



**CATÓLICA  
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# **Establishing a Growth Strategy for a Start-up**

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## **The Selfie Stick Portugal Case**

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## ABSTRACT

Title: Establishing a Growth Strategy for a Start-up – The Selfie Stick Portugal Case

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Selfie Stick Portugal was launched in December 2014, after *selfies* became a worldwide phenomenon, and social networks part of everyone's daily life in Portugal. Even though customers could already find the product online, Selfie Stick Portugal enjoyed a first mover advantage by being the first selling the Selfie Stick in a physical store in Portugal. Nevertheless, new competitors soon started arising in the market, and some were even offering lower prices while selling their products in a similar packaging as Selfie Stick Portugal, making the product look, at a first sight, exactly the same and the price difference unjustifiable.

Being the Selfie Stick a one-time purchase product it was crucial to milk the business as much and fast as possible, before competitors started increasing their market share.

As a start-up with limited capital available, Selfie Stick Portugal had a tough decision ahead: either to invest in a new Shop Spot in Norte Shopping or in the repackaging of its products with an exclusive design.

## RESUMO

Título: Definindo a Estratégia de Crescimento de uma *Start-up* – O Caso Selfie Stick Portugal

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A Selfie Stick Portugal foi lançada em Dezembro de 2014, depois do fenómeno das *selfies* e das redes sociais começarem a fazer parte do dia-a-dia dos portugueses. Embora o Selfie Stick pudesse, até aí, ser comprado online, a empresa usufruiu de uma vantagem competitiva ao ser a primeira a entrar no mercado português com uma loja física. Novos concorrentes surgiram entretanto no mercado e iniciaram a comercialização deste produto, alguns deles oferecendo preços mais baixos e até uma embalagem semelhante à da Selfie Stick Portugal, pelo que à primeira vista os produtos pareciam totalmente iguais não se justificando, para os clientes, a diferença de preço.

Considerando o Selfie Stick como produto de compra única, era essencial que a empresa atingisse o máximo número de pessoas o mais rapidamente possível, antes dos concorrentes começarem a ganhar quota de mercado.

Sendo uma *start-up*, o capital detido pela Selfie Stick Portugal era ainda limitado pelo que era necessário tomar uma decisão respeitante à estratégia de crescimento da empresa: ou investir numa nova *Spot Shop* localizada no Norte Shopping, ou numa nova embalagem com um design exclusivo capaz de diferenciar à 1<sup>a</sup> vista o Selfie Stick Portugal do Selfie Stick da oferecido pela concorrência.

## **ACKNOWLEDGEMENTS**

First and foremost I would like to thank my family. Throughout the years they have given me immeasurable support and motivation in both my personal and academic life and had a huge influence in the person I am today. Opening my own company has always been a dream to me that I never expected would happen so soon in my life so I would like to thank my parents for encouraging me to go ahead with it when Selfie Stick Portugal was nothing but an idea and a very special thanks to my mother who has been a huge mainstay to the management of the company.

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# CASE STUDY

## Introduction

After a busy day meeting with the Marketing Manager of Norte Shopping and some future potential employees, Inês Mirpuri Amaral was in the train on her way back to Lisbon, thinking of what Selfie Stick Portugal had achieved in its few six months of life. Even though the results were quite positive, Inês had to keep in mind that new players were continuously entering the market competing with the brand mainly in terms of price, which during economic crisis that Portugal was going through was an extremely important factor.

Inês was particularly concerned with the Chinese Convenience Shops in Portugal. The latter had recently adopted the Selfie Stick, and even though Selfie Stick Portugal and the Chinese Stores had different suppliers with different prices and levels of quality, the packaging's design was the same for all of them, in order for the Chinese suppliers to benefit from economies of scale. Selling a similar product, with a similar packaging at a lower price, the Chinese Stores represented a growing threat for Selfie Stick Portugal. Considering the Selfie Stick to be a one-time purchase, it was crucial to milk the business as much and fast as possible before competitors started gaining market share.

Mónica Braz, Marketing Manager of Norte Shopping presented Inês with some tempting numbers regarding the Shopping Mall's traffic and sales but

Inês was also conscious of the costs attached to this option (see Exhibit 1) and still was not sure if this was the right move to make, so her answer to Mónica was still on hold.

With limited capital, Inês had a tough investment decision to make and she thought about two paths that she could follow: either to invest in the new Shop Spot in Norte Shopping or in repackaging its products with an exclusive design.

## The Selfie Stick in the world

In 1983, and a long time before *selfies* were considered a worldwide phenomenon, the Minolta Disc-7 camera was launched. This camera was equipped with a mirror and a stick with a camera holder that would allow its users to take self-portraits<sup>1</sup>. Later on, in 1995 the Selfie Stick was featured in a book named "101 Useless Japanese Inventions"<sup>2</sup>. It seemed that it was all about timing as most people at the time were reluctant to accept the idea of carrying around a stick to take self-portraits. Years later, when mobile phones started being

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<sup>1</sup> [http://en.wikipedia.org/wiki/Selfie\\_stick](http://en.wikipedia.org/wiki/Selfie_stick)

<sup>2</sup> <http://distractify.com/alex-scola/but-first/>

used as cameras and social networks started booming, the Selfie Stick was ready to succeed. From 2011 onwards, it has been available in the United States of America but it was last year (2014) that the Selfie Stick fever around the world started to grow and the product was even considered in Time Magazine's 25 best inventions of the year<sup>3</sup>.

### The growth of Social Networks

Social networks have been growing exponentially and Facebook was no exception, being considered the top Social Network in the world<sup>4</sup>. Allowing its users to communicate and share their thoughts, photos and experiences, it has also become part of the marketing plans of practically all organizations and it is even used to support Social Causes. Instagram was another unexpected success with a loyal and extremely fast growing user base. It was acquired for almost \$1 billion by Facebook in 2012, which saw the potential of this network that at the time only had around 22 million users. Allowing the users to share their photos on real time it currently has more than 20 billion active users who share around 60 million photos daily.

Social Networks are part of Generation Y's daily life, who feel attracted by a more visual style of communication and the urge to share their experiences with others. The technological advance in the mobile phones cameras made it easier and even funnier for people to take and share their pictures. Moreover, the development of the filters to edit the photos that can be found in several apps and even on Instagram were also an important tool for the increase in photo sharing, since suddenly all pictures looked more beautiful and ultimately professional<sup>5</sup>.

### The selfie phenomenon

The Digital Age and Social Networks soon gave place to the era of the *selfie*, and this worldwide phenomenon seems to be here to stay. Lisbon was even ranked #33 in Time Magazine's Top100 ranking of cities where people take more *selfies*<sup>6</sup>.

Even though some people and studies argue that *selfies* are narcissistic and futile, most people seem to ignore this and the proof is in the millions of *selfies* that can be found on Social Networks, where people share their daily lives and experiences with others. *Selfies*

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<sup>3</sup> <http://time.com/3594971/the-25-best-inventions-of-2014/>

<sup>4</sup> <http://www.ebizmba.com/articles/social-networking-websites>

<sup>5</sup> Hempel, J. (2014) "Instagram is ready to take its shot", Fortune, Vol.170, Issue 1, pp72-78.

<sup>6</sup> <http://time.com/selfies-cities-world-rankings/>



are part of today's culture and everyone from Pope Francis to Obama has probably some *selfies* on their record.

This trend has recently entered the marketing strategies of some worldwide renowned companies, as it was the case of Samsung. In the 2014 Oscar Ceremony, Samsung was the sponsor of the most popular *selfies* in history, picturing Ellen Degeneres surrounded by other popular celebrities, and winning the title of the most retweeted photo of all times<sup>7</sup>.

Some smartphone makers have even taken the *selfies* phenomenon to a whole new level. Take the example of HTC. The brand has recently launched a mobile phone with a front camera of 13 mega pixels and two image processors, allowing the user to use both cameras at the same time and then split the picture, showing the photographer and the landscape side by side, or even cropping the photographer and placing him in the other image<sup>8</sup>.

## **Company**

### Selfie Stick Portugal

In order to keep up with the *selfie* trend, Inês Mirpuri Amaral founded a start-up named Tonic Balance Lda and its first brand, Selfie Stick Portugal, was launched in December 2014 targeting all Portuguese people owning a smartphone. The Selfie Stick, also known as monopod, is a manual device composed of a stick and a holder where one can place a phone or even a small camera, allowing users to take the so-called *selfies* from a longer distance (see Exhibit 2). According to Inês Mirpuri Amaral, founder of Selfie Stick Portugal:

*“The idea of creating the company was originated during my exchange semester in Hong Kong. I could see Selfie Sticks for sale everywhere and practically everybody in Hong Kong had his/her own Selfie Stick. At the beginning it was a little bit weird to see everybody in the streets using this device, but it ended up being one of my first purchases in Hong Kong. When I started using the Selfie Stick I could finally understand why it was such a success.”*

The Selfie Stick has several advantages that add genuine value to the *selfie-taking* experience and seem to justify the fact that the product was listed in Time Magazine's 25 best inventions of 2014<sup>9</sup>:

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<sup>7</sup> <http://www.dailymail.co.uk/>

<sup>8</sup> [www.htc.com](http://www.htc.com)

<sup>9</sup> <http://time.com/3594971/the-25-best-inventions-of-2014/>

- More independence and security to its users – there is no need to ask a stranger to take the photo,
- More diversity when it comes to the scenery – at a higher distance the photo can capture not only the people but also the environment surrounding them,
- All in the same photo – No one has to stay out of the photo to take it.

In order to counteract the product's association with attributes like narcissism or futility, the brand's communication, done mainly via Social Networks, focuses on the last advantage: the ability to put everyone in the photo emphasizing values such as friendship and family.

Inês saw a window of opportunity and went for it, with the goal of becoming the top of mind brand when people think of a product that would allow them to take long-distance self-portraits all together. At the time the company was launched, the only product existent in Portugal that would satisfy a similar need as the Selfie Stick would be the GoPro Stick, suitable only for the GoPro camera. However, whereas not everybody had the chance to buy a GoPro most people had a smartphone that was often used as a camera. Later on, Sticko, a small and light holder for phones, cameras, GPS and tablets, was launched. Sticko adhered to most flat surfaces and it could hold up to 2,5Kg<sup>10</sup>, having several uses, among which holding phones or cameras allowing people to take long-distance *selfies*. Podo was recently launched after a few months crowdfunding campaign, and consists basically of a wireless re-stickable camera able to turn any surface into a photo booth<sup>11</sup>.

### Location, location, location

Selfie Stick Portugal sells its products online nationally and currently has one Shop Spot in Centro Comercial Colombo (elected by Prémios Hipersuper as the best Shopping Mall in Portugal with around 25 million visits annually<sup>12</sup>). Shop Spots are a relatively new retail format pioneered by Sonae Sierra in 2008. It consists of a small stand, easy to move and adapt to a brand's image. Sonae Sierra rents these Shop Spots to new brands that are still not in position to open their own stores or that simply want to promote its products in a privileged position of a busy Shopping Mall with a strong visual impact and a competitive cost structure<sup>13</sup>, as was the case of Selfie Stick Portugal. Some customers even consider the

<sup>10</sup> <http://www.lojasticko.com/produto/suporte-telemovei-sticko-vermelho-pack-1-unidade/>

<sup>11</sup> <http://www.podolabs.com/>

<sup>12</sup> [http://www.sonaesierra.com/pt-PT/pressroom/news/2011/1453/Centro\\_Colombo\\_eleito\\_Melhor\\_Centro\\_Comercial\\_em\\_Portugal\\_pela\\_segunda\\_vez\\_consecutiva.aspx](http://www.sonaesierra.com/pt-PT/pressroom/news/2011/1453/Centro_Colombo_eleito_Melhor_Centro_Comercial_em_Portugal_pela_segunda_vez_consecutiva.aspx)

<sup>13</sup> [http://www.sonaesierra.com/PublicImages/contents/CR/PBC2009\\_2/PBC\\_Portugal.pdf](http://www.sonaesierra.com/PublicImages/contents/CR/PBC2009_2/PBC_Portugal.pdf)

Selfie Stick as an impulse buying product, since the purchase may be done in the spur of the moment, when the individual is not actively looking for that specific item and has no pre-shopping plans to purchase it. The Shop Spot promotes this buying behaviour, being placed in busy Shopping Malls halls in locations where most people visiting the mall pass by. This makes employees' specialization and friendliness<sup>14</sup> as well as the store's design to be important factors in attracting customers' attention and ultimately activating impulse buying behaviour<sup>15</sup>.

Location is the number one rule when geographically expanding a business and Inês knew that after investing in Portugal's best Shopping Mall, Colombo<sup>16</sup>, stakes were high about where Selfie Stick Portugal would open its next Shop Spot. The opening of the Spot Shop in Colombo ended up becoming one of the company's strongest competitive advantages, and it was important to enhance this advantage in case the investment decision culminated in a new Shop Spot.

With around 16 million visitors per year, Norte Shopping was, right after Colombo, Sona Sierra's Shopping Mall with the highest traffic in Portugal. Inês was happy to have a trustworthy friend in Porto in which she could rely on to control the operations in Norte Shopping in case she decided to go forward with the investment, and even though most people in Porto were still not familiar with the Selfie Stick, this was the second district with the highest percentage of smartphone users<sup>17</sup>, likely to be influenced by the high number of young people in the district (see Exhibit 3) and the high purchasing power (see Exhibit 4).

With a long waiting line for the only vacant Shop Spot, Mónica needed Inês' confirmation as soon as possible, before she could turn to another investor. All Inês had to do was signing the contract, and in less than 2 weeks Selfie Stick Portugal would be ready to start operating in Porto (see Exhibit 1 for more details on Norte Shopping Investment Decision).

## **Competition**

### Main Competitors

Even though Selfie Stick Portugal had a strong first mover advantage by being one of the first Selfie Stick sellers in Portugal, before the launching of the brand there was an

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<sup>14</sup> Crawford, G., & Melewar, T. C. (2003), "The importance of impulse Purchasing Behaviour in international Airport Environment", *Journal of Consumer behaviour*, pp 85-98

<sup>15</sup> Yingjiao Xu (2007), "Impact of Store Environment on Adult Generation Y Consumers' Impulse Buying", *Journal of Shopping Center Research*. Vol. 14 Issue 1, pp39-56

<sup>16</sup> <http://www.sonaesierra.com/pt>

<sup>17</sup> [http://www.jn.pt/PaginaInicial/Tecnologia/Interior.aspx?content\\_id=4114579](http://www.jn.pt/PaginaInicial/Tecnologia/Interior.aspx?content_id=4114579)

alternative way consumers could use to get their Selfie Stick: to go online. Several online commerce websites like OLX, Amazon and eBay, where people could buy and sell goods worldwide already had this product for sale and at extremely competitive prices.

Later on, retail stores such as FNAC, Worten, Media Markt and El Corte Inglés also started commercializing this innovative device, practicing medium to high prices. Nevertheless, the competitor with whom Inês was most concerned about were the Chinese Convenience Stores not only because of the low prices of their Selfie Sticks but especially due to the fact that they offered a similar packaging to the ones sold by Selfie Stick Portugal, so the customer could be easily misled about the quality of the product.

### Chinese Convenience Stores in Portugal

In 1981 the Chinese community in Portugal was practically inexistent and it was from 2001 onwards that the number of Chinese citizens started increasing reaching 11.458 citizens in 2011. An analysis of the age distribution of Chinese people living in Portugal revealed that this is a very young population, much younger than the Portuguese one. The same study concluded that most Chinese people in Portugal work as salesman or shop managers and that a significant part runs their own business (42,2%)<sup>18</sup>.

This made the expansion of the Chinese Businesses in Portugal inevitable and at a time when the financial crisis is leading many firms to bankruptcy, Chinese Convenience Stores keep opening in every other corner.

These shops offer a great variety and rotation of products from basic household items to clothes and toys, at extremely competitive prices. Despite the low quality of its service and products, the Chinese Convenience Stores are easily accessible, and widely spread around the country. Nowadays there are only a few towns in the entire country without the so-called “Loja do Chinês”.

### Selfie Stick Portugal vs Chinese Convenience Stores

Early in the life of the Selfie Stick in Portugal, the Chinese Convenience Stores started commercializing the Selfie Stick and quickly became a threat to the company considering the low price of their products. However, Inês knew that what the Chinese Convenience Stores were offering was simply the core product whereas Selfie Stick Portugal

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<sup>18</sup> INE 2011

was investing in the augmented product. She expected this to add value to her product and ultimately increase customers' willingness to pay for the company's products.

This being said, Selfie Stick Portugal invested in several points that allow the brand to differentiate from competitors:

- The Quality of its products – Selfie Stick Portugal imports from trustable suppliers in Hong Kong verifying all its products before offering them for sale. All the Selfie Sticks have fillister rods (allowing the stick to bear more weight and giving more stability to it), grooves (that contribute to the fixation of the stick with the phone holder), and are made of stainless steel, ABS plastic and silicone (see Exhibit 5).
- The Distribution Channels – As previously mentioned, Selfie Stick Portugal sells its products online nationally and currently has one Shop Spot in Centro Comercial Colombo elected as the best Shopping Mall in Portugal<sup>19</sup>.
- Communication Channels – To communicate the brand and its products in this initial stage, Selfie Stick Portugal uses the appealing design as well as the favorable location of its Shop Spot, and social networks such as Facebook and Instagram. Due to the controversy and novelty behind this product, it has also taken advantage of non-paid advertising, with articles posted in the press.
- Specialization – By being specialized in a single product Selfie Stick Portugal is able to answer all customers' questions regarding the product. The salespeople working for Selfie Stick Portugal are relatively young, with ages comprised between 18 and 27.
- Personalized service – Selfie Stick Portugal treats each client as a unique case, answering to all his or her questions in a personalized way.
- Personalized product – The brand established a recent partnership with a graffiti artist, offering its customers the possibility to personalize their Selfie Stick with phrases or images of their choice.
- Sense of Community - The brand frequently shares its customers' photos with the Selfie Stick in its Facebook and Instagram pages, inviting customers to “tag” the brand and use the “hashtag” #selfiestickportugal when posting their photos.
- Warranty – Selfie Stick Portugal offers its customers a 6month warranty against manufacturing defects.

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<sup>19</sup> [http://www.sonaesierra.com/pt-PT/pressroom/news/2011/1453/Centro\\_Colombo\\_eleito\\_Melhor\\_Centro\\_Comercial\\_em\\_Portugal\\_pela\\_segunda\\_vez\\_consecutiva.aspx](http://www.sonaesierra.com/pt-PT/pressroom/news/2011/1453/Centro_Colombo_eleito_Melhor_Centro_Comercial_em_Portugal_pela_segunda_vez_consecutiva.aspx)

Even though Selfie Stick Portugal has all these differences from this growing competitor most of them are not easily seen and what was seen at a first sight was fairly the same between Selfie Stick Portugal and the Chinese Convenience Stores:

- **Product Appearance:** Even though the material and details in the production of Selfie Sticks from the different brands is not the same (see Exhibit 5), the product looks exactly the same at a first sight.
- **Packaging:** Packaging plays a crucial role in people's perceptions about a product's quality and the fact that Selfie Stick Portugal's package looks exactly the same as the package of the Selfie Sticks sold in Chinese Convenience Shops may be confusing and even harmful for the brand's image in customers' minds.

The high costs of providing a quality product with high shipping costs, offering customers' a warranty and hiring and training specialized staff to sell the product in such a favourable location as Colombo made it difficult for Selfie Stick Portugal to compete with these stores in terms of price (A summary of Selfie Stick Portugal's costs in Colombo is presented in Exhibit 6).

### **Customer Behaviour**

Being the Selfie Stick a relatively new product in the market there was a lack of information about the customers' behaviour towards the product. At the same time, not many studies were yet done regarding customer's perceptions of Chinese Convenience Shops, which were considered a huge threat for Selfie Stick Portugal due to the similarity of their packaging. This way, Inês though it would be interesting to conduct a marketing research study in order to collect information that could help the Selfie Stick business prosper (Exhibit 8). An online survey was performed to Portuguese people owning a smartphone, with the following research objectives:

- Understand Selfie Stick's actual and potential penetration rate in the Portuguese market.
- Understand what attributes customers value the most when choosing where to buy a Selfie Stick.
- Understand people's perception of the main differences between buying a Selfie Stick in Chinese Stores or in Selfie Stick Portugal.
- Understand the packaging's importance in the buying decision.
- Understand the importance given by customers to the specialization of a brand in one single product.

## Familiarity and Behaviour towards the Selfie Stick

Inês was happy to see that 59% of the sample were at least occasional *selfie takers* (see Exhibit 9.1) and that 93% were familiar with the Selfie Stick concept (see Exhibit 9.2). However, being the Selfie Stick still a novelty in Portugal, 12% of the respondents admitted they had some aversion for it and adjectives like “ridiculous”, “futile” and “narcissistic” were mentioned by these respondents to characterize the product (see Exhibits 9.5 and 9.6). This aversion for the Selfie Stick may be one of the reasons why only 18% the respondents have bought the Selfie Stick so far, since some people may still have an aversion for it or fear the people who have it (see Exhibit 9.3).

When respondents that do not have a Selfie Stick were presented with the images and prices of the products and asked whether they would be willing to buy them either from a Chinese Convenience Store or from Selfie Stick Portugal, 69% answered “yes” in at least one of the options (see Exhibit 9.22). Since only 18% of the sample owned a Selfie Stick, this meant that the market still had a lot potential that should be quickly explored.

An interesting fact was that a significant percentage (26%) of the people who mentioned to have a Selfie Stick referred that they received it as a gift (see Exhibit 9.4). Inês thought this information could be useful when marketing the product. Conversely to what Inês expected, the online market showed not to be a big threat for Selfie Stick Portugal, as most Selfie Stick users bought their product in physical stores like El Corte Inglés (5%), Chinese Convenience Stores (13%), FNAC (9%), Media Markt (8%) and Worten (8%), (see Exhibit 9.4).

## Selfie Stick Portugal Specialization

Regarding the respondents’ impression of the brand, Inês started by asking if they valued Selfie Stick Portugal’s specialization in the Selfie Stick. 88% of the respondents answered positively this question (see Exhibit 9.8) and stated that specialization was important because it conveyed more confidence and credibility to the brand, important aspects when technological products were at stake (see Exhibit 9.9). Some respondents identified specialization as the most important differentiation point for the brand considering it to be the brand’s competitive advantage (see Exhibit 9.9).

## Chinese Convenience Stores

In order to better understand how big of a competitor a Chinese Convenience Shop

could be for Selfie Stick Portugal, Inês tried to understand how regularly respondents would visit these stores and what kind of products they would look for. Only 18% of the respondents answered that they never visit Chinese Convenience Shops, and 28% referred “technological accessories” as some of the products they look for when visiting these shops (see Exhibits 9.10 and 9.11).

#### Important attributes when buying a Selfie Stick

Respondents were then asked about what they valued the most when choosing where to buy a Selfie Stick. The attribute with the highest valuation was the product’s price, representing a drawback for Selfie Stick Portugal and a great advantage for the Chinese Convenience Stores. Secondly, the respondent’s valued the quality of the products being sold. Inês was aware that there had to be a trade off between the price and the quality of a Selfie Stick but was she doing enough to make people see beyond the price? The warranty was the third most important attribute for customers followed by a good service and an accessible location of the store. Finally, the variety of Selfie Stick models was valued in sixth place followed by the specialization of the brand in this single product. Apparently, and as previously mentioned, even though most people valued Selfie Stick Portugal’s specialization, this attribute was far from being one of the most important factors when choosing where to buy a Selfie Stick. The attributes respondents rated as being the least valuable were related to the product’s image, namely the possibility to personalize a Selfie Stick and the packaging of the product (see Exhibit 9.9).

#### Perceptions: Selfie Stick Portugal vs Chinese Convenience Shops

After understanding what were the most relevant aspects when choosing the place to buy a Selfie Stick, Inês wanted to understand in which attributes Selfie Stick Portugal had an advantage over the Chinese Convenience Stores. This way, she asked respondents to rate the previously stated attributes when buying a Selfie Stick in a Chinese Convenience Store and in Selfie Stick Portugal, according to their impression of each brand/store. As Inês expected, Selfie Stick Portugal was considered to have an advantage in practically all attributes with one exception: the price. Being also considered the most important attribute when deciding where to buy a Selfie Stick, this represented a big challenge for the brand. The warranty, specialization, quality and service were the attributes where Selfie Stick Portugal had the highest advantage comparing to this competitor. Inês found the results about the customers’



perceptions regarding the packaging of the product particularly interesting: Even though the packaging of the products was the same in both stores, without being aware of this, respondents expected the packaging in Selfie Stick Portugal to be more premium and attractive than in Chinese Stores (see Exhibits 9.12 and 9.13).

### Packaging Matters?

Packaging can be treated as one of the most important factors influencing the consumers' purchase decision<sup>20</sup>, and a distinctive packaging is crucial to increase the perceived quality gap between brands<sup>21</sup>.

Nevertheless, in the beginning of this study we see that respondents rated packaging as the least important attribute when choosing where to buy a Selfie Stick.

Even though there are many Selfie Stick manufacturers in China, with different prices and levels of quality, they all sell their products under the same packaging as a way of cutting costs through the economies of scale in the packaging' production.

Being a start-up with limited capital available, Selfie Stick Portugal, made an initial decision of keeping the packaging received from manufacturers. However Chinese Convenience Stores soon entered the Selfie Stick market and started selling a similar product with the same packaging as Selfie Stick Portugal, posing a risk to the customers' perceptions regarding the brand.

In order to understand how much importance people actually give to the packaging of the product, Inês decided to present respondents who still did not own a Selfie Stick, with pictures of the Selfie Sticks' corresponding packages and respective descriptions asking whether they would be willing to buy them. The first two pictures presented were exactly the same but with different descriptions. The first one described a Selfie Stick being sold for 8€ in a Chinese Convenience Store, whereas in the second one it was being sold for 15€ in Selfie Stick Portugal. The next picture showed a similar Selfie Stick but with a more exclusive and elegant packaging, and asked respondents if they would be willing to buy the product for 15€ in Selfie Stick Portugal. The results were quite surprising...

Even though respondents had previously mentioned that packaging was one of the attributes with least influence over their purchase decision, their answers showed something different. When presented with the first photo and being asked whether they would buy it on

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<sup>20</sup> Mishra, H. and Jain, D. (2012) "Impact of Packaging in Consumer Decision Making Process of Namkeen Products", *Journal of Marketing & Communication*, Vol.7, pp.48-63

<sup>21</sup> Steenkamp, J., Van Herde, H. and Geyskens, I. (2010) "What Makes Consumers Willing to Pay a Price Premium for National Brands over Private Labels?", *Journal of Marketing Research*, Vol.47, pp.1011-1024

a Chinese Shop for 8€, 34% of the sample answer affirmatively (Exhibit 9.14). With the exact same photo, only 29% of the respondents answered they would be willing to buy the similar Selfie Stick being sold with the same packaging by Selfie Stick Portugal (Exhibit 9.15). Initially Inês thought this could have to do with the pricing factor, which was expected to be the attribute with the highest influence in decision-making, but the results of the following question showed that this was not the case. For the last photo, showing the Selfie Stick with a premium packaging, 45% of the sample affirmed they would be willing to buy it (Exhibit 9.16).

### Being the first mover – an advantage?

As a first mover, Selfie Stick Portugal was able to benefit from several advantages. The high levels of brand identification and the non-paid advertising were two of these advantages. With articles posted in national newspapers and magazines like PUBLICO, LUX and SÁBADO and some celebrity endorsements, Selfie Stick Portugal was soon a well-known brand. Nonetheless, since it was selling a one-time purchase product rather than a product expected to have repeated purchases, creating loyalty was not an advantage for the brand. This way, by being the first to offer this product, Selfie Stick Portugal tried to create an emotional bond with customers, offering them a very personalized service before, during and after sales and trying to create a sense of community by encouraging customers to share their photos with the Selfie Stick online with the hashtag #selfiestickportugal. With this, the brand expected to offer a service above its customers' expectations and enhance the word of mouth and communication of the brand.

Selfie Stick Portugal decided to take the risk of being a pioneer in the Portuguese market but with this decision came the necessary marketing costs to educate the public about this new and controversial product, something that second entrants could benefit from. Even though the Selfie Stick is starting to be seen regularly in Lisbon, according to the employees Inês interviewed to her potentially new Shop Spot in Norte Shopping, this gadget was not often seen in Porto, and even though most employees have previously heard of the Selfie Stick, none of them had actually seen the device being used.

Even though the company has achieved much progress, the survey results show that despite its efforts there is still a lot of work to be done and no guarantee that a first mover advantage will be sufficient to ensure a strong position as the market evolves<sup>22</sup>. Inês knew

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<sup>22</sup> T.P. Liang, Andrew J. Czapski, Gary Klein, James J. Jiang (2009) "Leveraging First-Mover Advantages in Internet-based Consumer Services"

that new competitors were entering the market selling attractive products at lower prices and she would have to work hard to maintain the brand's advantage. Several ways could be used to maintain this advantage, such as surprising customers with new ideas and a broad product offering, enhancing the sense of community, valuing customers' networks and creating a sense of identity with the brand.

In order to make a decision regarding what path to follow Inês had to keep in mind that new competitors were entering the market competing aggressively in what appeared to be the most important attribute for customers when deciding where to buy a Selfie Stick: price. This way, and since this was a one-time purchase, the brand's real challenge was to grow its market share and milk the business as much and fast as possible.

### **Conclusion**

Even after putting her notes aside Inês still couldn't get this dilemma off her mind. She knew a decision had to be made as soon as possible, before competitors started gaining market share and sales started slowing down. She asked herself if the investment she could put in the packaging would be worth it... after all, this was a one time purchase product, and as soon as the market was fully served the brand would be over and forgotten... so shouldn't she be focusing on covering other parts of the country before competitors started doing so? What would be the right path to follow in order to milk the business as much and fast as possible?

With a new player widely spread around the country and offering what consumers believed to be, at a first sight, a similar product at a lower price, making this decision was urgent. Inês leaned back in her chair and closed her eyes. She had a long trip ahead and a tough decision to make. A decision that could determine the success or failure of Selfie Stick Portugal.

# EXHIBITS

## Exhibit 1 – Norte Shopping Shop Spot Investment details

<b>Design + Assembly</b>	3.000€
<b>Salespeople</b>	1.800€ (20€/shift)
<b>Coordinator</b>	300€
<b>Monthly Rent (minimum 3 months contract)</b>	2.600€
<b>Monthly Number of Visitors</b>	1.362.931€
<b>Monthly Global Sales</b>	23.341.790€
<b>Parking</b>	4.400 parking spots
<b>Metro station</b>	Yes
<b>Bus station</b>	Yes

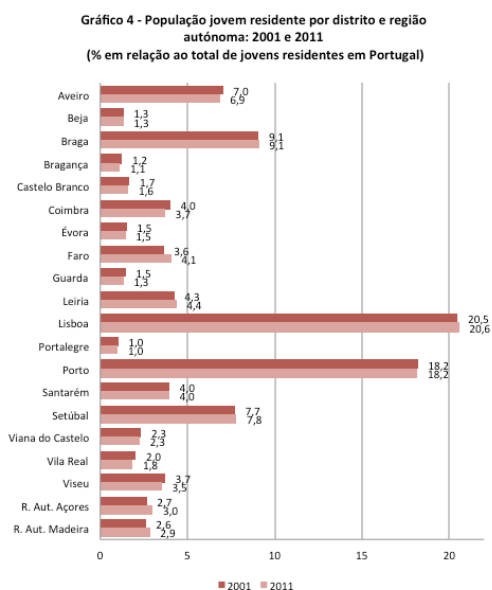
Source: Mónica Braz, Marketing Manager Norte Shopping

Inês Amaral, Selfie Stick Portugal

## Exhibit 2 – Selfie Stick

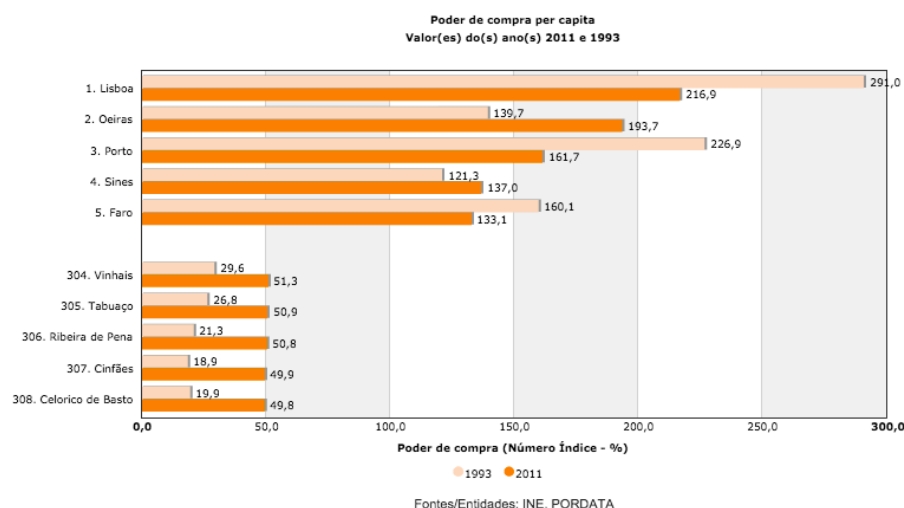


## Exhibit 3 – Young Population (15-29 years old) separated per district (2001, 2011)



Source: INE, population census 2001-2011

## Exhibit 4 – Purchasing Power by City



Source: <http://www.pordata.pt/Municipios/Poder+de+compra+per+capita-118>

## Exhibit 5 – Price and product comparison: Selfie Stick Portugal vs Chinese Convenience Stores.

Product	Price Selfie Stick Portugal	Price Chinese Convenience Stores	Description
Selfie Stick Basic	15€	8€	Selfie Stick used with Timer.
Selfie Stick Wired1	20€	12€	Selfie Stick connecting phone and stick through a wire. Photo is taken by pressing a button incorporated in the stick.
Selfie Stick Wired2	25€	NA	Selfie Stick that connects the phone and the stick through a wire. Photo is taken by pressing a button incorporated in the stick. Phone holder is more stable and has a mirror in case the user prefers to use the external camera.
Selfie Stick Bluetooth	25€	15€	Selfie Stick that connects the phone and the stick through Bluetooth. Photo is taken by pressing a button incorporated in the stick.
Bluetooth Remote Shutter	15€	NA	Remote Shutter that allows users to take a photo on their phone up to 10 metres of distance.
Selfie Stick GoPro	20€	NA	Selfie Stick with special adapter for the GoPro camera.
Selfie Stick MINI	25€	NA	Foldable Selfie Stick with incorporated Bluetooth.

Source: Inês Amaral, Selfie Stick Portugal

Store	Fillister Rod	Groove	Stick Material	Phone Holder Material
Selfie Stick Portugal	Yes	Yes	Stainless Steel and silicone	ABS Plastic
Chinese Convenience Stores	No	No	Metal alloy, waste material	Waste Material

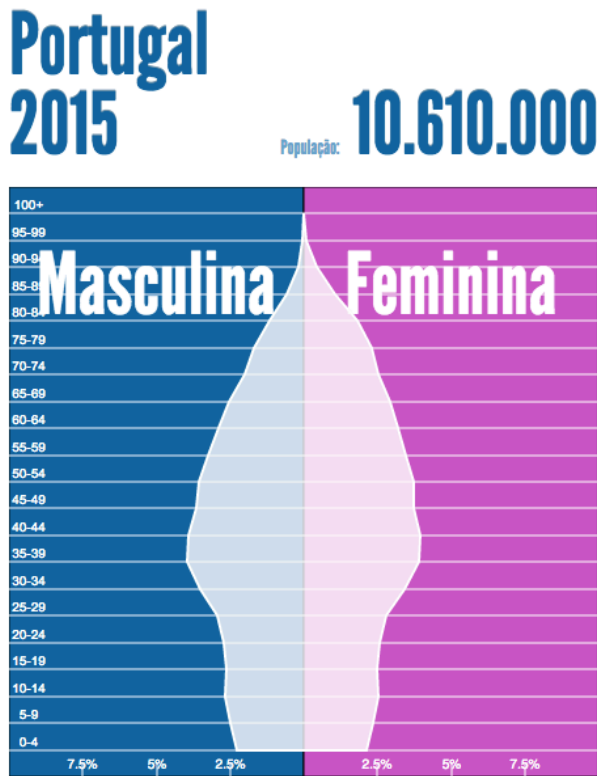
Source: Selfie Stick Portugal based on suppliers offers

### Exhibit 6 – Colombo’s Costs & Sales

Monthly Rent	2.600€
Salespeople	1.800€
Average Cost per Selfie Stick (including shipping costs and taxes)	7€
Monthly Sales Volume	1.900 units

Source: Inês Amaral, Selfie Stick Portugal

### Exhibit 7 – Population Pyramid 2015



Source: <http://populationpyramid.net/pt/portugal/2015/>

## Exhibit 8 – Online Survey Outline

*Selfie* is a type of photo of self-portrait taken by a photo camera or a mobile phone.

1. How frequently do you take *selfies*?

- Never
- Rarely
- Occasionally
- Frequently
- Daily

2. Do you know what a Selfie Stick is?

- Yes
- No

The Selfie Stick is a practical device that allows its users to hold their phone or light cameras and take *selfies* at a longer distance.



3. Do you own or have ever owned a Selfie Stick?

- Yes
- No

4. Where did you buy it?

\_\_\_\_\_.

5. Do you feel any kind of aversion for the Selfie Stick or for the people using it?

- Yes
- No

6. (If yes) Why?

\_\_\_\_\_.

7. On a scale from 0 to 5 how would you rate the value of the following attributes when buying a Selfie Stick?

- Quality
- Possibility to personalize the stick
- Variety of Selfie Stick models available
- Warranty
- Price
- Location
- Employees expertise
- Packaging
- Service (pre, during and after sale)

Selfie Stick Portugal is a Portuguese brand specialized in selling Selfie Sticks. It sells its products online and currently owns one Shop Spot in Centro Comercial Colombo. The brand offers its customers a quality product, with 6 months warranty, specialized employees and a great variety of Selfie Stick models.

8. Do you consider the specialization of Selfie Stick Portugal in selling the Selfie Stick as something positive for the brand?

- Yes
- No

9. Why?

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10. How often do you shop in Chinese Convenience Shops?

- Never
- Rarely
- Occasionally
- Frequently
- Daily

11. What type of products do you look for?

- Hygiene Products
- Clothing
- Cosmetics
- Technological Accessories
- Kitchen Products
- Office Supplies
- Other

12. On a scale from 0 (I don't like it at all) to 5 (I like it a lot) what is your perception about the following attributes when buying a Selfie Stick in a Chinese Convenience Store?

- Quality of the products
- Convenience
- Variety of Selfie Stick models available
- Warranty
- Price
- Employees' expertise
- Packaging
- Service (pre, during and after sales)

13. On a scale from 0 (I don't like it at all) to 5 (I like it a lot) what is your perception about the following attributes when buying a Selfie Stick in Selfie Stick Portugal?

- Quality of the products
- Convenience



- Variety of Selfie Stick models available
- Warranty
- Price
- Employees' expertise
- Packaging
- Service (pre, during and after sales)

14. (Question presented only for respondents who answered “no” on question 3)  
 Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 8€ in a Chinese Convenience Store?



- Yes
- No

15. (Question presented only for respondents who answered “no” on question 3)  
 Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 15€ in “Selfie Stick Portugal”?



- Yes
- No

16. (Question presented only for respondents who answered “no” on question 3)  
 Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 15€ in “Selfie Stick Portugal”?



Yes

No

17. Gender:

Male

Female

18. Age:

< 18

18-30

30-45

45-60

60-69

≥ 70

19. Monthly Income

< 500€

500€ - 1000€

1001€ - 1500€

1501€ - 2000€

>2000

## Exhibit 9 – Survey Results

### Exhibit 9.1

1. How frequently do you take *selfies*?

#	Answer	Response	%
1	Never	21	8%
2	Rarely	82	32%
3	Occasionally	94	36%
4	Frequently	50	19%
5	Daily	11	4%
	Total	258	100%

### Exhibit 9.2

2. Do you know what a Selfie Stick is?

#	Answer	Response	%
1	Yes	240	93%
2	No	17	7%
	Total	257	100%

### Exhibit 9.3

3. Do you own or have ever owned a Selfie Stick?

#	Answer	Response	%
1	Yes	47	18%
2	No	212	82%
	Total	259	100%

### Exhibit 9.4

4. Where did you buy it? (Open question – answers’ summary. Only for respondents who answered “yes” to question 3)

#	Answer	Response	%
1	Selfie Stick Portugal	12	16%
2	Airport	1	1%
3	Abroad	8	10%
4	Gift	20	26%
5	Online Stores	2	3%
6	Fnac	7	9%
7	El Corte Inglés	5	6%
8	Chinese Store	10	13%
9	Media Markt	6	8%
10	Worten	6	8%
	Total	77	100%

### Exhibit 9.5

5. Do you feel any kind of aversion for the Selfie Stick or for the people using it?

#	Answer	Response	%
1	Yes	30	12%
2	No	226	88%
	Total	256	100%

### Exhibit 9.6

6. Why? (Open question – answers’ summary. Only for respondents who answered “yes” to question 5)

	Answer	Response	%
1	Ridiculous	7	23%
2	Futile	6	20%
3	Narcisistic	10	33%
4	Silly	3	10%
5	Flashy	4	13%
	Total	30	100%

### Exhibit 9.7

7. On a scale from 0 (very low value) to 5 (very high value) how would you rate the value of the following attributes when buying a Selfie Stick?

#	Answer	Average Value	Responses
1	Quality of the products	3.82	240
2	Possibility to personalize the Stick	2.55	227
3	Variety of Selfie Stick models available	2.87	231
4	Warranty	3.39	233
5	Price	3.97	239
6	Location	3.09	226
7	Employees expertise	2.66	224
8	Packaging	2.20	222
9	Service (pre, during and after sales)	3.14	228

### Exhibit 9.8

8. Do you consider the specialization of Selfie Stick Portugal in selling the Selfie Stick as something positive for the brand?

#	Answer	Response	%
1	Yes	217	88%
2	No	31	13%
	Total	248	100%

### Exhibit 9.9

9. Why? (Open question – answers' summary.)

#	Answer	Response	%
1	Confidence	60	28%
2	Credibility	76	35%
3	Differentiation point	43	20%
4	Competitive Advantage	8	4%
5	More Variety of Selfie Sticks	6	3%
6	Top of mind	4	2%
7	Other	20	9%
	Total	217	100%

### Exhibit 9.10

10. How often do you shop in Chinese Convenience Shops?

#	Answer	Response	%
1	Never	42	18%
2	Rarely	127	53%
3	Occasionally	59	25%
4	Frequently	10	4%

<b>5</b>	Daily	0	0%
	Total	238	100%

**Exhibit 9.11**

11. What type of products do you look for?

#	Answer	Response	%
<b>1</b>	Hygiene Products	5	3%
<b>2</b>	Clothing	38	19%
<b>3</b>	Cosmetics	10	5%
<b>4</b>	Technological Accessories	56	28%
<b>5</b>	Kitchen Products	22	11%
<b>6</b>	Office Supplies	79	40%
<b>7</b>	Other	89	45%

**Exhibit 9.12**

12. On a scale from 0 (I don't like it at all) to 5 (I like it a lot) what is your perception about the following attributes when buying a Selfie Stick in a Chinese Convenience Store?

#	Answer	Average Value	Responses
<b>1</b>	Quality of the products	1.63	213
<b>2</b>	Convenience	2.82	211
<b>3</b>	Variety of Selfie Stick models available	1.73	200
<b>4</b>	Warranty	1.16	193
<b>5</b>	Price	3.63	210
<b>6</b>	Employees expertise	1.10	178
<b>7</b>	Packaging	1.28	190
<b>8</b>	Service (pre, during and after sales)	1.11	183

**Exhibit 9.13**

13. On a scale from 0 (I don't like it at all) to 5 (I like it a lot) what is your perception about the following attributes when buying a Selfie Stick in Selfie Stick Portugal?

#	Answer	Average Value	Responses
<b>1</b>	Quality of the products	3.79	215
<b>2</b>	Convenience	3.14	208
<b>3</b>	Variety of Selfie Stick models available	3.61	206
<b>4</b>	Warranty	3.80	205
<b>5</b>	Price	3.06	203
<b>6</b>	Employees expertise	3.52	201
<b>7</b>	Packaging	2.95	199
<b>8</b>	Service (pre, during and after sales)	3.61	200

### Exhibit 9.14

14. (Question presented only for respondents who answered “no” on question 3)  
Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 8€ in a Chinese Convenience Store



#	Answer	Response	%
1	Yes	64	34%
2	No	123	66%
	Total	187	100%

### Exhibit 9.15

15. (Question presented only for respondents who answered “no” on question 3)  
Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 15€ in Selfie Stick Portugal?



#	Answer	Response	%
1	Yes	54	29%
2	No	132	71%
	Total	187	100%

### Exhibit 9.16

16. (Question presented only for respondents who answered “no” on question 3)  
Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 15€ in Selfie Stick Portugal?



#	Answer	Response	%
1	Yes	85	45%
2	No	102	55%
	Total	187	100%

### Exhibit 9.17

#### 17. Gender

#	Answer	Response	%
1	Male	120	50%
2	Female	118	50%
	Total	238	100%

### Exhibit 9.18

#### 18. Age

#	Answer	Response	%
1	< 18	17	7%
2	18 - 30	120	50%
3	30 - 45	38	16%
4	45 - 60	42	18%
5	60 - 70	18	8%
6	> 70	3	1%
	Total	238	100%

### Exhibit 9.19

#### 19. Monthly Income

#	Answer	Response	%
1	< 500€	86	37%
2	500€ - 1000€	61	26%
3	1000€ - 1500€	23	10%
4	1500€ - 2000€	19	8%
5	> 2000€	45	19%
	Total	234	100%

### Exhibit 9.20

#### Cross tabulations

		Q15. Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 15€ in Selfie Stick Portugal?		
		Yes	No	Total
Q16. Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 15€ in Selfie Stick Portugal?	Yes	56	38	94
	No	0	63	63
Total		56	101	157

		<b>Q14. Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 8€ in a Chinese Convenience Store?</b>		
		Yes	No	Total
<b>Q16. Would you be willing to buy the Selfie Stick Simple represented in the photo (used with the phone timer) for 15€ in Selfie Stick Portugal?</b>	Yes	50	42	92
	No	16	49	97
	Total	66	91	157



## Literature Review

Packaging is no longer seen simply as a container that protects and eases the transportation of a product. Several authors have emphasized its importance from a marketing perspective, defining it as the fifth “P” of the marketing mix<sup>23</sup>. It is interesting to see that few customers are aware of the effect packaging has on their purchase decision, and when directly asked about it they refer price, endorsements and quality of the product to be the key determinants in their buying decisions<sup>24</sup>.

This literature should help the reader to better understand the importance of this concept and the brand associations that result from it. Complementing the case with previous research around one of the central discussion topics, it is expected to enhance students’ understanding of the case as well as their contribution to the class discussion.

### The importance of Packaging

Packaging is one of the key elements of an integrated marketing communication strategy and strongly affects the buyer’s first impression of the product. Expressions like “Packaging is the least expensive form of advertising”, “Every packaging is a 5 second commercial”, “The package is a silent salesman” or “The packaging is the product” have emerged due to its rising importance as a communication tool<sup>25</sup>.

Customers expect packaging to help them easily identify a brand, to provide them with descriptive and persuasive information about the product, to ease the products’ transportation and storage, and to aid its consumption. Especially for busy customers, brand identification is something crucial, mostly in cases when customers are already loyal to a brand and know they can rely on it. But brand identification is not just about having the brand’s name in the packaging. The whole package should be easily recognizable and associated with a certain brand. Providing customers with descriptive and persuasive information is also very important, as packaging is, many times, the only source of information available at the time of purchase. Even when there is a salesperson in the shop ready to help the customer and give him whatever information he may need, there are several

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<sup>23</sup> Gómez, R. , Martín-Consuegra, D. and Molina, A. (2015) “The importance of packaging in purchase and usage behaviour”, *International Journal of Consumer Studies*, Vol. 39 Issue 3, pp.203-211

<sup>24</sup> Masten, D. (1988), “Packaging's proper role is to sell the product”, *Marketing News*, Vol. 22, Issue 2, pp.16-16

<sup>25</sup> Shimp, T. and Andrews, J (2013), “Advertising Promotion and Other Aspects of Integrated Marketing Communications”

products, technological for example, that may require some detailed information after the purchase, for example at the time of use<sup>26</sup>.

Having a better reach than advertising, packaging helps a brand to differentiate from its competitors<sup>27</sup>, improving its image and stimulating the customer's perceptions about a product<sup>28</sup>. Previous studies have stated that spending time and money in the packaging of a product was one of the best investments that companies could make. Even though it did not substitute the quality of a product or a competitive price, it was able to enhance the way customers thought of a product, help the product break through the clutter, reinforce the brand's image both in the store ("buy me") or in some cases even at home ("use me"), enhance the cost effectiveness of the marketing budget and create a competitive advantage for a brand. In a nutshell, one can say that packaging acts as a sales tool that can work positively or negatively towards customers' motivation to buy the product<sup>29</sup>.

### The role of packaging in the perceived quality

The package's features and design are able to emphasize the distinctiveness and originality of a product and at the same time affect customers' perceptions and judgements about its quality. In few words, if a package is communicating high quality, customers assume that the product is high quality and vice-versa<sup>30</sup>.

Steenkamp, Van Heerde, and Geyskens (2010) studied the role of packaging in shaping the perceived quality gap between National Brands and Private Labels. If the packaging of a National Brand is similar to that of a Private Label it is likely that customers generalize the stimulus putting the two in the same perceptual category rather than enhancing the quality of the National Brand compared to the Private Label. On the other hand, if packaging is distinctive, customers will be likely to do stimulus discrimination and identify a quality gap between the brands. Results of the study state that the effect of having a distinctive packaging on the perceived quality gap differs considerably across the stages of the Product Life Cycle and that these effects are larger in the growing stage of the product life cycle when compared to the maturity stage. Finally it concludes that distinctive

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<sup>26</sup> Bassin, S. (1988), "Value-added packaging cuts through store clutter", Marketing News, Vol. 22 Issue 20, pp.21-21

<sup>27</sup> Raheem, A. , Vishnu, P. And Ahmed, A. (2014), "Impact of product packaging on consumer's buying behaviour", European Journal of Scientific Research, Vol. 122, No 2

<sup>28</sup> Rundh, B. (2005), "The multi-faceted dimension of packaging: Marketing logistic or marketing tool?", British Food Journal, Vol. 107, pp.670 - 684

<sup>29</sup> Masten, D. (1988), "Packaging's proper role is to sell the product", Marketing News, Vol. 22, Issue 2, pp.16-16

<sup>30</sup> Silayoi, P. and Speece, M. (2007), "The importance of packaging attributes: a conjoint analysis approach", European Journal of Marketing, Vol. 41, No. 11/12, pp.1495-1517

packaging is the strongest driver of the perceived quality gap, having a direct effect on the costumers' willingness to pay for a product<sup>31</sup>.

### Building emotional connections with the customer

Great brands can use their packaging to appeal to customer's senses and create an emotional connection with them. This is a non-conscious stimulus and affects the customers' feelings for a brand. Feelings and associations like love, simplicity, adventure, utility, fashion, cool or family can be brought to the brand through the packaging of a product. Buyology Inc (2013) performed a study to analyse customers' non-conscious response to product packaging and brands like Apple and Tiffany stood out of the clutter as having the strongest emotional connections with its customers through the packaging. Whereas Apple's packaging was associated with simplicity and utility, Tiffany's little blue box brought feelings like love and luxury. Indicating the strong connection of the customers with the brand, the study concludes that some customers even keep the packaging of the products longer than necessary, using it for different purposes such as decoration or storage<sup>32</sup>. Packaging's elements such as pictures, colours (or colour combination), shape and even materials all contribute to bring feelings and emotions to the product while at the same time make them more eye-catching and appealing<sup>33</sup>.

Packaging is often designed to add value to a product, and many brands compete for the attention of holiday shoppers using it. The type of packaging that may attract the customers' eye varies from category to category but a really good packaging is able to turn a box into a gift. Nowadays, there is a greater demand for unique packaging structures that may have a secondary uses and are ultimately designed to be kept, while reinforcing the brand's identity<sup>34</sup>. Gift givers are ultimately looking for a product that would make them shine in the moment of offering a gift, conveying thoughts and feelings in the way the gift is presented<sup>35</sup>.

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<sup>31</sup> Steenkamp, J., Heerde, H. and Geyskens, I. (2010), "What Makes Consumers Willing to Pay a Price Premium for National Brands over Private Labels?" *Journal of Marketing Research*, Vol. XLVII, pp.1011–1024

<sup>32</sup> Sturgess, D. (2013) "Emotional connections with brand's packaging", *Global Cosmetic Industry*, Vol. 181, Issue 2, pp.38-41

<sup>33</sup> Raheem, A., Vishnu, P. and Ahmed, A. (2014), "Impact of product packaging on consumer's buying behaviour", *European Journal of Scientific Research*, Vol.122, pp.125-134

<sup>34</sup> Redding, Marie (2014), "Gift-able packaging", *Beauty-Packaging*, Vol. 19 Issue 7, pp.29-34

<sup>35</sup> Wujcik, Barbara (2006), "It's a Wrap", *Giftware News*. Nov2006, Vol. 31 Issue 11, pp.30-34

# Teaching Notes

## Introduction

“Establishing a Growth Strategy for a Start-up – The Selfie Stick Portugal Case” is a case based on real life events and was written by Inês Mirpuri Amaral, the founder of the company, under the supervision of Professor Paulo Gonçalves Marcos. This case was prepared as basis for class discussion and not as an endorsement, a source of primary data or an illustration of effective/ineffective management practices.

## Synopsis

Selfie Stick Portugal was launched in December 2014, after the “selfies” became a worldwide phenomenon, and social networks part of everyone’s daily life in Portugal. This was the first Tonic Balance brand, and even though customers could already find the product online, Selfie Stick Portugal enjoyed a first mover advantage by being the first selling the Selfie Stick in a physical store in Portugal.

Few weeks later brands like El Corte Inglés, Media Markt, Fnac and Worten were entering the market, and the Chinese Convenience Stores also started selling the product. Inês Amaral, who is both the writer of the case and the company’s founder decided to focus the case’s competitor analysis on the Chinese Convenience Stores. Even though Selfie Stick Portugal and the Chinese Convenience Stores had different suppliers with different prices and levels of quality, the packaging’s design was the same for all of them, in order for the suppliers to benefit from economies of scale. Selling a similar product, with a similar packaging at a lower price, the Chinese Stores represented a growing threat for Selfie Stick Portugal.

Being the Selfie Stick a one-time purchase product, it was important to milk the business as much and fast as possible, but with such competitive new entries, Inês knew she had a tough job ahead. With limited capital, making a decision about where to invest was crucial at this time: Inês could choose either to invest in repackaging its products with an exclusive and premium design or to invest in a new Shop Spot in Norte Shopping.

## Use of the Case

The Selfie Stick Portugal Case fits well in the core undergraduate and MBA level Marketing Management course. It can also be relevant for other more specialized courses like Strategic Marketing, Brand Management, Marketing Planning, Marketing

Communication and Consumer Behaviour.

The suggested assignment questions can be used by instructors to confront students with a real case scenario, generating class discussion and encouraging them to make strategic decisions in topics like market analysis, growth strategies, break-even point, portfolio management, store location and packaging as a communication tool.

### **Teaching Objectives**

1. To access the pros and cons of a brand's single product portfolio.
2. To understand the importance of packaging as an influencer of the perceived quality of a product and as a communication tool.
3. To elucidate students about the advantages and disadvantages of being a first mover in a practical case.
4. To highlight the importance of choosing the right store location.
5. To encourage the practice and use of the Break Even Point concept.
6. To provide students with data and have them analysing and interpreting it to reach strategic decisions.

### **Suggested Assignment Questions**

There are seven questions suggested for the discussion of this case. A timeline for a 90-minute class discussion is suggested below:

1. According to Porter's five forces framework how would you characterize the Selfie Stick market? (10 minutes)
2. Represent the company's dilemma in an Ansoff Matrix. Explain. (10 minutes)
3. What are the pros and cons of the brand's single product portfolio? (10 minutes)
4. "The role of a package is frequently misunderstood; often it is viewed simply as a container to hold a specific amount of a product" (Davis L. Masten, 1988). When analyzing the survey results, what conclusions can you take regarding the importance of packaging in the buying decision? Comment on the role of packaging in influencing the perceptions of quality regarding a product. (15 minutes)
5. Do you think Norte Shopping would be a good location for the next Selfie Stick Portugal's Shop Spot? What considerations should managers take into account when deciding where to open their next shop? What other method would you recommend Selfie Stick Portugal to use to gather information that would allow it to make this decision? (15

minutes)

6. Estimate the potential market volume that the Selfie Stick could still achieve during its first year of life (2015). (15 minutes)
7. What path would you recommend Inês to follow in order to milk Selfie Stick Portugal's business as much and fast as possible? How many units would Selfie Stick Portugal have to sell per month to cover the monthly costs of the chosen option? (15 minutes)

Assume:

Selfie Stick Portugal's product Margin = 50%

% sales per visitor in Norte Shopping = % sales per visitor in Colombo

Selfie Stick Average Price = 20€

### **Relevant Theory**

The study and resolution of the case could be enriched by a few additional readings:

- Gottfredson, M. and Whitten, C. (2012), "Focused products"
- Steenkamp, J., Heerde, H. and Geyskens, I. (2010), "What Makes Consumers Willing to Pay a Price Premium for National Brands over Private Labels?" *Journal of Marketing Research*, Vol. XLVII, pp.1011–1024
- Kimelberg, S. and Williams, E. (2013), "Evaluating the importance of Business Location Factors: The Influence of Facility Type", *Growth and Change*, Vol. 44 Issue 1, pp.92-117

### Porter's 5 forces

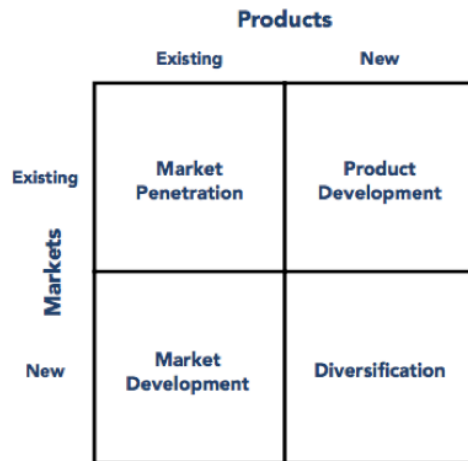
Michael Porter has identified five forces that determine the intrinsic long-run attractiveness of a market by analysing the competitive intensity: industry competitors, potential entrants, substitutes, buyers, and suppliers. By analyzing the strength of each force it is possible to take conclusions on the overall attractiveness of a market<sup>36</sup>.

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<sup>36</sup> Kotler, P. and Keller, K. (2012), *Marketing Management*, 14<sup>th</sup> Edition, pp.232

## Ansoff Matrix

The Ansoff Matrix is a strategic planning tool that provides companies with a framework of potential growth opportunities: market penetration, product development, market development or diversification<sup>37</sup>.



## **Analysis and Discussion**

In order to answer the previously stated questions, the following analysis is recommended:

### **1. According to Porter's five forces framework how would you characterize the Selfie Stick market in Portugal?**

#### Threat of market competitors:

The actual competition in this industry assumes the following shape:

- Few but strong players— apart from Selfie Stick Portugal there are only five main physical players in the market (Chinese Convenience Stores, FNAC, Worten, Media Markt and El Corte Inglés). Nevertheless, most of these players have high brand awareness and operate in several shops spread around the country.
- Similar products – since product differentiation is low most players compete in terms of price and location.

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<sup>37</sup> <http://www.free-management-ebooks.com/dldebk-pdf/fme-ansoff-matrix.pdf>

- Low exit barriers –none of the main players in the market is specialized in the Selfie Stick so they can easily discontinue the sale of this product without hurting their core business.
- The Selfie Stick market is expected to be on its growing stage considering that the number of smartphone users in Portugal has been increasing and there is still a low percentage of people who already own a Selfie Stick (18%).

The previously mentioned characteristics define an industry with medium attractiveness.

Threat of potential new entrants:

- Low entry barriers
  1. No switching costs
  2. Weak legislative control
  3. Low capital requirements for new companies selling the Selfie Stick:
    - Low cost product
    - Possibility to order small quantities of the product
    - Possibility to sell the product online with few operating costs
    - Possibility to sell the product in a Shop Spot – low cost stand in a busy shopping centre
  4. For companies already operating in the electronic retail market:
    - Low capital costs,
    - Easy access to distribution channels
    - High proximity and familiarity with customers
- Low exit barriers
  1. Companies already operating in the electronic retail market will be able to easily leave the Selfie Stick market at no costs.
  2. Potential new competitors specialized in the Selfie Stick can leave the business with few costs (sunk cost of investing in a Store or Spot Shop’s design and of creating and marketing the new brand).

When both entry and exit barriers are low, firms can easily enter and leave the market and results are stable but low<sup>38</sup>. In conclusion, the barriers for new entrants are quite low in the Selfie Stick Market, so there is a high threat of new entrances during this growing stage

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<sup>38</sup> Kotler, P. and Keller, K. (2012), “Marketing Management”, 14<sup>th</sup> Edition, pp.232



of the product life cycle, negatively affecting the attractiveness of the market and making it less profitable for firms to operate in.

#### Threat of substitute products:

The threat of substitute products in the Selfie Stick market is medium, as there are at least 3 brands that can be mentioned as actual substitutes for the Selfie Stick allowing its users to take a long distance *selfie* and fit everyone in the photo:

- Sticko – Sticko is a small multi-purpose gadget that allows its users to stick practically anything to any smooth surfaces<sup>39</sup>. Many Sticko users use it to stick their phone into a surface allowing them to take *selfies* at a long distance. Customers can buy the product online or in several electronic retail shops spread around the country, for 9,95€.
- Podo - Podo was recently launched and is a wireless, re-stickable camera that turns any surface into a photo booth<sup>40</sup>. It is available online for 99\$≅91€, so even though it fills the same need as the Selfie Stick it targets the mid to high-end market.
- GoPro Stick – GoPro developed a stick strictly compatible with the GoPro camera allowing its users to capture *selfies* with ease and in some unique angles. The GoPro Stick is available in most electronic retail stores, such as FNAC or Worten and its price ranges between 40-70€.

Note: The arm was not considered as a direct substitute for the product as one cannot take a long-distance *selfie* using it while framing the landscape/monument/friends all in the same photo.

#### Threat of buyers' bargaining power:

There are several factors that contribute to the increase of this threat:

- Lack of product differentiation – Even though the material used in the Selfie Stick production may be different from one seller to another, at a first sight it is hard to differentiate Selfie Sticks from different sellers.
- One-time purchase - The Selfie Stick is expected to be a one-time purchase product. Hence, it is important for the brand to seize as much market share as possible before competition starts threatening the company's leadership position in the market.
- Low switching costs from one seller to the other – Even though the Selfie Stick is expected to be a one-time purchase, the survey results showed that there are many

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<sup>39</sup> <http://www.sticko.com/>

<sup>40</sup> <http://www.podolabs.com/>

people buying the product as a gift for a third party. Having said that, some users may buy the product several times and if they are not satisfied with the first purchase, they can easily switch to another supplier.

On the other hand, there are factors that may mitigate this threat:

- Customers’ inability to produce the product themselves.
- Little buyer concentration.
- Product represents a small fraction of customer’s costs.

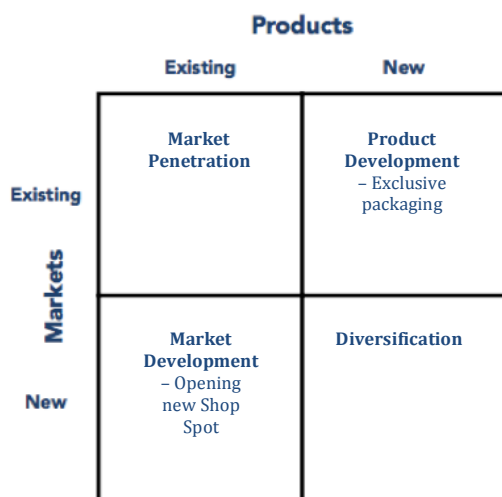
Even though there are a few factors decreasing this threat, with the rise in competition, the factors increasing this threat are expected to have a higher power so the buyers bargaining power should be considered medium-high.

Threat of suppliers’ bargaining power:

This threat is relatively low, contributing to the attractiveness of the Selfie Stick market. The factors that contribute to the low bargaining power of suppliers are the following:

- The large number of suppliers and high competition between them, which affects their ability to raise prices or reduce quantity.
- The low cost in switching suppliers.

**2. Represent the company’s dilemma in an Ansoff Matrix. Explain.**



The dilemma Inês is facing is whether to invest in repackaging Selfie Stick Portugal’s products with an exclusive design or in a new Shop Spot in Norte Shopping.

The opening of a new Shop Spot should be considered a “market development”

considering that the company will be selling the Selfie Stick in a new geographical market and to different people. It is referred in the case that most people in Porto are not familiar yet with the product, and by looking at Exhibit 4 we see that the purchasing power in Porto is considerably lower than in Lisbon. Besides this, whereas Lisbon is part of the Time Magazine's Top100 cities in the world where more *selfies* are taken (#33) Porto is not yet part of this ranking. These facts confirm that this is a different market where consumers would still have to be educated about the product.

The repackaging of the products can be considered as "product development". Even though the core product remains the same, packaging as a part of the actual product completely changes the way a product is seen. Refreshing the existing product's image is a case of brand expansion and aims to increase market share by differentiating the product from its competitors. In this case it will allow Selfie Stick Portugal to enhance the perceived quality gap between them and the Chinese Convenience Stores, allowing the brand to justify its higher prices and increase the customers' willingness to pay. At the same time it will increase the product's attractiveness for gift buyers by presenting the product in a more elegant way that would allow them to shine in the moment of offering the gift.

### **3. What are the pros and cons of the company's single product and brand portfolio?**

#### Pros:

Allowing the brand to specialize in a single product:

- Can be seen as a point of differentiation.
- There is no dispersion of marketing efforts. Being the Selfie Stick a controversial product it is crucial to invest in marketing the product in order to associate it with positive thoughts and feelings.
- Gives the brand a higher reputation for the service and product's quality.
- Allows the brand to be top of mind when customers' think of buying a Selfie Stick.
- It is a low complexity company, expected to grow faster and be more profitable<sup>41</sup>.

#### Cons:

- There is risk concentration in a one-time purchase product. When the potential market is fully covered, it can be difficult to immediately jump into new products.
- By focusing too much in a product, the company may fail to react promptly to changes in customer's demand and interest, being unable to adapt and market product offerings in a way that satisfies customers over time.

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<sup>41</sup> Gottfredson, M. and Whitten, C. (2012), "Focused products"

- There is high pressure to consistently offer a quality product and service in order to maintain the company's credibility in the market as well as a good brand image.

**4. “The role of a package is frequently misunderstood; often it is viewed simply as a container to hold a specific amount of a product” (Davis L. Masten, 1988). When analyzing the survey results what conclusions can you take regarding the importance of packaging in the buying decision. Comment on the role of packaging in influencing the perceptions of quality regarding a product.**

Exhibit 9.7 shows that packaging was considered by respondents as the attribute with the least influence in the decision of where to buy a Selfie Stick. However when presented with photos of the actual package of a product and a potential exclusive packaging it is possible to see that after all packaging has a significant influence in the buying decision. Exhibit 9.14 shows that 34% of the sample would be willing to buy a Selfie Stick for 8€ in a Chinese Shop but with the exact same photo, only 29% would be willing to buy a Selfie Stick for 15€ in Selfie Stick Portugal (Exhibit 9.15). Analyzing exhibit 9.16 where the Selfie Stick is presented with a premium packaging, 45% of the sample affirmed they would be willing to buy it, counteracting the findings in the question about the most significant attributes when buying a Selfie Stick and showing that for some customers, the product's image can even have a greater influence than price.

This comes to show that customers may not be aware of the effect packaging actually has on their buying decision when directly asked about it. It is something unconscious that they only recognise at the time of purchase when directly presented with a product.

The packaging's role has been evolving in the past few years and it is nowadays seen as one of the most important elements of an integrated marketing communication strategy. By having a stronger reach than advertising, it can be seen as a point of differentiation between two brands, being able to improve their image and stimulate the customer's perceptions about a product<sup>42</sup>, while acting as a sales tool able to work positively or negatively towards customers' motivation to buy the product<sup>43</sup>.

The features and design of a package can emphasize the distinctiveness and originality of a product and while affecting customers' perceptions and judgements about its

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<sup>42</sup> Rundh, B. (2005), “The multi-faceted dimension of packaging: Marketing logistic or marketing tool?”, *British Food Journal*, Vol. 107, pp.670 - 684

<sup>43</sup> Masten, D. (1988), “Packaging's proper role is to sell the product”, *Marketing News*, Vol. 22, Issue 2, pp.16-16

quality. This means that if a package is communicating high quality, customers assume that the product is high quality and vice-versa<sup>44</sup>.

Acting as a differentiator point between competing brands, it can shape the perceived quality gap between them. In the case of Selfie Stick Portugal and the Chinese Convenience Stores, both brands sell a product that at a first sight looks fairly the same. Since both competitors offer a similar packaging customers are likely to generalize the stimulus putting the two in the same perceptual category rather than enhancing the quality of Selfie Stick Portugal products when compared to Chinese Convenience Stores. But if packaging was distinctive, consumers would do stimulus discrimination and more easily identify the quality gap that exists between the two brands.

In the growing stage of the Selfie Stick life cycle, the effects of having a distinctive packaging on the perceived quality gap are larger than in the maturity stage, since many customers are still not familiar with the brand and are in the stage where they are still creating associations with it. Distinctive packaging is the strongest driver of the perceived quality gap, having a direct effect on the costumers' willingness to pay for a product<sup>45</sup>.

**5. What considerations should managers have when deciding where to open their next shop? Do you think Norte Shopping would be a good location for the next Selfie Stick Portugal Shop Spot? What other method would you recommend Selfie Stick Portugal to use to gather information that would allow it to make this decision?**

A major consideration that managers should have when deciding where to open their next shop, are the costs. Being a long-term decision that comes with high costs, choosing the right location for a store is a crucial decision for a company. Even though Selfie Stick Portugal would not have to buy the space to place its shop, the amount invested in the design and assembly of a shop spot as well as in the monthly rents (minimum 3 months contract) in Norte Shopping is considerably high for a start-up company.

Secondly it is important to take into consideration the population density as well as their demographic and psychographic characteristics<sup>46</sup> that should be coherent with the company's target. Regarding Norte Shopping, right after Colombo this is Sonae's Shopping

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<sup>44</sup> Silayoi, P. and Speece, M. (2007), "The importance of packaging attributes: a conjoint analysis approach", *European Journal of Marketing*, Vol. 41, No. 11/12, pp.1495-1517

<sup>45</sup> Steenkamp, J., Heerde, H. and Geyskens, I. (2010), "What Makes Consumers Willing to Pay a Price Premium for National Brands over Private Labels?" *Journal of Marketing Research*, Vol. XLVII, pp.1011–1024

<sup>46</sup> Porter, M. (1995), "The competitive advantage of the Inner City", *Harvard Business Review*, Vol. 73, Issue 3, pp.55-71

Mall with the highest traffic in the entire country. Besides this, Porto is the second most populated district in Portugal (after Lisbon), the second district with the highest purchasing power (see Exhibit 4) and according to the case it is together with Lisbon the district with the highest percentage of smartphone users.

The easy communication nodes, not only in terms of public transportation but also in terms of parking for customers and employees are also important considerations to take into account<sup>47</sup>. Norte Shopping has not only a large parking lot, offering low fares to its customers, but also a metro and several bus stations located less than a two minutes walk.

Another important consideration to have is the availability of Human Resources<sup>32</sup>. When choosing the location of a new Shop Spot, Selfie Stick Portugal must be able to attract and retain (since the job demands a certain level of specialization) young and reliable workers as well as a coordinator of all the activities performed by the Shop Spot in that given location. With contacts in Porto and being this one of the urban districts where young population is most concentrated Selfie Stick Portugal could easily create an adequate team (see Exhibit 3).

The timeliness of approval in the permitting process is also one of the most important factors when choosing the next location for a store<sup>32</sup>. Regarding the Selfie Stick Portugal case, since we are talking about a one-time purchase product, it is extremely important to accelerate the expansion process before cheaper competitors start gaining market share, and the company ends up losing potential customers. Considering that there is available space for a new Shop Spot in Norte Shopping, the process would be relatively fast since it would take up to 2 weeks for the company to sign the contract and start operating.

In general even though the costs of establishing a new Shop Spot in Norte Shopping may be relatively high, all the other aspects seem to justify the costs, making this an attractive location for the new Selfie Stick Shop Spot.

Physical visits to the place should complement statistical methods (that focus on past information) in order for the brand to have a better overview of the place and a more qualitative evaluation, taking into considerations factors that may seem irrelevant at a 1<sup>st</sup> sight. With these visits, among many other benefits, companies would be able to better assess the competitors selling in the same area, run surveys to take conclusions about customers' shopping patterns and their perceived retail image, see how good is the shopping visibility from the street or understand customers' traffic patterns (e.g.: shopping mall rush

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<sup>47</sup> Kimelberg, S. and Williams, E. (2013), "Evaluating the Importance of Business Location Factors: The Influence of Facility Type", *Growth & Change*, Mar2013, Vol. 44 Issue 1, pp.92-117

hours may require more staff)<sup>48</sup>.

## **6. Estimate the potential market volume that the Selfie Stick could still achieve during its first year of life (2015).**

The potential market for a product refers to the potential sales it can still make, in this case in 2015.

To answer this question students should go through these 4 steps:

### 1) Identify Selfie Stick's target market

Selfie Stick Portugal targets all Portuguese people owning a smartphone.

### 2) Identify the target market size.

Smartphone Penetration in Portugal 2015 – 32,1%<sup>49</sup>

Smartphone Penetration in Portugal × Portuguese population = Number of people in Portugal with a smartphone:

2015: 32,1%×10.610.000 = 3.405.810 people in Portugal with a smartphone

### 3) Calculate the market potential penetration rate

The penetration rate measures the popularity of a product in terms of usage and purchase. Since we are interested in seeing how many people still do not have a Selfie Stick but would be willing to buy it, we will ignore the people who already own it.

In Exhibit 9.3, it is possible to see that 82% of the sample, still do not have a Selfie Stick. From these 82%, by analysing the crosstabs in Exhibit 9.22 we see that 69% would be willing to buy a Selfie Stick, either from Chinese Stores or from Selfie Stick Portugal. Since these stores can cover both the people who value quality and the people who value low price, we may generalize that these 69% of the sample would be interested in buying a Selfie Stick.

This way, the penetration rate for the product today (2015) would be:

$69\% \times 82\% = 57\%$ , representing the percentage of people who still do not have a Selfie Stick but would be interested in buying one.

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<sup>48</sup> Wood, S. and Tasker, A. (2007), "The importance of context in store forecasting: The site visit in retail location decision-making", *Journal of Targeting, Measurement and Analysis for Marketing*, pp.139–155.

<sup>49</sup> [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_smartphone\\_penetration](http://en.wikipedia.org/wiki/List_of_countries_by_smartphone_penetration)

4) Calculate the potential market volume

3.405.810 – number of people targeted

57% - penetration rate

2015:  $3.405.810 \times 57\% = 1.941.312$  Portuguese people who still do not have a Selfie Stick but may be interested in buying one.

**7. What path would you recommend Inês to follow in order to milk the Selfie Stick Portugal business as much and fast as possible? How many units would Selfie Stick Portugal have to sell per month in order to cover the monthly costs in the chosen option?**

**Assume:**

**Selfie Stick Portugal's Margin = 70%**

**% sales per visitor in Norte Shopping = % sales per visitor in Colombo**

**Selfie Stick Average Price = 20€**

**Selfie Stick Expected Lifetime – 2 years**

**Option 1: Open a new Shop Spot in Norte Shopping**

Benefits

- % sales per visitor in Norte Shopping = % sales per visitor in Colombo = ?  
#monthly visitors Colombo =  $25.000.000 \div 12 = 2.083.333$   
#monthly visitors Norte Shopping = 1.362.931  
Selfie Stick Portugal Monthly Sales Volume Colombo = 1.900 units  
%sales per visitor Colombo = % sales per visitor in Norte Shopping =  
 $= 1.900 \div 2.083.333 = 0,0912\%$
- Selfie Stick Portugal Expected Monthly Sales Volume Norte Shopping =  
= % sales per visitor in Norte Shopping  $\times$  #monthly visitors Norte Shopping =  
 $= 0,0912\% \times 1.362.931 = 1.243$  units
- Selfie Stick Portugal Expected Monthly Sales Value Norte Shopping =  
Selfie Stick Portugal Expected Monthly Sales Volume Norte Shopping  $\times$  Selfie Stick  
Average Price =  
 $= 1.243 \text{ units} \times 20\text{€} = 24.860\text{€}$   
Total Monthly Benefits:  $0,7 \times 24.860 = 17.402$



### Costs

- Initial cost: Stand Design + Assembly – 3.000€  
2 years= 24 months  
Cost Amortization:  $3.000 \div 24 \text{ months} = 125\text{€ per month}$
- Monthly Costs:  
Salespeople – 1800€  
Coordinator – 300€  
Rent – 2600€  
Total Monthly Costs  $\rightarrow 1800+300+2600+125 = 4.825$

Monthly Margin Increase = Monthly Benefits - Monthly Costs =  $17.402-4.825 = 12.577\text{€}$

### **Option 2:** Invest in an exclusive packaging

#### Benefits

Increase from 29% to 45% of people willing to buy the product (Exhibits 9.15, 9.16)

Selfie Stick Portugal Current Monthly Sales Volume Colombo (29% customers) = 1.900 units.

- Selfie Stick Portugal Potential Monthly Sales Volume Colombo (45% customers)= X units  
29% ----- 1.900 units  
45% ----- X units  
 $X \text{ units} = (1.900 \times 45\%) \div 29\% = 2.948 \text{ units}$
- Selfie Stick Portugal Monthly Sales Value Colombo (45% customers)=  
Selfie Stick Portugal Expected Monthly Sales Volume Colombo  $\times$  Selfie Stick Average Price =  $2.948 \text{ units} \times 20\text{€} = 58.960\text{€}$   
Incremental Monthly Benefit:  $(2.948-1900) \times 20\text{€} = 20.960$   
Margin:  $0,7 \times 20.960 = 14.672$

#### Costs

Box Design = 80€

2 years = 24 months

Cost Amortization:  $80 \div 24 \text{ months} = 4\text{€ per month}$

Cost per Box = 0,50€

Selfie Stick Portugal Monthly Sales Volume Colombo (45%customers)= 2.948 units = 2.948 boxes

- Total monthly cost = #Boxes×Price per Box + Cost Amortization =  $2.948 \times 0,5 + 4€ = 1.478€$

Monthly Margin Increase = Monthly Benefit Increase – Monthly Cost =  $14.672 - 1.478 = 13.194€$

Option 2 is the option that brings the highest incremental benefit.

In order to solve the 2<sup>nd</sup> part of the question students must calculate the Break-Even Point of the company if it goes further with Option 2:

Fixed Costs:

Salespeople Colombo: 1.800€

Monthly Rent Colombo: 2.600€

Monthly Cost Amortization: 4€

Unit Price: 20€

Variable Unit Costs:

Average Cost per Selfie Stick: 7€

Cost per box: 0,5€

BEP:

$BEP = \text{Fixed Costs} \div (\text{Unit Price} - \text{Variable Unit Cost}) \Leftrightarrow$

$\Leftrightarrow BEP = (1800+2600+4) \div (20-(7+0,5)) \Leftrightarrow$

$\Leftrightarrow BEP = 352$  units would have to be sold every month to cover the monthly costs.