids and Metro Company U.S.A.

Exhibit 29 – Metro Company U.S.A.’s sales growth



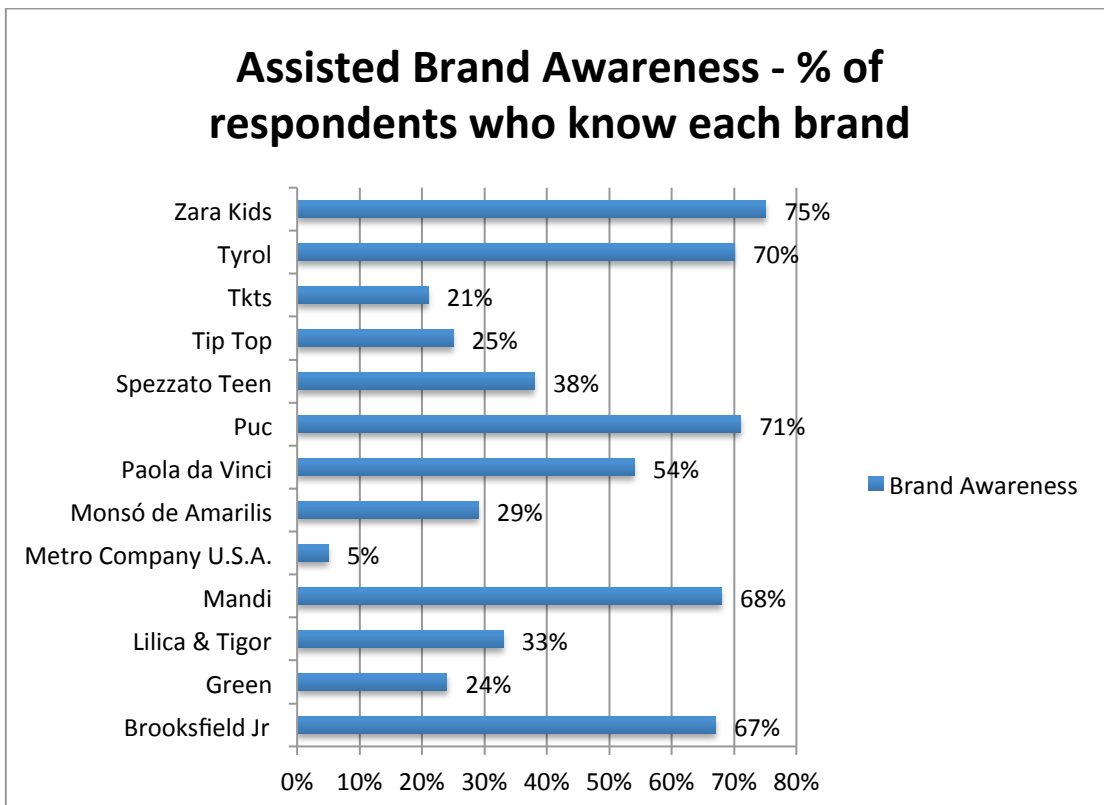
Source: Metro Company U.S.A.’s report

Exhibit 30 – Metro company U.S.A.’s Brand image in Brazil



Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

Exhibit 31 – Brand awareness in the children’s apparel sector in São Paulo, for the upper class segment



Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

Exhibit 32 – Willingness to return to Metro Company U.S.A.'s store



Source: Questionnaire conducted by me in four main areas: Óscar Freire street, Morumbi Shopping, Cidade Jardim Shopping and Iguatemi Shopping in São Paulo, Brazil.

Exhibit 33 – Promotion flyer of Liquidação Lápis Vermelho's partnership



Source: <http://barradasaia.blogspot.com/2010/02/liquidacao-lapis-vermelho.html>

Exhibit 34 – Portuguese partnership with the Lisbon Zoo



Source: Metro Kids Company facebook Webpage

Exhibit 35- Examples of price discount flyers used in Portugal

HAPPY HOUR

entre e descubra...

durante o mês de Novembro
todas as Terças e Domingos
das 20h às 24h
terá desconto imediato!

para compras iguais ou superiores a 100€
terá desconto imediato de 15%

para compras iguais ou superiores a 200€
terá desconto imediato de 20%

para compras iguais ou superiores a 300€
terá desconto imediato de 20%
+ desconto cartão Metro Kids

Aproveite a nossa campanha de **descontos** e faça as suas **compras de Inverno!**

* Período dependente do horário de fecho das lojas. Happy Hours nas lojas de rua funciona Terças e Quintas das 14h às 17h. Promoção não válida para lojas Outlet.

aos **DOMINGOS**
nas lojas **Outlet**
da **Metro Kids Company**
no Pague 1 Leve 2
oferecemos
uma terceira peça

Novembro						
S	T	Q	Q	S	S	D
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Dezembro						
S	T	Q	Q	S	S	D
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19

Mk Campera
Campera Outlet Shopping, loja 61
2586-491 Carregado



EST. 1989
METRO KIDS COMPANY
U.S.A.

Mk Vila do Conde
Complexo Comercial Nassika, loja 117
4485-592 Modivas

Campanha válida aos Domingos até dia 19 de Dezembro de 2010.
Campanha válida para os artigos assinalados com Pague 1, Leve 2.
A peça de oferta está limitada ao stock existente e a artigos assinalados na loja.
Campanha válida nas lojas MK Vila do Conde e MK Campera.

Source: Metro Kids Company facebook Webpage

4. TEACHING NOTE

4.1. Learning objectives

This case study can be used in diverse Marketing courses, from Consumer Behavior or Marketing Communications to International Brand Management or Managing in a Global Context, since it is a current topic result of globalization trends. According to the level of knowledge on the subject, the case-study can be used by undergraduate, Master or MBA students, who will be asked questions with different levels of difficulty. The purpose is to give an overview of the apparel industry around the world and, in particular, in Brazil, and also that students become familiar with international branding issues and understand to which extent multinational companies have to adapt the positioning strategy to suit local conditions and different consumer behaviors. A debate is supposed to be created on whether should firms adapt locally or simply replicate globally.

4.2. Case-study synopsis

This case study explains in detail the decision taken by Metro Kids of expanding to Brazil, its positioning strategy, and its future plans, as well as the reasoning behind them.

The case is divided into three major topics. The first one has to do with Brazil and São Paulo as a marketplace, it is an overview of some facts and figures that made Brazil an interesting country to expand to, it also includes a summary of the apparel industry in general in this country and, in particular, the children's apparel industry, whose importance is increasing.

Then, it introduces and integrates the company, Metro Kids, in this Brazilian market scenario. It starts by describing the company's background and the process of its establishment in this new market, focusing on the strategic decisions it had to make, mainly regarding the segmentation and marketing mix.

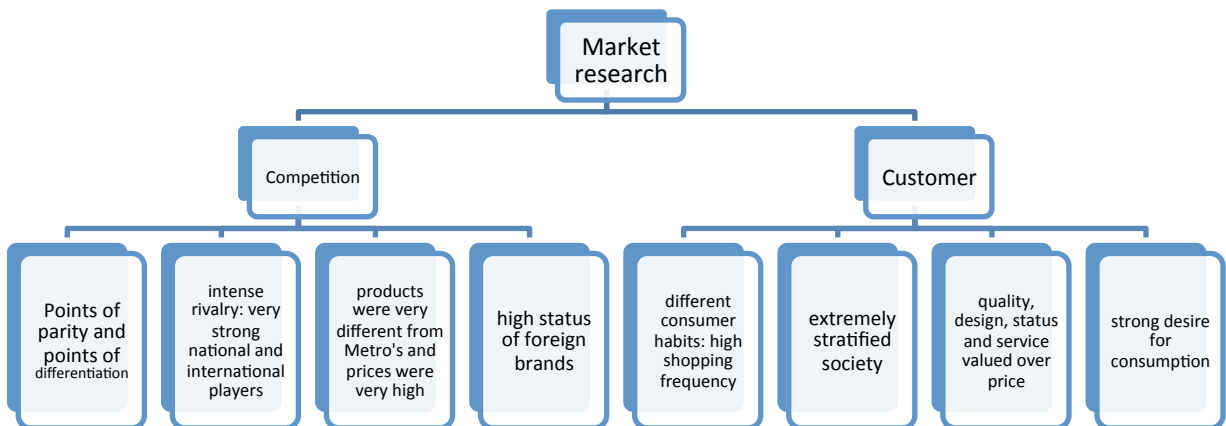
Finally, the case measures the success of the internationalization strategy in Brazil, by underlining some aspects of Metro Kids' performance analysis and comparing actual sales and customer satisfaction to the expected ones; it explores the possible cause for the gap, which is low brand awareness, and proposes some short-term courses of action to help solving the problem.

Basically, the case-study presents two main challenges: whether there is enough space for Metro Kids in this extremely competitive market and, at the end, what should be the next steps to build an integrated marketing communication strategy for the long-term, in order to increase brand awareness and, consequently, boost sales.

4.3. Suggested assignment questions

1. Which were the main factors that influenced Metro Kids' positioning strategy? (Closed question)

Students should identify the following aspects:



2. What did Metro Kids adapt in its strategy to the local culture? (Closed question)

Students should identify and explain the following aspects:

- a. Target segment: it was the upper class in Brazil while it was the medium class in Europe.
- b. Brand name: Metro took the word “Kids” away and changed the name to Metro Company U.S.A., emphasizing the American influence through the word “U.S.A.”.
- c. Product: it adapted the sizes and some designs according to local temperatures, attitudes and lifestyles.
- d. Customer service: it was improved by implementing a personalized service in a one-seller-to-one-client basis, as it is highly valued in this market.
- e. Prices: to meet customers’ expectations and justify its premium positioning, Metro raised the practiced prices.
- f. Creation of a slogan “A Reference to a Reference”: written in English to emphasize the American influence, which is so much appreciated by the Brazilians, and underline the premium product for a premium target segment, once again.

3.How can Metro Kids build its Integrated Marketing Communication strategy in an effective way? (Open question)

Some hints for the discussion:

- a. It largely depends on the means of communications used, on the communication options chosen, and on the reach, span and speed of electronic communication.
- b. Use a combination of vehicles, not only advertising: point of purchase advertising, consumer promotions, media advertising, place advertising, trade promotions, direct response and interactive advertising, publicity and public relations, event marketing and sponsorship, and personal selling.
- c. Besides planned communication, do also encourage word-of-mouth and non-paid publicity.
- d. Plan it in detail.
- e. Create and transmit to the audiences both a visual and an emotional impact.

For further theoretical background, students should consult: Duncan and Moriarty (1998), Keller (2001), Schultz (2003), Nielsen, Shapiro and Mason (2010).

4.What should Metro Kids do in the future to sustainably grow and expand? (Open question)

Main objective: Increase brand equity through the increase of brand awareness and the formation of a positive brand image congruent with the desired brand identity, which will form brand knowledge structures that constitute brand equity.

Some possible topics to encourage brainstorming on future directions to take:

- a. Expand by opening more stores in São Paulo, then expand to other cities in Brazil, and later on expand to other countries in South America.
- b. Implementation of Integrated Marketing Communication to increase brand equity: promote the brand through partnerships and effective communication, sponsor events and participate in Fashion shows, which are very admired by this segment.
- d. Product extension: Extend the product portfolio to shoes, bath suits, perfumes and accessories for children.
- e. Target segment extension: Extend the brand to clothes not only for children, but also for pregnant women of class A.
- f. Use brand-oriented advertising, not price-oriented advertising, to strengthen brand image, to signal product quality and differentiate the products.

For further theoretical background, students should consult: Keller (2001), Aaker (1991), Keller (1993), Kirmani and Wright (1989), Dekimpe and Hassens (1999).

5. CONCLUSIONS

5.1. Conclusions

This thesis balances a theoretical and a practical perspective in an enriching way, not only because it develops the current topic of globalization and which factors should companies take into consideration when expanding, but also because it used a specific example of a company with all the details of the adaptation/replication process. Regarding the saying “Think global, act local!”, to which extent does it really apply and what does it depend on?

After providing a theoretical background on some topics mainly about the worldwide apparel industry, the market orientation and stakeholder engagement concepts, some positioning and international branding notions, and an overview on integrated marketing communication, it then analyzes Metro Kids’ case-study, a Portuguese company operating in apparel for children’s industry, which is already present in some European cities and has now taken a bigger step and expanded to Brazil.

At the beginning, some key research questions were defined and all the work developed had the major objective of addressing and answer them. The KRQ were:

- 1. Regarding environmental factors like competition and consumer behavior, was Metro’s positioning strategy an adequate one? Does it really differentiate from competition? Does it meet customer’s needs?*
- 2. Is it, so far, a failure or a success? Why?*
- 3. How can Metro Kids improve its strategy in the future, so that it can sustainably expand?*

In fact, some major conclusions could be taken from this project. First of all, it was possible to conclude that there were two factors that the relevant segment Metro was targeting, class A, really valued, and these were the quality of the products and its trendy designs. Moreover, regarding competitors, within all the national and international competitors, there were three main brands that had the highest market share: the national brands Tyrol and Puc, and the international brand Zara Kids. While Tyrol was known for the quality of its products and the status associated to the brand, Puc differentiated through in-store customer service and the comfort of its products, and Zara Kids ranked the best levels in trendy designs and good price. On the other hand, Metro Kids was standing for quality and design. So, each one had its own space in the marketplace.

In short, Metro positioned well in this market, since its points of differentiation from the competitors relied exactly in the two most valued factors by the target segment regarding apparel for children, which are quality and trendy designs. In fact, its positioning strategy is both differentiating from competition, and meeting customers’ needs.

However, besides having a correct positioning and being well perceived as trendy and a good quality brand, moderately expensive, providing a good service to the client, and also perceived as a foreign brand, appealing and new to the market, something failed to be successfully implemented: the communication campaign.

Therefore, through a comparison between the actual sales and consumer satisfaction and the expected ones, it was possible to conclude that Metro was not achieving in the first months the predicted success in results and revenues. Since the brand was being well perceived and customers were satisfied with the company's products - as from all the clients who have been there, around 35% had returned to make new purchases -, the only reason for not being as successful as it had been expected were brand awareness reasons (only 5% of the target segment sample knew the brand), not product related reasons. Nevertheless, the operational period was still very short (only 5 months) to take these results as representative of future performance.

For the future, the course of action would be to plan an integrated marketing communication campaign in order to increase brand awareness and, consequently, sales volume. Due to budget constraints it wouldn't be implemented in the short-run, but some lower cost initiatives would be taken as soon as possible in an attempt to solve this problem.

To conclude, Metro Kids' case study was able to give answers to the key research questions initially proposed.

5.2. Limitations and directions of further research

Throughout these months, although some drawbacks, it was possible to gain some valuable insights. However, this thesis would have been more complete if there weren't some of those limitations.

The first problem was the geographical distance, which limited me in the way that I couldn't visit the company in Brazil as much as I would have liked to and, sometimes, web communication was not as effective as face-to-face meetings, leading to some misunderstandings. Distance did not only influence my own research of the company, but also my market research, which had to be done personally in São Paulo, instead of online surveys. This led to another limitation that was the low number of inquiries (a sample of 89 people), because since I didn't have enough contact with my target segment (people with children between 2 and 16, from class A, living in São Paulo) to build a representative sample, I had to conduct questionnaires face-to-face in São Paulo, which had to be the fastest possible as

people were not willing to spend much time with it and, also me, I wanted to maximize the number of responses and minimize the time needed for respondents to complete it.

Furthermore, regarding the sample, this is the typical industry where the final user is different from the buyer most of the times. Concerning this issue, I should have also asked to some children between 14 and 16 years old the same questionnaire, because with this age, there are already a lot of children that go shopping autonomously, and it is important to understand in which way their preferences differ from those of their parents.

Moreover, having had all these sample limitations, it would have been useful to do some qualitative market research such as focus groups or interviews with the target segment, instead of using only quantitative methods, more specifically, a questionnaire.

Finally, I would like to underline the fact that the company in Brazil is very recent, which means that there is not enough data yet to take representative conclusions. Besides this, also some data was not shared with me for confidentiality reasons, such as formal market research studies, which prevented me from doing a more accurate analysis.

Further research could, in one year time, study the positioning of Metro Kids and the competition in the market, and build perceptual maps to evaluate if the brand has achieved its strategic objectives and if the strategies were successful or not.

It could also explore the effect of a foreign brand in consumers' perceptions and their willingness to buy its products.

Finally, it would be interesting to analyze which means of communication did other brands in the market use to increase brand awareness and whether they were effective or not, so that Metro can efficiently implement its Integrated Marketing Communication strategy.

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7. ATTACHMENTS

Attachment 1 – Personal questionnaire conducted in São Paulo

In order to collect some data on consumer behavior concerning the kids' apparel market, including clients' preferences, their perceptions on the existing brands and the decision-making process, I conducted a face-to-face questionnaire in the main areas where Metro Kids' target segment usually go shopping in São Paulo, Brazil. As kids clothing is one of those industries where the buyer is not the final user, I chose to approach the buyer, which are adults with children until 15 years old, and that are the final decision makers when buying clothes for their children.

The questions were specially formulated to gather information on consumer habits, such as shopping frequency, store choice drivers, brand awareness, consumers' preferences and their perceptions on the existing brands, and to analyze the image of the new brand Metro Kids.

Questionário

No âmbito da minha tese de Mestrado, cujo tema geral é o mercado de roupa infantil em São Paulo, no Brasil, estou a desenvolver um estudo de mercado com o objectivo de perceber a óptica do cliente no que diz respeito às suas preferências e também as percepções que os consumidores têm das marcas existentes.

Este questionário é constituído por 9 perguntas, quase todas de resposta rápida e directa, demorando cerca de 3 minutos. Asseguro que as respostas obtidas servirão única e exclusivamente para análises relativas ao projecto que estou a desenvolver, sendo mantidas em anonimato.

1- Costuma ser responsável pela compra de roupa para os seus filhos?

- a. Sim
- b. Não

2- Quantas vezes, por mês, visita uma loja de roupa infantil?

- a. 1 a 4 vezes
- b. 5 a 7 vezes
- c. 7 vezes ou mais
- d. Visito apenas quando preciso de comprar roupa

3- Indique os 2 factores que mais valoriza quando compra roupa para os seus filhos.

- a. Preço
- b. Qualidade
- c. Conforto
- d. Design moderno
- e. Marca
- f. Bom atendimento
- g. Diversidade de produtos
- h. Localização da loja

4- Indique 3 marcas de roupa para criança de que se recorde.

5- Das seguintes marcas de roupa para criança, seleccione todas as que conhece.

Brooksfield Jr	
Green	
Lilica & Tigor	
Mandi (marcas como Abercrombie & Fitch e Hollister)	
Metro Kids Company USA	
Monsó de Amarilis	
Paola da Vinci	

Puc	
Spezzato Teen	
Tip Top	
Tkts	
Tyrol	
Zara Kids	

6- Da seguinte lista, seleccione as 2 marcas onde mais compra?

Brooksfield Jr	
Green	
Lilica & Tigor	
Mandi (marcas como Abercrombie & Fitch e Hollister)	
Metro Kids Company USA	
Monsó de Amarilis	
Paola da Vinci	
Puc	
Spezzato Teen	
Tip Top	
Tkts	
Tyrol	
Zara Kids	
Outra: Qual?	

7- Como posiciona as marcas identificadas na pergunta 6 (as duas marcas que mais compra) em relação aos dois factores que seleccionou na pergunta 3? Classifique-as numa escala de 1 a 4, em que 1 – péssima performance, 2- performance insatisfatória, 3- boa performance e 4 – excelente performance.

		Marca 1	Marca 2
		_____	_____
Preço	1		
	2		
	3		
	4		
Qualidade	1		
	2		
	3		
	4		
Design moderno	1		
	2		
	3		
	4		
Marca	1		
	2		
	3		
	4		
Atendimento	1		
	2		
	3		
	4		
Conforto	1		
	2		
	3		
	4		

8- Se na pergunta 5 respondeu que conhece a marca Metro Kids, assinale, no seguinte quadro, numa escala de 1 a 7, as palavras que melhor descrevem a imagem da marca.

	1	2	3	4	5	6	7	
Barata								Cara
Má qualidade								Boa qualidade
Atendimento fraco								Bom atendimento
Marca Nacional								Marca estrangeira
Marca estabelecida no mercado								Marca nova no mercado
Loja não apelativa								Loja apelativa
Modelos com design tradicional								Modelos com design inovador

9- (Se na pergunta 5 respondeu que conhece a marca Metro Kids)

Sendo esta uma marca muito recente no mercado brasileiro, considera a Metro Kids como opção para fazer as compras de roupa para os seus filhos, no futuro?

- a. Sim
- b. Não

10 – Qual a sua idade?

- a. Entre os 20 e 25
- b. Entre os 26 e os 32
- c. Entre os 33 e os 40
- d. Mais de 40 anos

11- Qual o seu sexo?

- a. Feminino
- b. Masculino