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QUEBRAMAR

Navigating through unchartered seas: Designing a development strategy in Brazil

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ABSTRACT

Title: Quebramar – Navigating through unchartered seas: Designing a development strategy in Brazil

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International expansion has become a way to ensure companies' growth, particularly within the fashion industry. Its competitive nature and its importance in conveying status, style and personal expression allied to the convergence of international fashion trends explain this urge for companies to tap the international arena.

Quebramar is a recognized lifestyle fashion brand that has forged a fruitful legacy in the Portuguese market for clothes with a nautical casual look. However, after a restructure of ownership embodied in a strategic alliance with Lanidor Group, Quebramar believes that the time for building a global brand has come. Despite being present in some foreign markets, its overseas' operations have no expression. Quebramar intends to address this situation by tapping fast growing markets with an increasing purchasing power that can be seduced by an unknown foreign brand.

The present case study provides an overview of Quebramar along with a brief summary of the Brazilian retail landscape with a special focus on the apparel retail industry. Therefore, this dissertation proposes to assess not only the inherent motivations behind Quebramar's internationalization decision to expand to Brazil but also its viability. Consequently, to identify possible drawbacks, trends and opportunities, a strategic analysis of the Brazilian market was conducted. Moreover, the main purpose of this thesis is to define and identify the best positioning approach in the foreign country, with a special emphasis on the adaptation of certain elements of its marketing mix strategy.

Key-words: Fashion industry, Internationalization, Brazilian market, Positioning strategy

RESUMO

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A expansão internacional tem-se constituído como um meio para assegurar o crescimento das empresas, particularmente no sector da moda. A necessidade de esta indústria estar presente na arena internacional é explicada não apenas pela sua natureza competitiva e convergência de tendências mas, também, pela importância do seu papel enquanto veículo de comunicação de estatuto, estilo e expressão pessoal.

A Quebramar é uma marca de "*lifestyle*" que criou um sólido legado no mercado português de vestuário casual. Contudo, só após uma reestruturação da sua estrutura acionista, que se traduziu numa parceria com o Grupo Lanidor, é que a Quebramar considera ter chegado o momento de construir uma marca global. Apesar de possuir operações em mercados estrangeiros, estas não têm tido expressão. Pretendendo alterar esta situação, a Quebramar tenciona estar presente em mercados de rápido crescimento, que possuam um crescente poder de compra e que estejam preparados para se deixar seduzir por uma marca estrangeira desconhecida.

Este caso pretende fornecer uma perspectiva geral sobre a Quebramar, bem como um breve resumo do panorama do mercado brasileiro do retalho, com especial ênfase na indústria de vestuário. Consequentemente, esta dissertação propõe expor, não apenas as motivações inerentes à decisão de internacionalização para o Brasil mas, também, a sua exequibilidade. Deste modo, para identificar possíveis inconvenientes, tendências e oportunidades, foi realizada uma análise estratégica ao mercado. Mais ainda, esta dissertação propõe-se a definir o melhor posicionamento para a marca no Brasil, com um especial enfoque na adaptação de determinados elementos da estratégia de marketing mix.

Palavras-chave: Indústria de moda, Internacionalização, Mercado Brasileiro, Estratégia de posicionamento

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CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF EXHIBITS

LIST OF ILLUSTRATIONS

LIST OF ABBREVIATIONS

ABVTEX: Associação Brasileira do Varejo Têxtil
BRIC: Brazil, Russia, India and China
BRL: Brazilian real
CAGR: Compound Annual Growth Rate
CEO: Chief Executive Officer
CFO: Chief Financial Officer
EU: European Union
EUR: Euro
GDP: Gross Domestic Product
IBGE: Instituto Brasileiro de Geografia e Estatística
IBOPE: Instituto Brasileiro de Opinião Pública e Estatística
IMF: International Monetary Fund
Mercosur: South American Common Market
SPFW: São Paulo Fashion Week
USA: United States of America
USD: United States Dollar
WOM: Word of Mouth

CASE STUDY

INTRODUCTION

Gonçalo Esteves, Quebramar's founder, and chief executive officer (CEO) was busy that cloudy morning. He grab a coffee while waiting for Pedro Gouveia, Quebramar's chief financial officer (CFO) to prepare a special meeting with Quebramar's shareholders regarding the brand's internationalization strategy.

The year of 2014 marked the beginning of a new and hopefully prosperous era for Quebramar. Being part of Lanidor Group, a renowned Portuguese fashion group, since 2011, the company was profiting from both financial and operational synergies. Consequently, Quebramar believed it was able, at that time, to successfully export its brand and image. It intended to expand its operations by tapping fast growing markets, with an increasing purchasing power such as Qatar where everything was settled for the opening of 2 stores in 2015. Brazil was also attractive for the apparel industry due to its market potential. Therein were huge opportunities because of the country's size, population and relative wealth. Moreover, Brazil could be seen as a gateway to the rest of Latin America. Additionally, Quebramar had its own motives to try this market. There were many Portuguese associations in Brazil[1], especially in São Paulo, due to the strong Portuguese community with whom the company had a personal contact. Also, after some insights and personal opinions from a local Brazilian CEO, Esteves believed that Quebramar resembled the Brazilian lifestyle, embodied by a casual and relaxed style based on fresh and colourful looks.

Still, Esteves had some doubts regarding this internationalization move. Challenges including a significantly different retail landscape[2] or high import duties were in part responsible for Lanidor's failure in Brazil in 2001[3]. But the CEO also blamed the company's poor strategic entry decision: *"Lanidor opted by Blumanau as its first location,*

[1]According to the Department of Economic and Social Affairs from United Nations, there were approximately 140.000 Portuguese people living in Brazil in 2013 (this information did not include Portuguese descendants).

[2] Examples consisted of a strong preference for local fashions or the widespread consumer credit facilities. These and other differences will be further explored throughout the case.

[3] In 2001, Lanidor invested about Euro (EUR) 1 million to open 3 stores in Brazil. However, the lack of profitability caused by high levels of bureaucracy allied to high custom duties and Brazilian real (BRL) devaluation, the brand gave up working in that market. Currently, Lanidor only possesses 1 store in South America, in Ecuador.

which is equivalent to choose Arcos de Valdevez to open your first store in Portugal! Moreover, Lanidor was steering its Brazilian operation at a distance."

Nonetheless, the referred concerns were very much in the minds of Esteves and Gouveia as they reviewed their presentation for that afternoon's meeting. Quebramar had to decide whether to be present in Brazil and, if so, the company needed to delineate the best positioning strategy.

COMPANY OVERVIEW

Quebramar ("breakwater"), as the name indicated, was a brand clearly defined by its nautical influence. Informal and sporty at heart, it conveyed values associated with a healthy lifestyle but it refused to be described as a weekend brand. In fact, Quebramar was an option for those who preferred a casual look, favouring an informal and relaxed style in their daily lives.

The company was incorporated in the Lanidor Group, one of the largest Portuguese fashion groups (Exhibit 1 - Lanidor Group information). Quebramar employed approximately 230 people and, in 2014, sales amounted to EUR 19 million. Revenues had been steadily decreasing since 2011 (from EUR 21 million in 2011 to EUR 19 million in 2012 and EUR 17 million in 2013). So, 2014's revenues recovery seemed like a turning point for Quebramar.

Like every apparel brand, Quebramar marketed its clothing collections throughout two distinguished seasons[4], offering also footwear and accessories. However, although more recalled by consumers during summer, women beachwear was inexistent and most of Quebramar's revenues came from its winter collection (Exhibit 3 - Quebramar: Revenues' breakdown by season (EUR million)).

Quebramar tried to appeal to a medium-high income profile, differentiating its offer by ensuring an excellent value for money. And although most of Quebramar's turnover

[4] Seasons: Spring/Summer and Autumn/Winter

came from its menswear sales (65,5%), women acquired most of the brand's items to offer as a gift. The most recognized item was Quebramar's "Chino" pants due to its great price-quality ratio. In addition, those pants were easily incorporated both in leisure time and during the regular working day of Portuguese people (essentially men) that did not need to wear a suit and preferred a more informal look.

The company owned 38 stores, 1 outlet and 6 franchise stores, for a total of 45 units in Portugal. Although it possessed some overseas operations, they did not have expression since all in all, the Portuguese market represented approximately 97%[5] of revenues.

Besides its clothing core activity, Quebramar sponsored sailing events having inclusively created the national ocean race *"Quebramar/Chrysler Trophy"*. The event took place every summer in Cascais and culminated with the eagerly awaited *"Bye Bye Summer"* party. Nonetheless, due to the importance gained by those events for Cascais, during the crisis period, costs associated with the organization of both the ocean race and the closure party, were assumed by the Cascais City Council. The race was renamed *"Cascais Vela"* and it still includes a Quebramar sponsored sailing competition called *"Quebramar Trophy"*.

Having started the previous year, Quebramar Beach Club was a pioneer project. Its aim was to explore new ways to interact with potential and actual customers by exposing Quebramar's essence through the Club's relaxing and welcoming ambience, its nautical decoration and healthy/fresh offerings. Additionally, being located in Aveiro, a place where people like to shop and love to hang out in streets even during the winter, a successful conversion was possible: from *"Quebramar Beach Club"* to *"Quebramar Christmas Club"*. Quebramar hoped to leverage this concept and be present in the most popular Portuguese beaches during summer.

Quebramar's journey in Portugal

In 1989, as a way to finance his own holidays, Gonçalo Esteves who was passionate

[5] The referred percentage excludes on-line sales.

about sailing decided to start designing and selling t-shirts at Cascais.

Initially sold by catalogue, Quebra-Mar possessed a casual and nautical offer. However, by the beginnings of the 90's, international groups exploiting the same distribution channel emerged. Quebra-Mar ran into difficulties, which were exacerbated by the opening of a new generation of shopping malls and the entrance of many franchises in Portugal. Following this new state of art, many companies that relied on the catalogue sales system were forced out of business and Quebra-Mar was no exception. Thus, in 1998, the brand was up for sale.

Nevertheless, this situation would not last long as Esteves proposed a corporate partnership to José Regojo whose family owned the Regojo Group[6]. Thus, a new company, Terra Mítica, was born to acquire and re-launch Quebramar brand (lost its hyphen!). Regojo and his uncle owned 80% of Terra Mítica while the remainder 20% belonged to Esteves who was also assigned to the position of CEO.

The company's strategy consisted in obtaining high levels of invoicing per store. For that reason, Quebramar chose to open single-brand stores in the main Portuguese shopping centres as those locations had heavy pedestrian traffic allied to the possibility of extending opening hours. According to Esteves, *"weekends are responsible for 80% of sales in a shopping mall"* [1].

Aided by the opening of new shopping spaces between 2003 and 2009, Quebramar followed the consumption boom, registering its highest turnover in 2007. However, since 2008, sales began to decline mainly due to an unfavourable business climate[7] allied to the consolidation of international brands that, presently, dominate the Portuguese apparel sector. Moreover, following the fast fashion[8] concept, life cycles were shortened, implying high waste levels and investments on stocks. This new scenario had immediate consequences in corporate indebtedness and subsequently financial difficulties. And

[6] Regojo Group was created in 1919 and was, at the time, responsible for commercializing some big brands such as Massimo Dutti, Mango, Wesley or Pierre Cardin in Portugal.

[7] This refers to the international crisis that started to challenge the Portuguese economy. In fact, Portugal was forced to ask for financial rescue in 2011.

[8] Concept of fast fashion: quick manufacturing of fashion items at affordable prices. It delivers designer products to a mass market being also known as disposable fashion.

although, in 2010, PME Capital Growth, the Banco Espírito Santo's risk capital fund, acquired a stake in Quebramar, the major corporate restructuring would only occur during the next year.

Ownership

Lanidor Group strengthened its presence in the Portuguese fashion market by acquiring a minority position in Quebramar being, at the same time, an active participant in the acquired company's management decisions (Exhibit 6 - Quebramar: Ownership structure 2014). The corporate restructuring was carried out in a difficult period for Portuguese brands caused by the strong retraction of consumption allied to the reinforcement of austerity measures.

> *"By bringing brands together (…) we are in a better position to face an increasing external competition".* Furthermore, the CEO sees this as a positive alliance where *"synergies are gain with a share in services"* and *"Size improves the bargaining power not only with suppliers but also in planning the international expansion"* [2].
> – Esteves in *Diário Económico* (2011)

In fact, Quebramar was facing a recovery period as 2014 marked the year of the company's turnaround as a result of synergies arising from Quebramar's consolidation in the Lanidor Group and an operating restructuring that simultaneously took place.

Distribution Channels

Quebramar marketed its products through own stores or single-brand franchise stores[9]. Additionally, in 2012, the company tapped the on-line distribution channel aided by Lanidor Group that developed an online store *(2bstyle.net)* for its brands' portfolio. Also, since 2014, Quebramar had its own on-line store at *Quebramar.com* that was able to distribute its products to the European Union (EU), United States of America (USA), Canada and Switzerland.

> *"Not a long time ago a Brazilian girl asked Quebramar via Instagram to ship a pair of galoshes priced at EUR 14,9 to her address in Brazil. However, it was impossible as the shipping cost borne by the consumer would be astronomic!"* - Quebramar's

[9] With the exception of the Mozambican multi-brand store that offered collections from both Quebramar and Lanidor in one single point of sales.

Marketing Director

Production Structure

The company relied on outsourcing agreements with approximately 130 suppliers from Asia and Portugal.

Quebramar's head-office was located in Lisbon, where about 20 people worked in administrative functions, product management, supervision of stores, and merchandizing. However, functions like logistics, communication, or accounting, were performed at Lanidor's headquarters, at Arrancada do Vouga. This situation allowed the company to benefit from synergies arising from cost reductions.

The product department was responsible for giving factories all the design and product specificities. While production samples were sent to Quebramar's headquarters for quality control/assurance before being produced full-scale, final products were shipped from manufacturing plants to warehouses located at Lanidor's facilities.

The creative process for a determined season began one year in advanced. The product department attended specialized fairs to be informed about fashion tendencies[10]. Primary designs were then sent to suppliers and an on-going relational process between this department and the diverse suppliers was activated. Full-scale production only started after the approval of every detail (fitting, fabric, colours, etc.).

First steps towards internationalization

Spain was the first chosen market beyond national borders as *"Quebramar either grew by offering new business segments like home or childrenswear, or it entered Spain, a natural market"* [3].

Quebramar opted by Madrid to open its first store as "*Spain, as opposed to Portugal, is characterized by few but dominant fashion retailing brands"* and *"Quebramar should be*

[10] The most recent trends, the most used fabrics, and the colours of the season, among other trends

introduced in the country's capital to get exposure" [3]. According to Esteves, the similarities in the consumer profiles allied to Spain's proximity and relevancy as a geographical market led to this internationalization decision.

In 2002, a new company entirely owned by Quebramar, Rompeolas, was created to explore the brand in the Spanish market. The company once had 16 stores in that country. Though, not even with the extreme expansion efforts that included new store openings and national events' sponsorships did Quebramar managed to penetrate this market. Stores were not operationally sustainable and had to be all closed but one.

> *"Our biggest mistake was trying to compete in a highly concentrated market. In fact, four players disputed 90% of the fashion market, forcing dozens of brands to compete for the other 10%. We tried to have franchise stores but without brand notoriety we could not find interested partners."* - Esteves

An unexpected opportunity coming from Mozambique arose in 2010. A couple that had lived in Portugal wanted to take their two preferred Portuguese brands[11] to their country of origin. Consequently, being the owners of a Mozambican shopping mall, they approached Quebramar for a franchise agreement. Being a distant geographical market, in addition to an outright purchase agreement, the same image and training collaborator is required to go to Mozambique every season to support and guaranty Quebramar's essence/values. Moreover, each collection shipped to Mozambique has to be reserved by the franchisee six months in advance due to the contrary seasons.

Market expansion strategies

According to Esteves, *"Organically speaking, the national market is small"*. However, *"Mozambique was never an internationalization focus and, moreover, at the time, the company was not prepared to engage itself in such a demanding quest"*. But this situation had changed since the company's corporate reorganization allied to an adaptation to both the Portuguese reality and the economic downturn fulfilled the necessary financial

[11] Curiously, the other desired brand was Lanidor!

and structural conditions for Quebramar's international expansion. Nonetheless, Quebramar was still financially constraint:

> *"Quebramar does not have the proper resources to open its own international stores. Thus, franchising is an easy way but it is not a long-term solution."* - Gouveia

Store Concept

As the company's CFO stated, *"Brands should change their stores' image periodically to avoid customers' boredom and tiredness",* Quebramar wanted to invigorate its image.

Moreover, according to past conducted studies, Quebramar women collections lacked a clear concept and structure as, several times, it was difficult to come up with an entire outfit as pieces were mainly thought of individually. Eager for rejuvenating, Quebramar teased its product department to come up with a more relaxed, trendy and bohemian look for women. Quebramar was struggling to achieve the desired feminine collection. Simultaneously, in 2014, the brand invested in a new image for its stores, the "*Boat House Concept"* (Exhibit 14 - Quebramar: Traditional stores vs. New store image - *"The Boat House Concept"* (Quebramar's new store at Doha, Qatar))

> *"This new look is much more appropriate for Quebramar's style and collection. It has sex appeal in international markets but it is not so suitable for the typical Portuguese client. We look at those new stores as an image test in the Portuguese market."* – Esteves

Despite of knowing that Quebramar's typical client was more conservative and sober, being used to a traditional store image, Quebramar's CEO was betting on a modern and younger look that was believed to have high acceptance levels in foreign markets. Thus, reflecting Quebramar's global vision, the brand would have two distinct looks, one for the domestic market, where the company only redecorated 3 of its 45 units as a preliminary test, and another for external markets.

Quebramar's apparel market[12] context

Portugal was subjected to a severe austerity program due to the continuous country's poor performance. Necessary measures imposed by the International Monetary Fund (IMF) had strictly affected individuals' purchase power. Although at its end, this intervention was largely responsible for a strong decrease in consumption, which in turn challenged the overall apparel industry. Actually, apparel and footwear consumption had been steadily decreasing over the last few years[13].

There were a considerable number of players in the clothing and footwear market in Portugal and, therefore Quebramar was dealing with a dispersed market. Major retail chains could be divided according to several aspects mainly regarding price, segment and type of products offered. Thus, appealing to the medium-high income profile, adopting a more focused positioning based on a "way of life", and betting on the casual and classic-casual look, Quebramar competed with a large number of brands such as Gant or Tommy Hilfiger.

Despite of market trust signs and consumption revival expectations in the following years [4] [5], Portuguese companies encountered major challenges. Facing a reduction in customers' consumption, in 2012, a new phase of increased discounts began and thus consumers gradually changed their consumption habits to favour shopping during sales periods. Moreover, in 2015, a new law that abolishes the mandatory sales calendar will come into force [6] and, although beneficial to Portuguese consumers, this measure might adversely affect clothing retailers.

Furthermore, the European apparel market had suffered from low growth rates[14] and a stagnant consumption. Additionally, a substantial share of this industry's value belonged to large firms such as H&M and Inditex that were able to compete on prices due to scale economies benefits.

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[12] Revenues coming from womenswear, menswear and childrenswear comprise the apparel retail industry. Although Quebramar sold also footwear and accessories, their contribution to total revenues was small and thus, the apparel industry was used as a proxy. Throughout this thesis the terms "apparel market" and "clothing market" are utilized indistinctively.

[13] If in 2010 Portuguese households spent EUR 7.310 million in clothing and footwear, in 2013 the amount reduced to reach EUR 6.631 million (OECD: Final consumer expenditures of households)

[14] While in Europe, sales in this industry amounted to EUR 323,6 billion, which implied a compound Annual Growth Rate (CAGR) of 1,1% between 2009 and 2013 [7], in Asia-Pacific the industry's total value reached EUR 289 billion. Although having smaller total revenues, those regions faced a superior CAGR (6,7%) during the same period [8].

As a matter of fact, the global apparel industry was being shaped by the unparalleled transferral of power towards fast growing markets, which were expected to grow three times faster than mature ones until 2025 [9]. Thus, following the referred state of art, Quebramar intended to reach those markets that could be seduced by its concept, lifestyle and clothing (Exhibit 15 - Top 10 fastest growing fashion cities by fashion).

Indeed, Quebramar closed a deal with EQUINOX, a group from Middle East that was already the representative of Lanidor and Casa Batalha in that region. Following the agreement's details, Quebramar will open 2 franchise stores in Qatar in 2015 and it is expected to tap other Middle Eastern countries the following years.

Qatar and beyond

EQUINOX was considered Quebramar's promoter overseas. In fact, Quebramar saw this partnership as the company's first big attempt to internationalize the brand. As a reflection of this commitment, the company was preparing a Portuguese team that would be responsible for staff training[15] in the field for 3 months, which, simultaneously, would enable the study of the local market.

Quebramar wanted to adopt a similar positioning in Qatar but, however, prices would be adapted to Qatari reality. Moreover, due to the hot temperatures, Quebramar would bet on its summer collection. Nonetheless, it would still sell previously chosen winter items, as Qatar was also a touristic destination. In a first phase, Quebramar had to have a mix of past collections and its current one available in that country due to delays in shipping from manufacturing plants to Portugal and then to Qatar.

The country was essentially constituted by expatriates and subsequently, although Arabic was the official language, English was widely spoken. Quebramar wanted to have its entire social media in the English language being, at the time, in a transition phase as some posts were done in English and others in Portuguese. Moreover, specific local campaigns could be proposed by the franchisee.

[15] Training regarding brand's essence, values, customer service, product specificities among other things

Wishing to explore other emerging countries, Quebramar was holding conversations with a South African group but the company was also opened to franchise contracts or even contracts with multi-brand chains within high potential markets like Angola and Mozambique.

THE FUTURE

Brazil had been in Quebramar's internationalization agenda since the beginning. Actually, the company was analysing the Brazilian market, looking for adequate local partners, a suitable entry mode and, finally, a positioning strategy in that competitive but fragmented market.

As a matter of fact, Brazil, Russia, India and China (BRIC) already accounted for 40% of the world's total population and, moreover:

> *"BRIC countries generated over a quarter of the world's apparel and footwear sales and are expected to account for over 64% of projected global sales over the next 5 years"* [10]. – Head of Apparel and Footwear Research at *Euromonitor* (2014)

Brazil's'[16] market potential

Besides being the largest economy in Latin America, possessing 201 million inhabitants in 2013, Brazil was ranked the fifth largest in the world in population size [11]. Moreover, by being a member of several economic organizations[17], especially the South

[16] Throughout this dissertation, data is presented in EUR. When information in that currency was not available, values were calculated according to the 2014 annual exchange rates from Banco de Portugal (BRL 1 = EUR 3,1211 and United States Dollar (USD) 1 = EUR 1,3285).

[17] Organizations including the World Trade Organization (WTO) or Comunidade dos Países de Língua Portuguesa (intergovernmental organization for friendship and cooperation among lusophone nations)

American Common Market (Mercosur)[18], Brazil could be regarded as a gateway to the rest of Latin America.

In the unclear economic situation faced by global businesses, Brazil ranked third as the world largest receiving country for foreign direct investment, in 2012 [12]. But, once a promising emerging economy, Brazil was struggling to grow. In fact, the country faced an economy characterized by demanding challenges such as substantial infrastructure constraints, an overleveraged consumer sector and high costs of doing business, to name but a few. As a consequence, prospectus for increased growth was weak.

According to the Business Monitor International, real gross domestic product (GDP) was forecasted to grow at an average pace of 1,9% between 2014 and 2024, a much slower trend when compared to the 4,8% pace of growth between 2004 and 2008. Moreover, limited household consumption caused essentially by worsening labour market and rising interest rates was followed by pervasive public protests [13].

Nonetheless, the nomination of an investor-friendly finance minister that was devoted to reverse fiscal decline allied to central bank's inflation control commitment, marked an economic policy shift that was expected to gradually regain investor confidence [13].

Contrary to most developed countries, Brazil was still characterized by an extreme stratified society and, even with major government efforts aiming at reducing inequality, income of the highest 20% of the population still represented 54,1% of country's total income[19] [14].

[18] Mercosur is currently comprised of five member countries: Argentina, Brazil, Paraguay, Uruguay and Venezuela that are connected by free trade agreements. Moreover, this group has also a number of free trade agreements with third parties including Bolivia, Chile Colombia, and Peru.

[19] For instances, even though Portugal was one of EU's countries with the highest levels of income inequality, income of the highest 20% accounted for 41,6% of total income (Eurostat 2013).

Table 1 – Classification of social classes in Brazil

Class Level	Minimum Salary (MS) MS = EUR 232 (2014)	Monthly Household Income (EUR)	% Of Social Class on Total Population
A	> 20 MS	> 4.640	3%
B	10 – 20 MS	2.320 – 4.640	25%
C	4 – 10 MS	928 – 2.320	52%
D	2 – 4 MS	464 - 928	20%
E	< 2MS	< 464	

Source: Instituto Brasileiro de Geografia e Estatística (IBGE), Portal Brasil

Brazil's retail market

Despite the more adverse climate, Brazil was ranked number four in the Global Retailing Development Index[20]. Moreover, retail in the rest of Latin America should not be despised as Chile holded the first position as a general desirable retail market, and one of the top markets for apparel.

The increasing inflation in Brazil challenged real wage and, as a consequence, retail sales' growth slowed in 2013. But low unemployment levels revealed a strong middle class eager to turn Brazil into a popular retail destination. Also, after hosting the World Cup, the country would be the Olympics stage in 2016. This event was expected to encourage tourism and to stimulate economic growth.

The retail sector amounted EUR 444 billion revenues in 2013. Shopping malls were the preferred shopping destination, especially for classes A and B, with an average traffic of 415 million visitors per month. Moreover in the 2009-2013 period, the number of shopping malls increased from 392 to 495 [15]. Population distribution played a major role in reassuring growth in this sector, as most retail activity had been concentrated in São Paulo and Rio de Janeiro. Indeed, approximately 43% of population lived in the main 25 metropolitan cities (Exhibit 16 - Population distribution by city and by metropolitan area).[21]

[20] This indicator analysed 25 macroeconomic and retail-specific variables in order to support retailers in both defining global strategies and in identifying developing market investment opportunities. Variables were divided into 4 categories that bear the same weight: Market Attractiveness, Country Risk, Market Saturation, and Time Pressure.

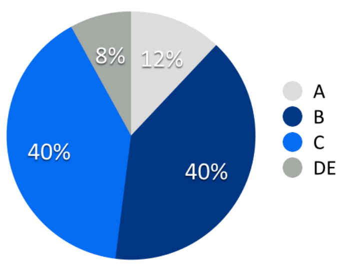
[21] IBGE, the Brazilian institute of geography and statistics, 2014 forecasts

One final factor that favoured the retail sector was the availability of credit since Brazilian consumers were very fond of credit facilities, resorting frequently to consumer finance products for goods' purchases.

Brazil's apparel market

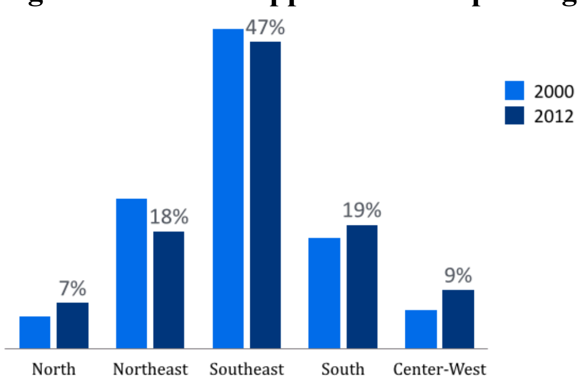
According to the 2014 AT Kearney Retail Apparel Index, Brazil was considered the fifth largest apparel marketplace[22]. This sector reached a total value of EUR 31,3 billion in 2013 (Exhibit 19 - Brazil apparel retail industry values: EUR billion, 2009 - 2013), thus achieving strong levels of growth during the 2009-2013 period [16]. In fact, CAGR reached 7,2% and a mix of several factors such as the increase in both formal employment and purchase power were accountable for this growth. Moreover, when taken together, classes B and C represented over 80% of apparel total spending in 2013. Nonetheless, industry performance was forecasted to slightly decelerate over the next five years [16].

Figure 1 - Social Classes: Percentage of total apparel spending



Source: Pyxix Consumo, Instituto Brasileiro de Opinião Pública e Estatística (IBOPE)[23] Inteligência, 2013

Figure 2 - Brazil's apparel consumption: geographic region distribution (2002/2012)



Source: IBGE, Associação Brasileira do Varejo Têxtil (ABVTEX)[24]

[22] This indicator was computed through the analysis of three metrics: Clothing Market Attractiveness (accounting for 60%), Retail Development (accounting for 20%), and Country Risk (accounting for 20%).

[23] Brazilian Institute of Public Opinion and Statistics

The apparel retail sector was extremely fragmented, essentially comprised by small businesses and local retailers that experienced lack of scale as well as absence of broad supplier base and operational efficiency of large networks. The five largest apparel retailers in Brazil represented slightly over 17% of the market and, moreover, neither of them possessed more than 5% of market share [17][25]. Apparel distribution was characterized by brand-dedicated stores (owned or franchised) or small local multi-brand stores.

Table 2 – Top apparel brands' market shares and relevant information in Brazil

BRAND	MARKET SHARE	COUNTRY OF ORIGIN	TYPE OF STORES	CONCEPT	FOCUS
C&A	5%	Netherlands	Department Stores	Fast fashion	Accessible fashion for men and women in the 18 – 25 years old range.
Renner	4%	Brazil	Department Stores	Fast fashion	Fashion at competitive prices.[26]
Riachuelo	4%	Brazil	Department Stores	Fast fashion	Targeted essentially the middle class. [27]
Marisa	3%	Brazil	Department Stores	Fast Fashion	Emphasis on class C. Although it had department stores aiming at women, men and children, Marisa's main focus was on the Brazilian women in the 20 – 35 years old range.[28]
Hering	2%	Brazil	Department Stores	Fast Fashion	Fashion aimed at all social classes. [29]
Pernambucanas	2%	Brazil	Department Stores	Fast Fashion	It undergone a repositioning strategy in order to try to appeal to women from class B (as opposed to the ones from class C)

Source: Euromonitor 2013, brands' official Brazilian websites

The growing global role of Brazilian brands and design was a reflection of Brazilian culture for fashion[30]. Additionally, international recognition of Brazilian designers allied to a rising interest in the Brazilian lifestyle and beachwear had contributed to a new fashion identity that was increasingly entrenched in international fashion agendas.

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[24] Brazilian Association of Retail for Textiles

[25] In mature markets, major players tended to hold shares of up to 70% of the market [17].

[26] Slogan: *"Você tem seu estilo. A Renner tem todos."* (You have your style. Renner has them all.)

[27] It possessed several own brands, each of them with its unique visual image that catered to distinct target audiences.

[28] Slogan: *"De Mulher para Mulher"* (from one woman to another)

[29] Hering inaugurated the concept: *"o básico que é fashion"* (Basics are fashion)

[30] Brazilian domestic fashion market has gained notoriety due to the Fashion Rio and the São Paulo Fashion Week (SPFW), the most important fashion event in Latin America and the world's fifth largest event after Paris, Milan, New York and London [18].

But retail sales were not limited to physical stores as selling clothes through the Internet was indeed fashionable. Fashion and accessories was the most requested category in e-commerce (Exhibit 22 - Most sold categories online in 2014 (in order volume)) with a value of EUR 2 billion[31], representing 5,8%[32] of total apparel sales. Brazilian people comprised a young[33] and socially connected population that enjoyed engaging and communicating with brands. Adding to this, the 78 million Brazilians that were present on social networks [20] forced brands to adhere to social media. Those channels were able not only to function as a stimulus of both online and offline consumption, but also to increase brand exposure. Additionally, fashion bloggers had become trusted and legitimate fashion authorities with a strong influential power as trendsetters. In Brazil, those bloggers were considered important opinion leaders that could easily build or break a brand.

Besides, according to ABVTEX, Brazilian's expenditure on clothing and footwear had stabilized at 4,85% of total consumer expenditure [14].

Drawbacks in the Brazilian market

Companies planning to enter the Brazilian market had to understand both the country's mentality and its business environment peculiarities.

"Brazil Cost" This term described the high cost of doing business in Brazil. A combination of several factors such as a heavy tax burden, lack of infrastructural developments, corruption or excessive bureaucracy contributed to the excessive operational costs and, as a consequence, goods/services were more expensive when compared to other countries. As a matter of fact, according to the ease of doing business index[34], Brazil was ranked number 120 out of 189 economies. As an example, Zara had to be positioned as a premium player as a consequence of this specific cost. Additionally, besides bearing high

[31] e-commerce sales in Brazil: EUR 11,5 billion *(e-bit 2015)*

[32] Although the referred e-commerce category took also into account accessories, it was used as a proxy for the percentage of online apparel sales (total sales in apparel amounted to EUR 31,3 billion)

[33] Median age in Brazil: 30 years old when compared to Portuguese median age of 41 years old [19]

[34] Ease of doing business index ranked economies from 1 to 189 in terms of regulatory environment for conducting business. World Bank covered 10 specific topics while ranking countries: starting a business, dealing with construction permits, employing workers, registering property, getting credit, among others.

operational costs, retailers were also exposed to import duties that could easily reach 35% on all kind of textiles and apparels. Moreover, there still existed taxes on the circulation of goods that varied depending upon the state. All of this reinforced the difficulty in applying a low pricing policy.

Seasonality By being located in the Southern Hemisphere, Brazil had an opposite annual cycle. Thus, fashion retailers faced a logistics challenge, opting by different strategies to mitigate this problem. For instances, while GAP offered collections in Brazil that were six months delayed when compared to its USA collection, Topshop sold one only collection that was simultaneously launched in Brazil, USA and Europe. However, *"There is also a special collection for the Southern Hemisphere, which includes Brazil, South Africa, Chile and Australia. It is made in London and has the same colours, prints, shapes and styles of the current collection, but adapted to the opposite season*" [21]. At last, Zara decided to adapt its business model to Brazilian reality by manufacturing collections devoted to the Southern Hemisphere market in Argentina and Brazil hence preventing customs duties [22].

Furthermore, Brazilians did business with people and not with companies and then, personal relationships were of utmost importance. Consequently, it was highly challenging for foreign companies to successfully penetrate this market without local support.

Competition

An interesting characteristic of the Brazilian domestic market was the gap between low profile brands like C&A or Renner, and high-end designer brands. International mass fashion brands did their homework and had started to tap this opportunity. In fact, Brazilians were very excited upon the arrival of renowned international fast fashion brands that could make luxury fashion accessible to masses. Additionally, consumers liked to mix luxury and fashion items in one only outfit. Inevitably, competition boundaries began to blur following this "trading down" trading down phenomenon, also known as the democratization of luxury[35] [23].

ZARA - opened its first store at São Paulo, in 1999. The country challenged Zara's global business model of being broadly accessible. In Brazil, this brand disputed its market share with premium brands due to its high pricing strategy. In fact, regular Brazilian prices for basic items were 11% to 76% more expensive than the ones practiced in Spain [24]. Zara considered this to be the most challenging market and, actually, the company fell short of its expectations, as it was only able to open 41 stores in 14 years compared to the predicted 50 in 3 years.

HERING - Belonging to the Cia. Hering, a group that was established in Brazil in 1880, Hering was a well-known brand[36] that offered casual and comfortable clothes to young adults. It produced its products in Brazilian manufacturing plants and was characterized by being accessible to everyone [25].

FOREVER 21 - Targeting the teens, this American brand had revolutionized fast fashion in Brazil. It was the first and only international brand to apply the same pricing point across markets although it was exposed to high import barriers [26]. Forever 21 possessed 11 stores but opted by opening its first one at São Paulo. However, in the beginning of 2015, a stronger dollar forced the company to increase prices.

GAP - Positioned to target classes from A to C, the American casual brand had 10 stores, having decided to open its first one at São Paulo in 2013. Gap chose to rely on a local partner, the Blue Bird Group that already owned other fashion brands, to open franchise stores [27].

In Brazil, the premium lifestyle essence was markedly characterized by brands that embodied the "Carioca" style, typical of Rio de Janeiro. Although established since the 60's, only recently had this trend been embraced by international fashion agendas. [37]

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[35] Moreover, allied to the "trading down" phenomenon was the "trading up" (when the new wealthy mass class enjoyed their ability to acquire luxury products). In fact, the rise of an aspirational middle class that wished to mimic traditional luxury consumption by purchasing renowned brands was responsible for forcing luxury players to create opportunities at lower price points

[36] 90% of Brazilians were familiar with the brand

[37] *Panorama da Moda Carioca* Available at:

Lifestyle brands attempted to embody the aspirations and values of a subculture, providing an emotional connection to a distinguishable lifestyle. They had the opportunity to develop a strong bond with customers, inspiring, guiding and motivating people, ultimately, contributing to the definition of their way of life [28]. Moreover, premium brands had an aspiration to become luxurious brands but the marketing mix was more directed towards a mass market.

There were two major groups that intended to consolidate the fragmented market of iconic and lifestyle brands. They were present throughout the country over an extensive network of sales channels that included brand-owned stores, franchises and multi-brand retail stores that included e-commerce retailers.

INBRANDS SA - The group's portfolio included, among others, lifestyle brands like Ellus, Salinas, Richards, or Tommy Hilfiger that, in 2013 were responsible for InBrand's EUR 290 million in net revenues. [38]

- RICHARDS – a genuinely "Carioca" brand born in Ipanema, a famous neighbourhood at Rio de Janeiro, in 1974. It personified the casual but elegant, easy to use look that was characterized by a relaxed and comfortable style. To promote the brand, Richards opted by distributing catalogues and support events related to travelling and adventure activities that could contribute to the dissemination of the brand's values and attitudes [29]. It possessed 107 stores that combined franchises and own stores, having a stronger presence in the states of São Paulo and Rio de Janeiro. It was a recent acquisition (2011) for InBrands, but Richards already accounted for almost 29% of group's gross revenues in 2013. [39]
- TOMMY HILFIGER - a leading designer lifestyle brand recognized for celebrating the essence of classic American cool style, featuring preppy with a twist designs. Founded in 1985, in 2010 the brand was acquired by PVH Corp [30]. In order to further penetrate the Brazilian market[40], in 2013, InBrands and PVH Corp. opted by

http://www.maxwell.vrac.puc-rio.br/11013/11013_4.PDF (Accessed on March 14th 2015)

[38] InBrands Earnings Release 2013, pp. 2

[39] InBrands Earnings Release 2013, pp.2 - 5: EUR 105 million / EUR 367 million

[40] Tommy Hilfiger had a shy presence in Brazil during a decade under the American Sportswear Group control, responsible for distributing Tommy's products in Latin America.

a joint venture to create Tommy Hilfiger do Brasil SA, a company that holded the rights to operate, manage and distribute certain Tommy Hilfiger branded products in Brazil [31]. It was believed that distribution was the big advantage InBrands could provide Tommy [32]. Although Tommy did not account for InBrands 2013 sales, it was already present in 780 multi-brand stores, and it possessed 6 own stores and 9 franchises.

RESTOQUE SA – Although the group's 2013 consolidated net revenue amounted to EUR 229 million[41], this value did not reflect the group's real situation as, in 2014, a big operation took place. Dudalina, a prestigious Brazilian shirt maker brand, was incorporated in Restoque portfolio, which already included renowned brands[42] such as Le Lis Blanc or Bo.Bô.

DUDALINA- a Brazilian company characterized by its desire to satisfy the needs of different segments with distinct strong brands inspired by the Italian design and shirt making. It targeted the elegant and sophisticated audience through Dudalina (classic men), Dudalina Feminina (classic women), Individual (elegant casual men), and Base (casual, sportive). The company distributed its brands through 66 own stores, 36 franchises and 3.000 multi-brand stores, promoting them by dressing TV reporters and soap opera characters[43] [33].

Although the prestigious shopping streets surrounding the metropolitan areas of São Paulo and Rio de Janeiro had been international luxury brands' prime desired location, shopping malls replaced them as the leading ambiances [34]. Customers loved the glinting behind their shopping visit and, moreover, consumers at malls and particularly within luxury stores, strictly demanded an attentive service. But, whenever possible, wealthy consumers preferred to purchase this kind of goods abroad due to price discrepancies and

[41] DFP- Standardized Financial Statements – 12/31/2013 – RESTOQUE COMÉRCIO E CONFECÇÕES DE ROUPAS S/A, pp.16

[42] Especially brands in the women premium retail market

[43] Soap operas were very popular and influential in Brazil.

unavailability of certain products in Brazil[44] [35]. Higher classes purchased in the country's three main cities: São Paulo[45], Rio de Janeiro, and Brasilia.

Furthermore, perception of luxurious brands differed between developed and emerging markets. In fact, brands with a more affordable connotation in developed markets tended to be perceived as more luxurious in emerging ones, and Brazil was no exception [37]. Accordingly, this could partially explain foreign brands' visibility at the high-end market with price signalling quality in Brazil.

OSKLEN - the brand from Oskar Metsavaht was pointed out as the first Brazilian luxury brand and, in fact, by having participated in almost every SPFW, Osklen gained international exposure and reputation. It was recognized by its quality and innovative designs that combined urban styles with more simple and nature inspired looks. The brand had a worldwide presence [38] and was broadly recognized by its summer collection. Osklen was present through several multi-brand stores and owned 71 stores and 2 Flagships.

RALPH LAUREN – It was the most searched luxury apparel brand online (2012) and a favourite American lifestyle[46] brand among Brazilians [39]. The company had already entered this market supported by a joint venture with an Argentinean group but left the country in 2002[47]. Planning to re-enter this market in 2015 by establishing its own operations, Ralph Lauren had chosen the Cidade Jardim Shopping at São Paulo for its 800m^2 Flagship.

LACOSTE - Although not considered a luxury brand by specialists, Lacoste was the second most searched luxury brand (Brazilian perceptions) online in 2012. Lacoste entered the Brazilian market through licensing, in the beginnings of the 80's. Paramount Têxteis had the exclusive right to manufacture, distribute and commercialize Lacoste products in Brazil [40]. But Lacoste faced serious challenges until it understood it had to adjust itself to the

[44] Indeed, about 80% of all Brazil's luxury goods spending was done overseas [35].

[45] 70% of Brazilian domestic luxury consumption was done in São Paulo as of 2012 [36].

[46] Lifestyle brands and luxury ones are not mutually exclusive and, in fact, luxury brands are now trying to be more relevant by also becoming associated with certain "ways of life".

[47] Ralph Lauren had to terminate its operations in Brazil in 2002 due to the partner's financial difficulties catalyzed by the Argentinean crisis. Nevertheless, some of the brand's products could still be purchased through virtual stores or authorized sellers.

Brazilian reality by slightly adapting its positioning and gaining control over its own operations (2007). Thus, Brazil became the brand's forth most important market [41] in 2013. Lacoste owned 84 stores and it was present in 1.400 multi-brand stores.

Table 3 - A brief comparison of Quebramar with Gap, Richards, Tommy Hilfiger, Polo Ralph Lauren and Lacoste

	Quebramar[54]	Gap	Richards	Tommy Hilfiger	Polo Ralph Lauren	Lacoste
Country of Origin	Portugal	USA	Brazil	USA	USA	France
Number of Countries	4	55	2	90	39	114
Positioning Brazil	N/A	Mass Fashion American Casual Style	Aspirational "Carioca" Lifestyle	Aspirational American cool Lifestyle	Luxurious American Lifestyle	Premium/Luxurious Elegant Sportswear
Credit facilities (maximum)	N/A	Pay in 5 times	Pay in 5 times	Pay in 5 times	-	
Target (Age Range)	25 - 45	18 - 30	25 - 50	25 - 45	25 - 50	18 - 45
# Stores in Brazil (own and franchise)	N/A	10	107	15	0 (Will open a Flagship soon)	84

Source: Brands' official websites

Consumer Trends

Brazil was characterized by a casual and relaxed fashion mainly due to its tropical climate that suited colourful, comfortable and light clothes. Fashion also tended to expose the body, which was seen as a national article. Indeed, following the desire of staying in shape allied to the country's tropical temperature, a new consumption tendency was emerging. Age was no longer the decisive segmentation variable. Actually, behaviour and lifestyle were considered the new age concept, forcing a superimposition of generations and ages as a consequence of the adoption of similar and youthful lifestyles among the youth, middle aged, and elderly people [42].

If motivated by international fashion trends, Brazilians went beyond their financial limits, especially those living in São Paulo or Rio de Janeiro. However, due to Brazilians peculiar sense of aesthetics, not every trend that succeeded in the Northern Hemisphere thrilled Brazilian people [42]. In fact, having a unique sense of style, Brazilians tended to favour local brands, especially in the mass fashion segment, as people believed they were in a better position to cater to their fashion preferences [43].

They made the USA their favourite travel destination but Brazilians had European tastes and preferred European brands [44]. Additionally, they tended to engage in impulsive buying behaviour when faced with discounts and promotions. Unplanned purchases were more visible in shopping centres with consumers opting essentially for clothes (29%), footwear (19%), and electronics/mobile phones (18%) [45].

In Brazil, some opportunities for menswear were arising as its revenues grew at 6,7% (CAGR) over the 2009 - 2013 period, representing 33% of total apparel sales [46]. The general increase in the men's clothing offering allied to men's growing concern with fashion and appearance could explain this continuous rise in value. This new fashion preoccupation constituted an opportunity able to enhance the triumph of value-added products and imported brands. Also, men's spending power was growing and remained double that of women and, moreover, although women shopped more frequently, men usually spend more by individual purchase **(**Exhibit 23 - Profile of the Fashion & Accessories online consumer (2013): Age, Genre and Average Ticket by genre**)** [47]. Nonetheless, they were conservative, being more loyal to their brands as men did little search regarding prices or other relevant information. But they were becoming more aware and interested in fashion tendencies being inclusively gaining ground in the world of style blogs.

Additionally, the upsurge of women's participation in the labour force positively impacted the sales of more value-added products in womenswear. In fact, that apparel segment accounted for almost 50% of total apparel market [16].

Women were usually responsible for the household purchasing decisions, buying every apparel segment[48] (Exhibit 30 - Breakdown of women's apparel purchasing habits).

[48] womenswear, menswear and childrenswear

Consequently, a gradual increase in their disposable income and independency favoured the overall apparel retailing industry.

LOOKING AHEAD

Looking out his office's window, Esteves contemplated the building that had always been Quebramar's headquarters/home. The domestic market was saturated and the company was exploring synergies arisen from its new ownership structure. Consequently, it was time to grow, to be really present in the international arena. But, all in all, some questions were still worth considering before this big decision: *What would be the most suitable entry mode in Brazil? Should Quebramar maintain its male and female offer or even adopt its domestic positioning in that market? More importantly, what marketing strategy would allow the brand to be successful/recognized in the Brazilian market?*

Having a global vision for his brand, Esteves was confident in the potential of Quebramar's brand overseas. However, due to past internationalization failure attempts, the CEO and the CFO were discussing the best approach to expose this initiative to Quebramar's shareholders.

EXHIBITS

Exhibit 1 - Lanidor Group information

Lanidor

Lanidor was the largest Portuguese brand of women's ready to wear clothes. With 95 stores, it was present in seven countries: Portugal, Spain, Saudi Arabia, Cyprus, Qatar, Ecuador, and Mozambique. It expanded its market segments, creating the LA Life Style comprised by LA Women (the first brand), LA Kids&Junior, LA Accessories, LA Caffe, LA Outlet, LA Shop Online and LA Eyewear.

Globe

Globe honoured an ideal of elegance based on timeless values embodied by figures like Grace Kelly or Jacqueline Kennedy. Acquired by the Lanidor Group in 2006, it appealed to the sophisticated woman belonging to the medium-high segment. It possessed 17 stores in Portugal and 3 in Spain.

Pablo Fuster

Acquired by Lanidor in 2011, Pablo Fuster was specialized in renowned women's leather footwear. Products could only be found online (in the Group's online store: *2bstyle.net*) or at Globe stores, on an ad-hoc basis.

Casa Batalha

Founded in 1635, Casa Batalha was the oldest Portuguese jewellery boutique. Belonging to the Lanidor Group since 2009, it allied tradition and modernity to a fashion twist. The brand had been betting in the expansion of this new glamorous accessories concept possessing 8 stores in Portugal and 1 in Qatar.

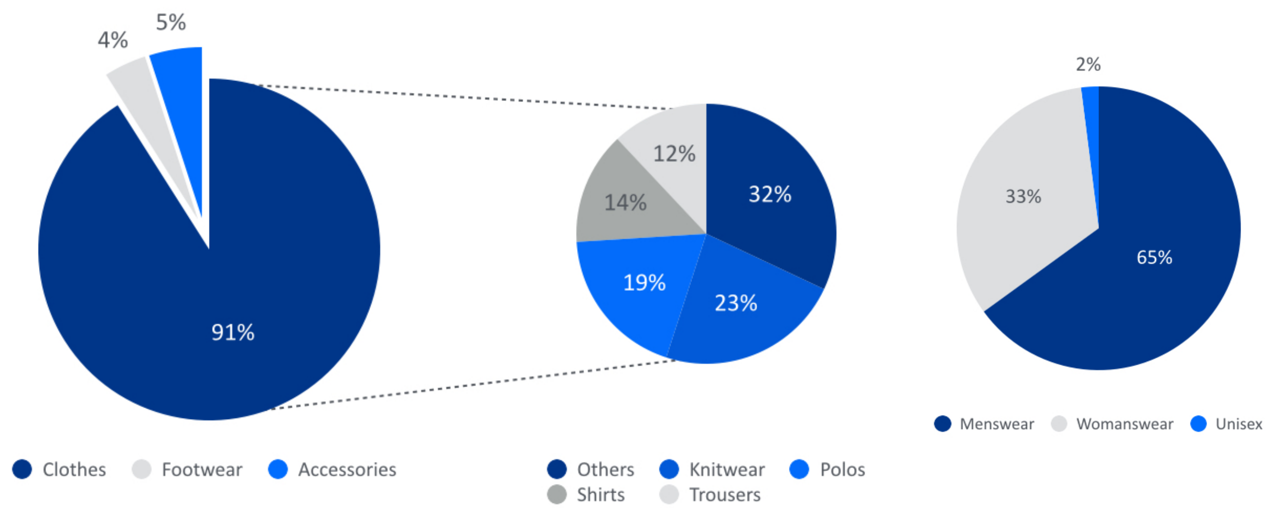
Companhia do Campo

Being part of the Lanidor Group since 2010, this shop was specialized in décor with a certain rustic touch fitting perfectly in an urban home. Companhia do Campo also offered decorative consulting services or 3D simulations. It possessed 3 stores in Lisbon.

Quebramar

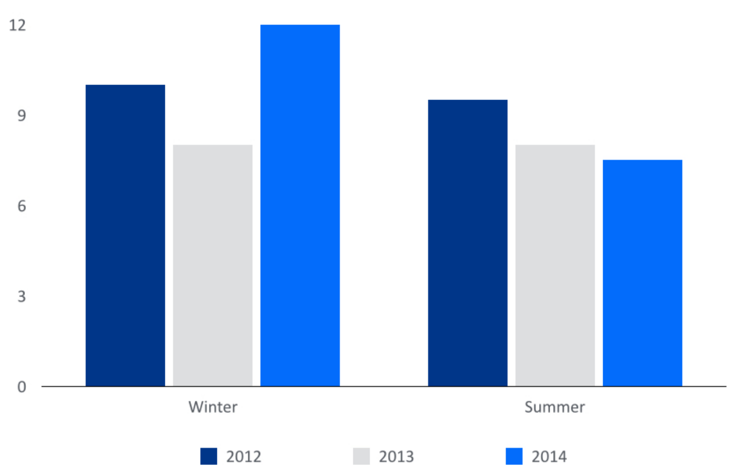
Quebramar had been part of Lanidor Group since 2011. And, although incorporated in the group, in a management point of view, Quebramar was still autonomous. Furthermore, the company was guided by an annual strategic plan that included data regarding both results and cash flows projections, which, in turn, could limit expansion efforts.

Exhibit 2 - Quebramar: Revenues' breakdown by products and by type of apparel



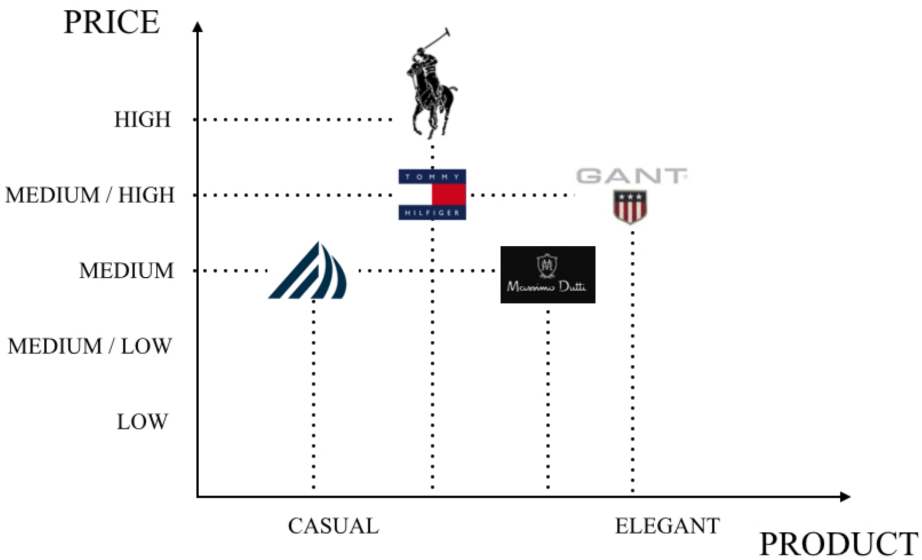
Source: Quebramar 's data

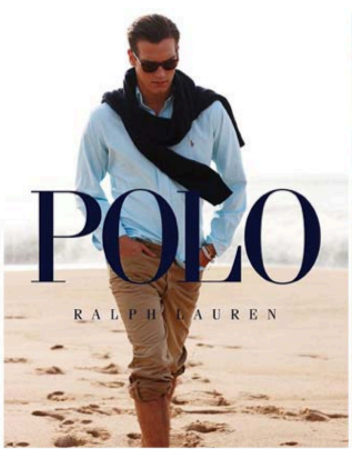
Exhibit 3 - Quebramar: Revenues' breakdown by season (EUR million)



Source: Quebramar's data

Exhibit 4 - Quebramar's domestic positioning





RALPH LAUREN

QUEBRAMAR


GANT


QUEBRAMAR


RALPH LAUREN

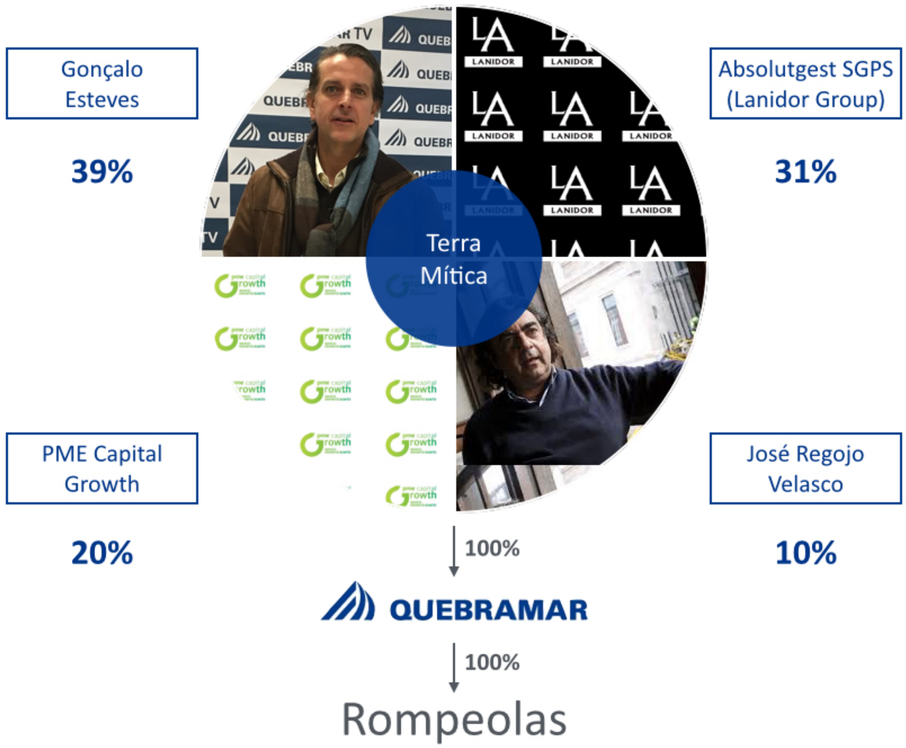

QUEBRAMAR

Source: Quebramar's data

Exhibit 5 - Quebramar's world

Source: Quebramar.com, CNC (Club Naval de Cascais)

Exhibit 6 - Quebramar: Ownership structure 2014



Source: Quebramar's data

Exhibit 7 - Quebramar's Client Card: Quebramar's Club

Quebramar had a loyalty card program that allowed the customer to accumulate points in his/her Quebramar card, which could afterwards be redeemed for EUR 10 vouchers. In less than 3 years (launched in June 2012), this Community attracted more than 200.000 members who were able to enjoy the special campaigns, offerings and partnerships.

Exhibit 8 - Some special offers targeting the Quebramar's Club

Source: Clubequebramar.com

Exhibit 9 - Examples of occasional contests for Quebramar's Community

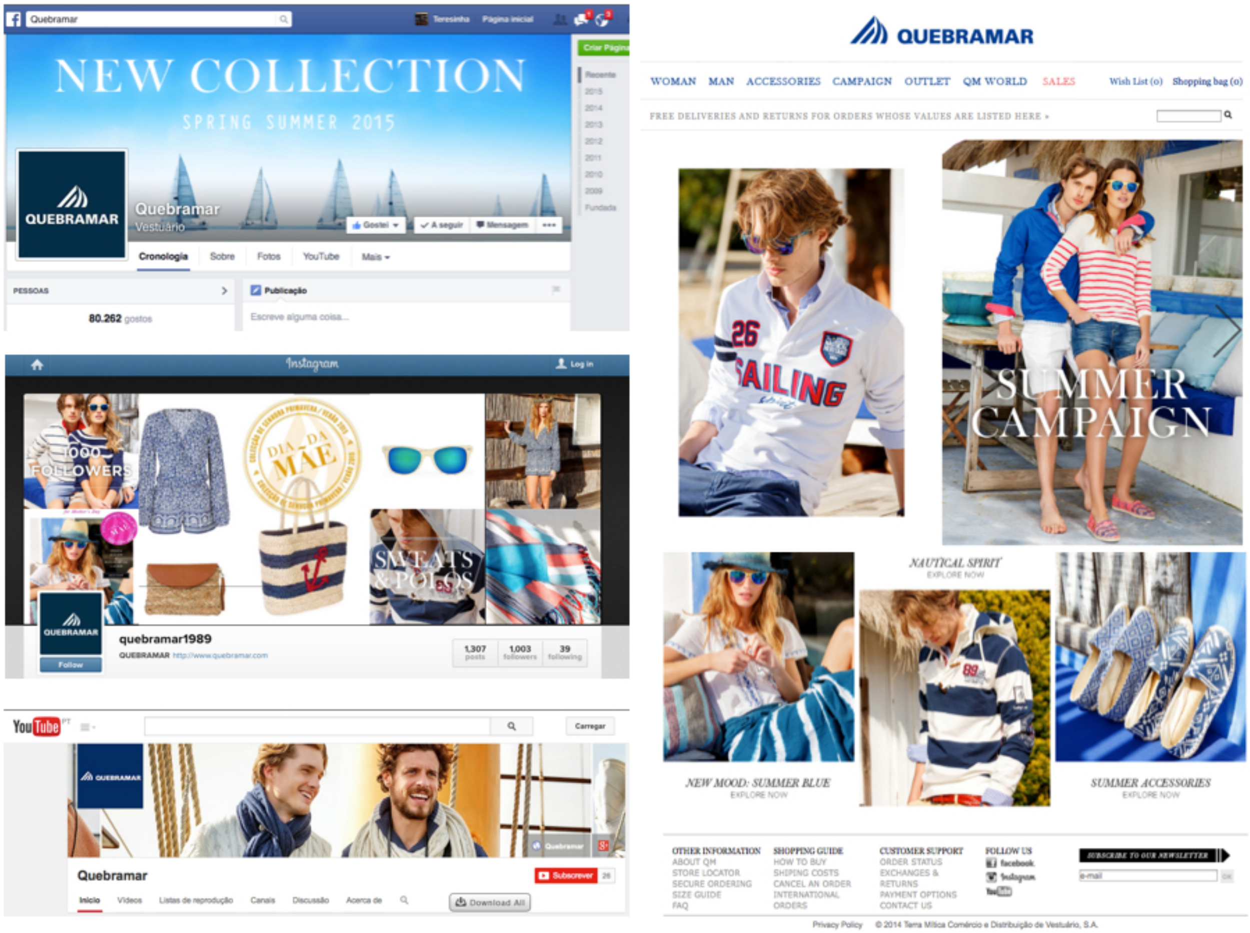
Source: Clubquebramar.com

Exhibit 10 - Examples of Quebramar's campaigns

Source: Quebramar's Facebook page

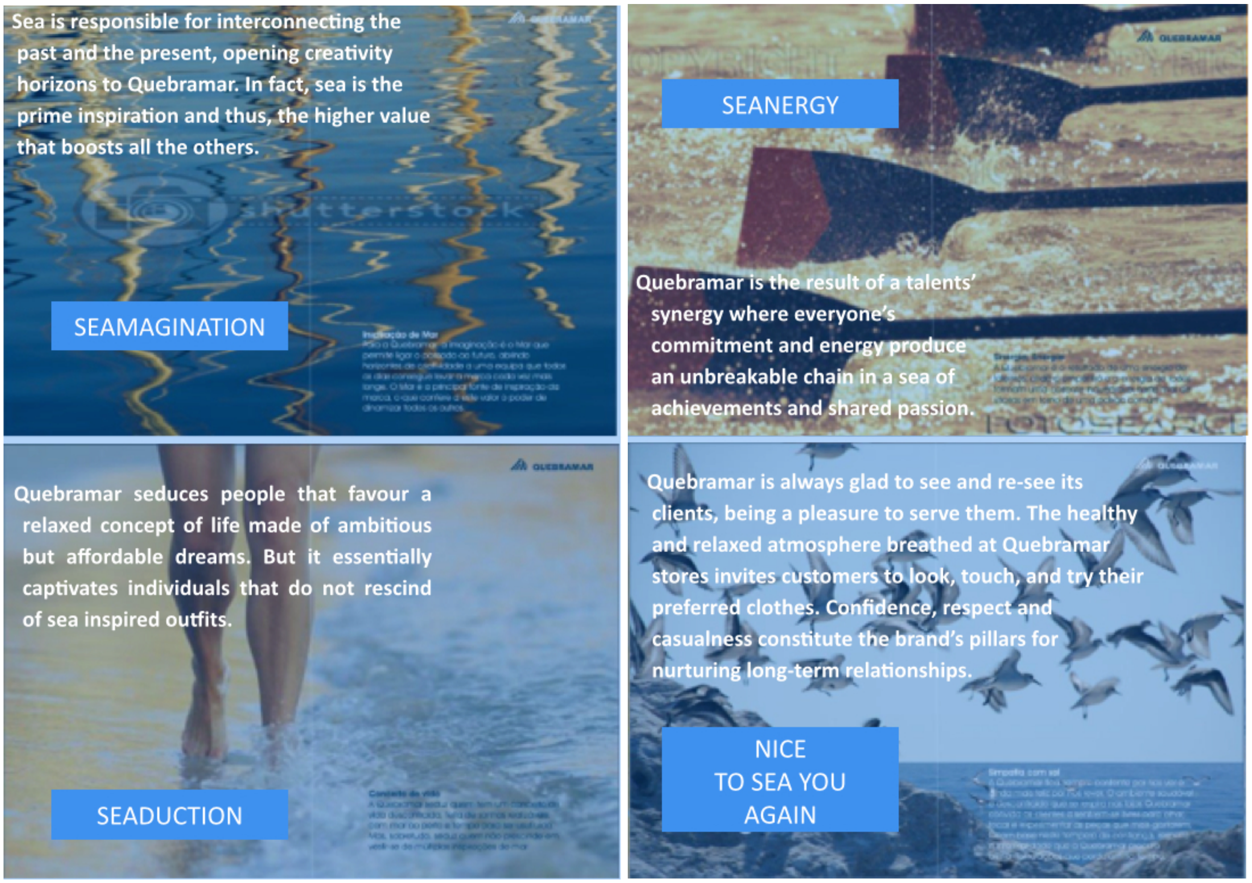
Exhibit 11 - Quebramar's last catalogues

Exhibit 12 - Quebramar: Social Media and Online Store



Source: Quebramar's Facebook, Instagram, Youtube, and on-line store

Exhibit 13 - Quebramar's values



Source: Quebramar's data

Exhibit 14 - Quebramar: Traditional stores vs. New store image - *"The Boat House Concept"* (Quebramar's new store at Doha, Qatar)

Source: Quebramar.com, novointerior.pt, Quebramar's internal data

Exhibit 15 - Top 10 fastest growing fashion cities by fashion

Source*:* McKinsey & Company. *Unleashing fashion Growth city by city*

Exhibit 16 - Population distribution by city and by metropolitan area[49]

Order	State	City	Population 2014	Order	Metropolitan Area (MA)	Population 2014	% Total Population
1	SP	São Paulo	11 895 893	1	Sao Paulo MA	20 935 204	10,32%
2	RJ	Rio de Janeiro	6 453 682	2	Rio de Janeiro MA	11 973 505	5,91%
3	BA	Salvador	2 902 927	3	Belo Horizonte MA	5 767 414	2,84%
4	DF	Brasília	2 852 372	4	Porto Alegra MA	4 161 237	2,05%
5	CE	Fortaleza	2 571 896	5	RIDE DF[50] and Entorno	4 118 154	2,03%
6	MG	Belo Horizonte	2 491 109	6	Salvador MA	3 919 864	1,93%
7	AM	Manaus	2 020 301	7	Recife MA	3 887 261	1,92%
8	PR	Curitiba	1 864 416	8	Fortaleza MA	3 818 380	1,88%
9	PE	Recife	1 608 488	9	Curitiba MA	3 414 115	1,68%
10	RS	Porto Alegre	1 472 482	10	Campinas MA	3 043 217	1,50%
11	PA	Belém	1 432 844	11	Manaus MA	2 478 088	1,22%
12	GO	Goiânia	1 412 364	12	Goiânia MA	2 296 678	1,13%
13	SP	Guarulhos	1 312 197	13	Belém MA	2 129 515	1,05%
14	SP	Campinas	1 154 617	14	Grande Vitória MA	1 884 096	0,93%
15	MA	São Luís	1 064 197	15	Baixada Santista MA	1 781 620	0,88%
16	RJ	São Gonçalo	1 031 903	16	Natal MA	1 462 045	0,72%
17	AL	Maceió	1 005 319	17	Grande São Luís MA	1 403 111	0,69%
18	RJ	Duque de Caxias	878 402	18	Maceió MA	1 246 421	0,61%
19	RN	Ntal	862 044	19	João Pessoa MA	1 195 904	0,59%
20	MS	Campo Grande	843 120	20	NO/NE[51] Catarinense MA	1 191 558	0,59%
21	PI	Teresina	840 600	21	RIDE Teresina	1 180 930	0,58%
22	SP	São Bernardo do Campo	811 489	22	Florianópolis MA	1 111 702	0,55%
23	RJ	Nova Iguaçu	806 177	23	Aracaju MA	912 647	0,45%
24	PB	João Pessoa	780 738	24	Vale do Rio Cuiabá MA	871 729	0,43%
25	SP	Santo André	707 613	25	Londrina MA	818 300	0,40%
TOTAL TOP 25		51 077 190		TOTAL TOP 25		87 002 695	**42,91%**
TOTAL BRAZIL		202 768 562		TOTAL BRAZIL		202 768 562	**100,00%**
TOTAL		25,20%					

Source: IBGE

[49] Metropolitan area: densely populated urban area and its less-populated surrounding territories, sharing industry, infrastructure, and housing

[50] RIDE DF: Região Integrada Desenvolvimento Económico do Distrito Federal (Region integrated in the economic development of Federal District)

[51] N/NE: Norte / Nordeste (North / Northest)

Exhibit 17 - Consumption share by states (2014)

		2014		
Abrev.	**State**	**Consumption Share**	**Ranking**	**Consumption Potential 2014 – EUR bn**
SP	**Sao Paulo**	27,38%	**1**	286
RJ	**Rio de Janeiro**	9,98%	**2**	104
MG	**Minas Gerais**	9,85%	**3**	103
RS	**Rio Grande do Sul**	6,54%	**4**	68
PR	**Parana**	6,15%	**5**	64
BA	**Bahia**	5,49%	**6**	57
SC	**Santa Catarina**	4,10%	**7**	43
PE	**Pernambuco**	3,45%	**8**	37
GO	**Goias**	3,37%	**9**	35
CE	**Ceara**	2,96%	**10**	31
PA	**Para**	2,63%	**11**	28
DF	**Distrito Federal**	2,17%	**12**	23
ES	**Espririto Santo**	2,01%	**13**	21
MA	**Maranhão**	1,88%	**14**	20
MT	**Mato Grosso**	1,56%	**15**	16
PB	**Paraiba**	1,46%	**16**	15
MS	**Mato Grosso do Sul**	1,38%	**17**	14
RN	**Rio Grande do Norte**	1,28%	**18**	13
AM	**Amazonas**	1,27%	**19**	13
AL	**Alagoas**	1,08%	**20**	11
PI	**Piaui**	1,01%	**21**	11
SE	**Sergipe**	0,86%	**22**	9
RO	**Rondonia**	0,74%	**23**	8
TO	**Tocantinas**	0,59%	**24**	6
AP	**Amapa**	0,33%	**25**	3
AC	**Acre**	0,28%	**26**	3
RR	**Roraima**	0,20%	**27**	2

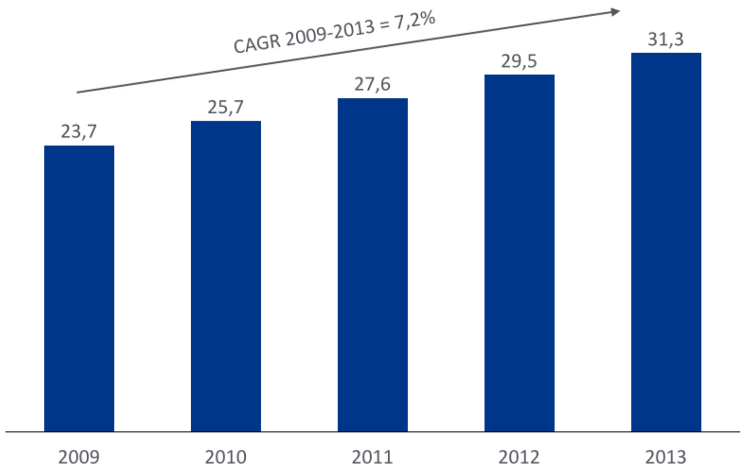
Source: IPC Maps 2014 (provides demographics information along with consumption potential of each Brazilian municipality)

Exhibit 18 - Consumption share by cities (2014)

			RANKING		
State	**City**	**Consumption Share**	**National**	**State**	**Consumption Potential 2014 – EUR bn**
SP	**Sao Paulo**	8,82%	**1**	**1**	92
RJ	**Rio de Janeiro**	5,03%	**2**	**1**	53
DF	**Brasília**	2,17%	**3**	**1**	23
MG	**Belo Horizonte**	1,81%	**4**	**1**	19
BA	**Salvador**	1,61%	**5**	**1**	17
PR	**Curitiba**	1,54%	**6**	**1**	16
RS	**Porto Alegre**	1,30%	**7**	**1**	14
CE	**Fortaleza**	1,29%	**8**	**1**	14
GO	**Goiania**	1,00%	**9**	**1**	11
PE	**Recife**	0,91%	**10**	**1**	10
AM	**Manaus**	0,84%	**11**	**1**	9
SP	**Campinas**	0,84%	**12**	**2**	9
PA	**Belém**	0,76%	**13**	**1**	8
SP	**Guarulhos**	0,64%	**14**	**3**	7
SP	**São Bernardo do Campo**	0,59%	**15**	**4**	6
RJ	**São Gonçalo**	0,55%	**16**	**2**	6
MA	**São Luís**	0,53%	**17**	**1**	6
SP	**Santo André**	0,53%	**18**	**5**	6
AL	**Maceio**	0,52%	**19**	**1**	5
MS	**Campo Grande**	0,51%	**20**	**1**	5
SP	**Ribeirão Preto**	0,50%	**21**	**6**	5
SP	**São José dos Campos**	0,48%	**22**	**7**	5
RN	**Natal**	0,45%	**23**	**1**	5
RJ	**Niteroi**	0,45%	**24**	**3**	5
SP	**Sorocaba**	0,43%	**25**	**8**	5

Source: IPC Maps 2014

Exhibit 19 - Brazil apparel retail industry values: EUR billion, 2009 - 2013[52]



Source: MarketLine 2014

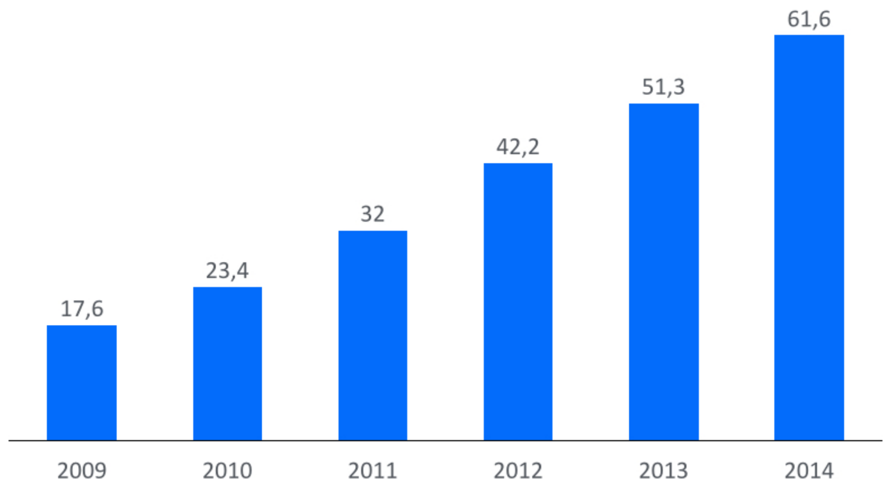
Exhibit 20 - Multi-brand stores constitute an important sales channel of high-income products

Name	Location	Brands
Nk Store	**São Paulo / Rio de Janeiro**	Alaia, Stella McCartney, Céline, Alexander Wang, Lanvin, Marc Jacobs, Givenchy, Isabel Marant, Philip Lim and Emilio Pucci
Choix	**São Paulo**	Comme des Garçons, Class Roberto Cavalli, Tigersushi, Zadig & Voltaire, Neon, Amapô, Converse and Barbara Casasola
Alberta	**Rio de Janeiro**	Valentino, Pucci, Issa London, M. Missoni, Marchesa, Givenchy, Barbara Bela and Hector Albertazzi
Miami Store	**Campinas**	Nike, Puma, Speedo, Prada, Versace, Calvin Klein, Giorgio Armani, Dior, Diesel, Chanel, Ralph Lauren, among others
Dafiti	**-**	Virtual multi-brand store

Source: Ministry of Foreign Affairs of Denmark, 2014, The Trade Council, *Brazilian Clothing*

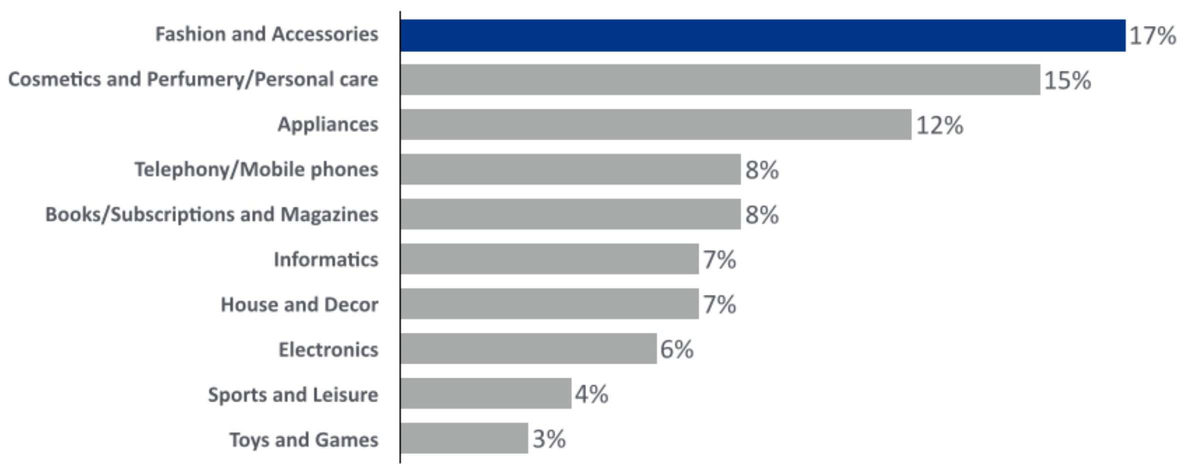
[52] No exchange rate was used as MarketLine provides values in both currencies (EUR and BRL). All currency conversions used in the MarketLine report were calculated at constant 2013 annual average exchange rates. Moreover, the industry value is calculated at retail selling price, and includes all taxes and levies.

Exhibit 21 - Evolution of the number of e-consumers (in millions)



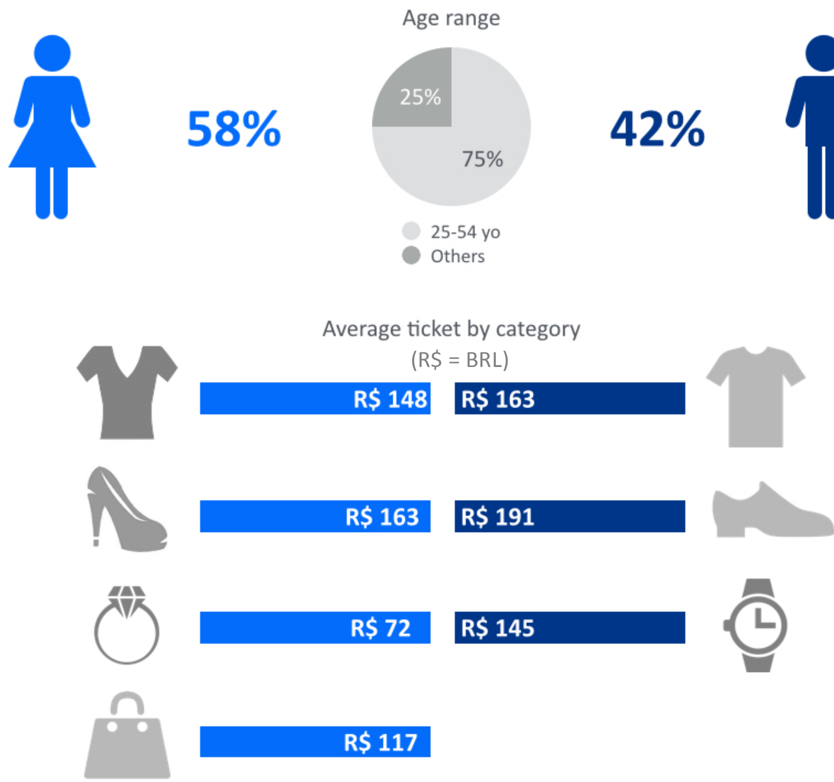
Source: E-bit information (www.ebitempresa.com.br)

Exhibit 22 - Most sold categories online in 2014 (in order volume)



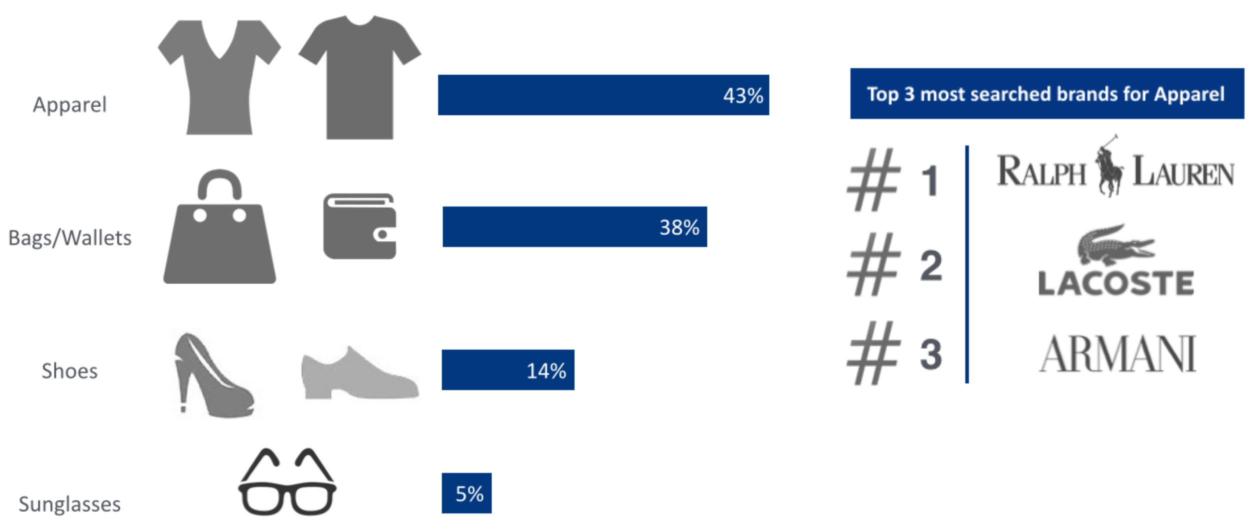
Source: E-bit information (www.ebitempresa.com.br)

Exhibit 23 - Profile of the Fashion & Accessories online consumer (2013): Age, Genre and Average Ticket by genre



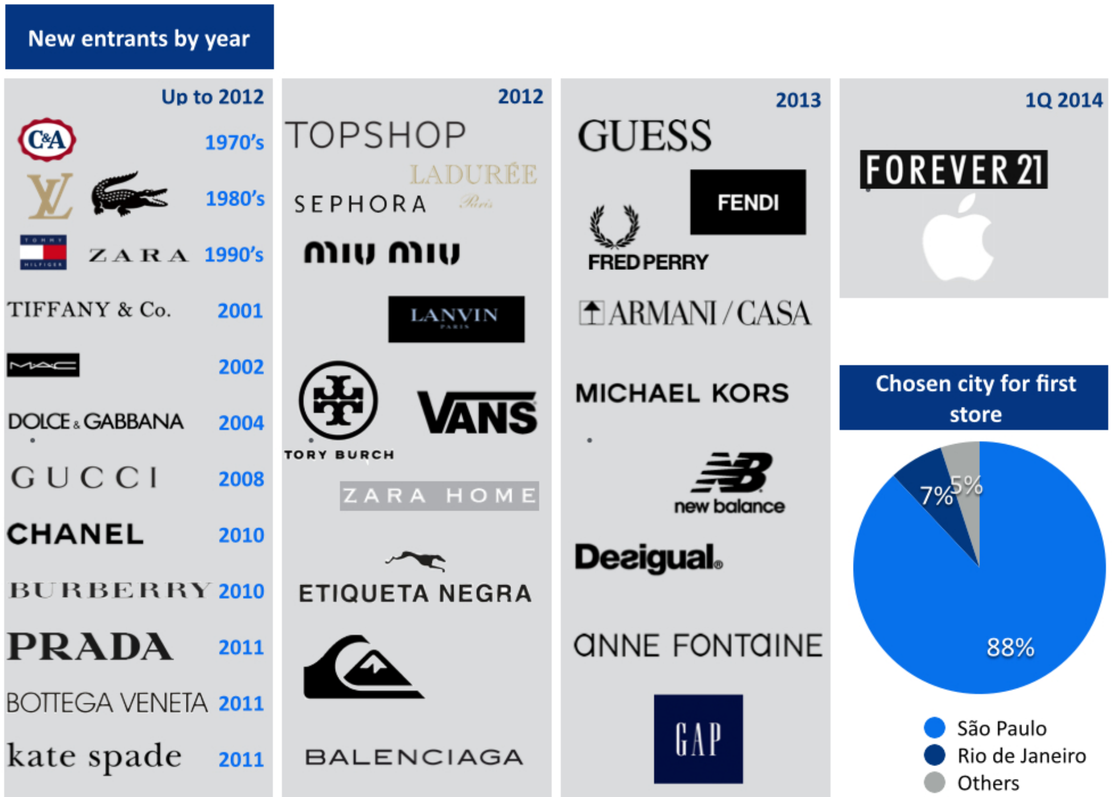
Source: Brazilian service of support for micro and small Enterprises (Sebrae)

Exhibit 24 - Breakdown of luxury searches by category



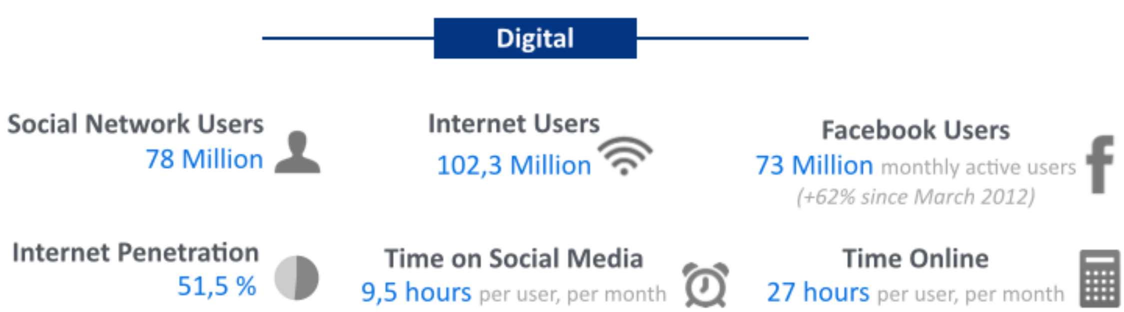
Source: Digital Luxury Group, January – June 2012

Exhibit 25 - Presence of international brands in Brazil



Source: JLL, *Brazil Retail Overview* 2013 – 201, BTG Pactual

Exhibit 26 - Social Networks general data in Brazil



Source: Digital IQ Index: *Brazil* | *Prestige*, 2013

Exhibit 27 - Top factors that influence Brazilian consumers' clothing purchases (2011)

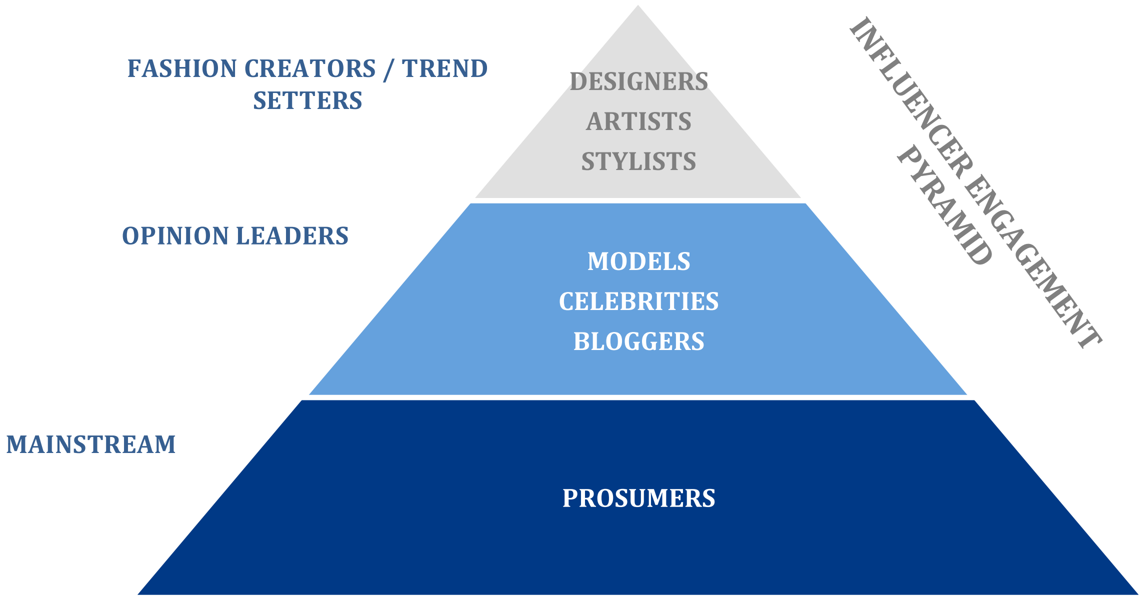
PRIMARY	SECONDARY
Quality	Performance features
Durability	Environmentally friendly
Style	Brand name
Finish	Cleaning requirements
Color	Endorsement
Price	Country of Origin
Fiber content	

Source: Cotton Council International and Cotton Incorporated, 2011, *Global Lifestyle Monitor: Brazil*

Exhibit 28 - Most influential fashion blogs in Brazil

BRAZIL RANKING	WORLD RANKING	BLOG	BLOG CATEGORY
1	**82**	Blog da Thassia	Personal Style
2	**7**	Garotas Estúpidas	Personal Style / Celebrity Style
3	**97**	Super Vaidosa	Beauty
4	**14**	Chata de Galocha	Personal Style
5	**51**	Depois dos Quinze	Personal Style
6	**40**	Petiscos	Personal Style
7	**-**	Lala Rudge	Personal Style
8	**-**	Lalá Noleto	Personal Style
9	**71**	Just Lia	Personal Style
10	**64**	Pausa para Feminices	Beauty

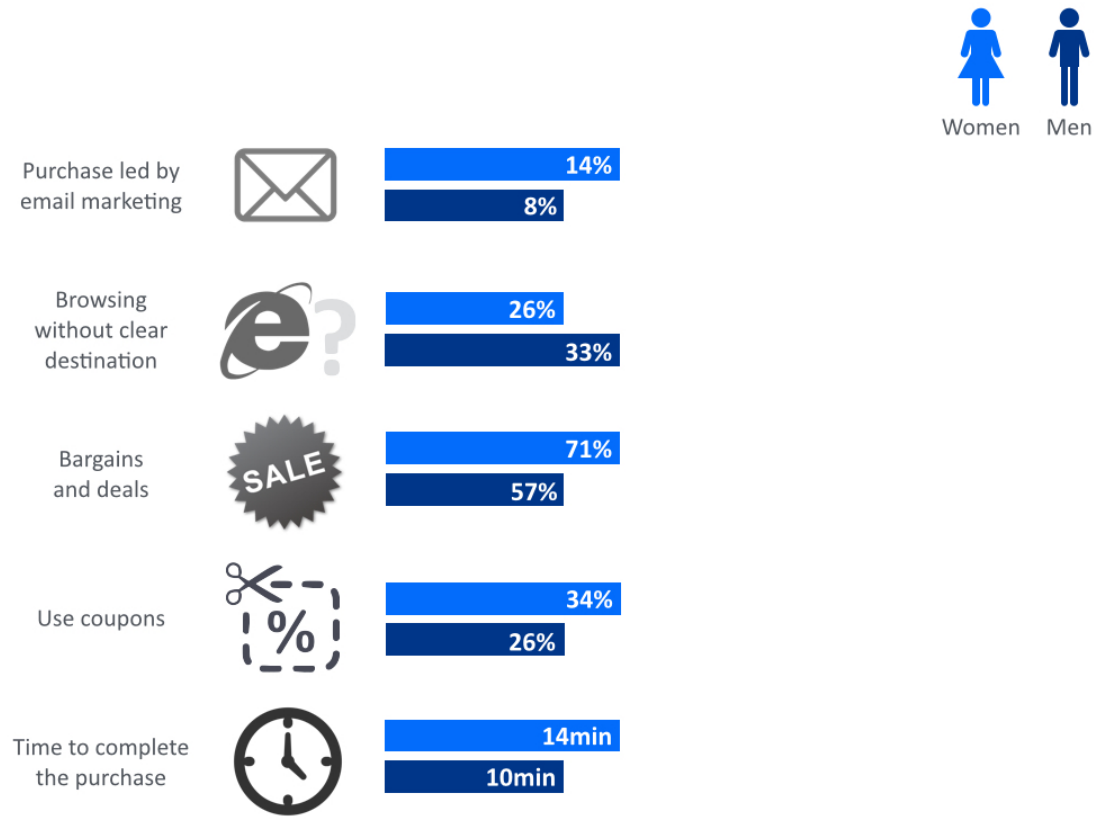
Source: The Brazil Business: *100 Influential Blogs in Brazil* – 2014 Edition, signature9.com, Style99, *The 99 Most Influential Fashion & Beauty Blogs*, Fall 2014



Cost of promoting brands in the most famous Brazilian blogs (BRL)	
Referrals	300 to 3.500
Post	4.000 to 20.000
Photo: #lookdodia (#dailylook) on Instagram	5.000
Video appearance	2.000 to 10.000
Events' appearance + video or post	4.000 to 11.000 (plus travel expenditures)

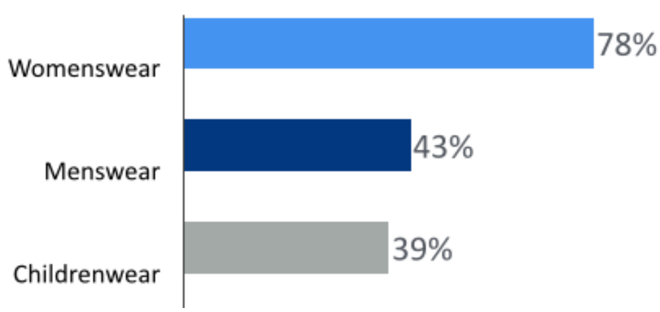
Source: Veja.com, *Como as blogueiras fazem da moda um negócio lucrativo*, 2014

Exhibit 29 - Online Trends: Men VS Women (2013)



Source: paymentsense.co.uk

Exhibit 30 - Breakdown of women's apparel purchasing habits

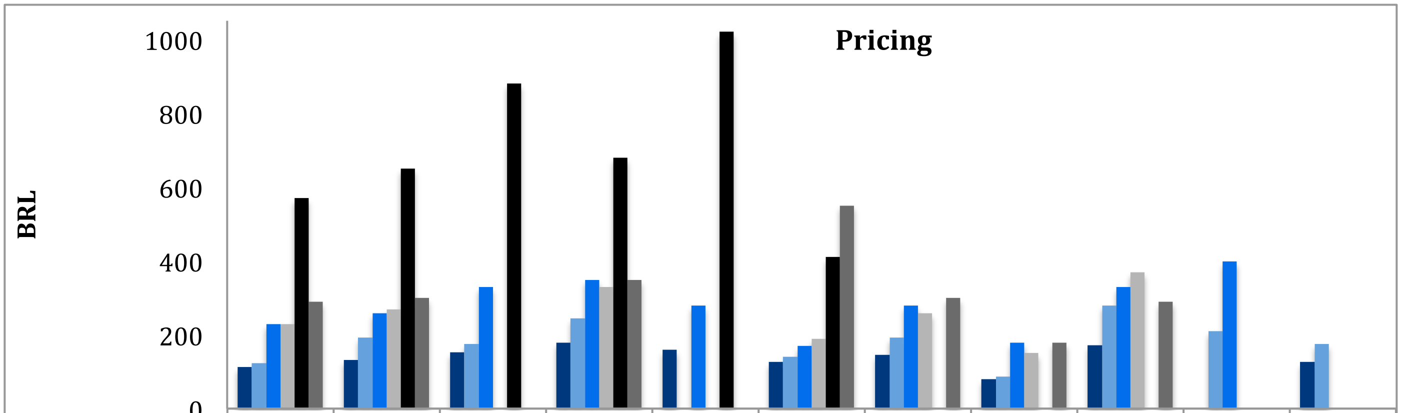


Source: IBOPE[53]

[53] This specific study was conducted in the metropolitan areas of Sao Paulo, Rio de Janeiro, Porto Alegre, Curitiba, Belo Horizonte, Salvador, Recife, Fortaleza, and Brasília with representation of both genders and all social classes. Respondents had more than 18 years old and answers were collected between 2008 and 2009

Exhibit 31 - A brief comparison of Quebramar with Gap, Richards, Tommy Hilfiger, Ralph Lauren and Lacoste

	Quebramar[54]	Gap	Richards	Tommy Hilfiger	Polo Ralph Lauren	Lacoste
Country of Origin	Portugal	USA	Brazil	USA	USA	France
Number of Countries	4	55	2	90	39	114
Positioning Brazil	N/A	Mass Fashion American Casual Style	Aspirational "Carioca" Lifestyle	Aspirational American cool Lifestyle	Luxurious American Lifestyle	Premium/Luxurious Elegant Sportswear
Credit facilities (maximum)	N/A	Pay in 5 times	Pay in 5 times	Pay in 5 times	-	
Target (Age Range)	25 - 45	18 - 30	25 - 50	25 - 45	25 - 50	18 - 45
# Stores in Brazil (own and franchise)	N/A	10	107	15	0 (Will open a Flagship soon)	84



	Men Basic Polo	Men Basic Shirt	Men Pullover	Men Jeans	Men Chino Pants	Men swimming shorts	Women Basic Shirt	Women Basic T-shirt	Women Jeans	Women Short Skirt	Women Basic Cardigan
Quebramar	113	132	152	179	159	126	146	79	172		126
Gap	122	192	175	245		140	192	87	280	210	175
Richards	229	259	329	349	279	169	279	179	329	398	
Tommy Hilfiger	229	269		329		189	259	150	369		
Ralph Lauren	570	650	880	680	1020	410					
Lacoste	289	299		349		550	299	179	289		

[54] Quebramar prices were directly taken from Quebramar online store (BRL 1 = EUR 0,3021) and do not take into consideration any potential Brazilian cost

TEACHING NOTES

1. INTRODUCTION

This section provides instructors a structured orientation plan towards the relevant case aspects. Besides providing a brief case summary, key characteristics are identified along with some suggestions and possible relevant subjects for the class discussion.

2. SYNOPSYS

Quebramar, a Portuguese apparel brand was founded in 1989. Having rapidly grown in a context of high margins, the company could not adjust its structure to the consumption retraction. To face this new reality, Quebramar was incorporated in Lanidor Group and synergies were being explored.

Eager to expand its "way of life" and new image, Quebramar was committed to tap fast growing markets that could boost the company's profits. Still in its embryonic stage, the brand's internationalization strategy needed to be refined. Quebramar would explore first the Middle East, having already a contract to open 2 stores in Qatar. However, its goal consisted in reaching other countries with growing potential like Brazil. Nevertheless, Quebramar had to be careful to avoid bad investments or failures (like it happened with Quebramar's Spanish operation). Thus, the company needed to design the best strategy for each market it planed to enter and Brazil was no exception.

3. USE OF THE CASE

This case can be used in marketing courses like Marketing Management or International Brand Management since it illustrates specific decisions concerning the positioning strategy of an apparel brand in a foreign market. Moreover, exemplifying an internationalization situation, it is also relevant for strategy courses, including Strategic Management or Advanced Strategic Management. Questions implying different levels of difficulty should be adapted to make this case suitable for both Undergraduate and Master students.

4. TEACHING OBJECTIVES

- Applying strategic frameworks and tools aiming at scrutinizing key factors in the external environment at both macro and microeconomic levels.
- Understanding firms' underlying motivations to go abroad having into consideration push and pull factors.
- Considering the different modes of entry into a foreign market and their intrinsic advantages and disadvantages, both generic and specific for the clothing industry.
- Understanding to which extent foreign companies need to adapt their positioning strategy to fit local conditions and consumer behaviours.
- Making use of marketing frameworks to find the appropriate market space for Quebramar, while communicating its value proposition in a coherent and integrated manner.

5. SUGGESTED ASSIGNMENT QUESTIONS

1. How would you describe the apparel industry in Brazil? What are opportunities and threats in such market?

2. What were the main factors influencing Quebramar's internationalization decision?

3. What were the most used entry modes among clothing brands in Brazil? What are the advantages and disadvantages of those and which ones could be seen as possible entry modes for Quebramar?

4. Should Quebramar maintain its domestic positioning in Brazil? Who should Quebramar target and how should the brand be positioned among that target?

<u>5. How should Quebramar adapt its marketing mix strategy? Give an example of a possible Marketing Mix solution.</u>

6. RELEVANT THEORY

6.1 Strategic frameworks and tools

The combined strength of five distinctive forces sharply influences the state of competition in an industry (Porter, 1979). These forces encompass the bargaining power of customers, the bargaining power of suppliers, threat of new entrants, threat of substitutes and, finally, rivalry within the industry. Mostly, they allow a firm to access its industry's attractiveness and the company's competitive position within it (Snowdon and Stonehouse, 2007). Opportunity for superior performance occurs when forces are weaker and thus, the role of the corporate strategist is to provide the right positioning for the company in order to protect it against those forces or taking advantage of them (Porter, 1979).

According to Grundy (2006), Porter's five forces are interdependent upon other subsystems in the external environment. By not being a stand-alone framework, it can be further developed into a more coherent analysis when linked to other strategic techniques such as the PESTEL framework (Political, Economic, Social, Technological, Environmental and Legal factors) or the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis.

The referred tools and frameworks are widely available in strategic manuals. Examples:

- David, F. R. (2011). *Strategic Management: concepts and cases*, 13th Edition. Pearson
- Grant, R. M. and Jordan, J. (2012). *Foundations of Strategy*, 1st Edition. John Wiley & Sons Ltd

6.2 Marketing frameworks and tools

Kotler and Keller (2009) asserted that although companies are not able to reach all customers, they can split markets into groups or segments with distinct needs and wants through segmentation variables like geographic, demographic, psychographic, or behavioural (market segmentation). Then, the most attractive groups and the ones the company can effectively serve are identified (market targeting). Lastly, for each targeted market segment, the company must establish and communicate the distinctive benefits of its market offering (market positioning). And, in order to convey and deliver value to consumers, marketing activities widely known as marketing mix tools (constituted by the "4P's": product, price, place, and promotion), must be formulated and fully integrated to ultimately influence the final consumer.

A famous book:

- Kotler, P and Keller, K. L. (2009). Marketing Management, 13th Edition. Pearson Prentice Hall

6.3 Internationalization

The internationalization process can be driven by several reasons, broadly categorized into push factors recognized as reactive motivations, and pull drivers known as proactive. Factors associated with the positive characteristics in the foreign market reflect pull/proactive motivations, responsible for firms' desire to go international. By contrast, firms with reactive stimulus are compelled to go international due to the negative forces shaping the domestic market. However, those incentives do not occur individually, as they are mutually inclusive (Burt and Moore, 2007). Moreover, both internal and external drivers are expected to impact the internationalization decision (Evans et al., 2008; Pett, Francis and Wolff, 2004).

The way chosen by a firm to expand beyond domestic boundaries consists in a key issue as different modes of entry imply distinctive levels of commitment, risk and control. In general, entry modes can be categorized into equity modes (i.e. joint ventures or wholly owned subsidiaries) and non-equity modes, which include contractual modes (i.e. licensing, franchising or contract manufacturing) and export modes (i.e. indirect imports or direct exports via agents) (Morschett, Schramm-Klein and Zentes, 2015). There is no need for students to look for the specific fashion retailing entry modes as clues are given throughout the case and generic approaches are widely available in strategic guides.

The business strategy to be adopted in foreign markets is dependent upon the complex decisions regarding firm's attitudes towards adapting its marketing mix or its policies related to decision-making and control of the overseas operation (Moore and Fernie, 2004). Consequently, firms may adopt a standardized strategy consisting of the replication of a trading concept abroad regardless of geographies but, nonetheless, standardization is hinder by some aspects such as differences in government regulations, consumer preferences, or nationalistic feelings (Evans et al., 2008). On the other hand, they can choose an adapted strategy where the basic image is preserved across markets but changes are made to fit local market conditions and expectations.

7. ANALYSIS

1. How would you describe the apparel industry in Brazil? What are opportunities and threats in such market?

Several frameworks may be applied to answer this question. For instances, while Porter's Five Forces aims to assess the overall attractiveness of the competitive environment, the PESTEL analysis intends to identify macro environment factors that may impact the Brazilian clothing industry. At last, opportunities and threats can be drawn upon, following the referred frames' conclusions.

Porter's Five Forces

Bargaining power of consumers: Low

Virtually all buyers are individual consumers, which weakens consumers' power. While men are more brand-conscious or loyal to specific brands, women tend to look for the best price-quality relation by engaging in an extensive searching behaviour. Although high levels of choice along with inexistent switching costs enhance buyer's power, retailers can still differentiate themselves through the styles of clothing offered. Moreover, since consumers are constantly exposed to icons and images in most forms of media, perceptions may be manipulated through communication.

Bargaining Power of Suppliers: Low to Moderate

Although not referred in the case, students should be aware of key suppliers in this industry. Clothing manufacturing becomes more fragmented following the trade liberalization and, in fact, competition intensified due to the entrance of low cost suppliers from East Asian countries. Still, product quality becomes an important driver for differentiation and, therefore, suppliers' power.

Threat of New Entrants: High

The Brazilian apparel industry has been experienced a strong growth, thus becoming more attractive to new entrants. In fact, besides the low barriers to entry, new companies face negligible consumers' switching costs allied to a relatively easy access to suppliers and distribution networks, facilitating competition with existing players. Moreover, Internet has enabled the emergence of "pure-play" online fashion stores that intend to take advantage of lower running costs and sell directly to the client.

Furthermore, from an international perspective, potential new players in the apparel sector may be motivated by a weaker *Brazilian real* that favours exportations.

However, an annotation should be made for international companies wanting to tap this market. In fact, for them, entry barriers are high essentially due to a protectionist government.

Threat of Substitutes: Low

There are few substitute products that include homemade, second-hand, or custom-made clothing niches but they have little expression. Only counterfeit clothing can pose a significant threat.

Rivalry within the industry: Moderate to High

Although very fragmented, this industry is increasingly concentrating as major groups try to achieve consolidation. Nonetheless, no player has more than 5% of market share, implying the existence of numerous competitors with similar shares. Moreover, the upsurge attractiveness of this market is appealing to international competitors, reinforcing the industry's potential growth. Thus, competition is intensified and, although determined essentially by price, segment, and type of products offered, boundaries start to blur as consumers combine the use of luxury brands' products with fashion brands.

But robust growth in past years allied to growth expectations in the upcoming period ameliorates rivalry as it creates novel opportunities.

Conclusion regarding the industry attractiveness:

The apparel industry's attractiveness is medium. Even though the threat of new entrants in forthcoming years is the major concern, it can also be partially limited by difficulties in making business in Brazil and high import duties in case of foreign items.

PESTL[55] Analysis

Factor	Analysis	Effect on the apparel Industry
Political	1. Federal republic with a stable political risk profile and a member of the Mercosur, demonstrating Brazil's efforts towards economic integration and co-operation. 2. Social unrest.	-
Economic	1. Although there is little upside for Brazilian real GDP growth, Brazil has a macroeconomic framework that reinforces its economic stability[56], still being considered the fifth largest apparel marketplace. 2. Demanding challenges such as an overleveraged consumer sector or a deteriorating labour market. 3. Weaker *Brazilian real.* 4. Brazil will host the Olympics.	1. Growth opportunities for apparel brands 2. Constraint consumers' confidence and their take up for credit, negatively influencing consumption and, consequently, the clothing sector. 3. Negative impact on clothing importations. Nonetheless, it will favour exportations, attracting new companies in the sector. 4. It is expected to push the economy (touristic attraction and business opportunities that encompass the clothing sector).

[55] Environmental factors are not relevant in this case

[56] Framework that includes a fiscal responsibility legislation by the finance minister, flexible currency, and Brazilian Central Bank's inflation targeting policies.

Social	1. South America's most influential country. 2. Economic inequality. It will take some time for the middle class to be established. 3. South and southeast comprise the most developed regions, being the most densely populated areas. 4. When it comes to fashion, Brazilians are considered modern and up-to-date, being not only aware of big brands but also keen in buying expensive and luxurious items. 5. Brazilians have a strong presence on social media, especially on Facebook. 6. Brazilians rely on their popular fashion blogs for inspiration, styles/looks, and brands. Brazilian bloggers' opinion is listened to worldwide.	1. Gateway to the rest of Latin America 2. Increasing apparel consumption coming from the middle class. 3. Those regions also represent the majority of the apparel consumption. 4. Positive impact on international apparel brands that reflect international fashion trends. 5. Opportunity for brands to incentive consumption since people like to engage or follow them. 6. Bloggers can easily help to promote a new brand to succeed among the blogger's specific (but broad) audience.
Technological	1. The number of e-consumers is steadily increasing.	1. E-commerce is gaining relevance as a potential sales channel, especially for fashion items.
Legal	1. Brazil is a highly bureaucratic country and ranked 120 out of 189 in the ease of doing business index. 2. Complicated tax system, especially for countries outside the Mercosur wanting to export.	1. Difficult to establish a local infrastructure/business without the appropriate guidance. 2. Not only heavy waterfall import duties but also other contributions are applied, forcing companies to perform high mark-ups on imported goods.

Opportunities	Threats
• Potential of the Brazil's clothing market following the alteration in the income distribution allied to the "trading-up" and "trading-down" phenomenon; • Increasing in apparel consumption that reached BRL 89,7 billion in 2013 and that is dictated by households belonging to classes B and C.	• Legal factors (described in the PESTEL analysis – Government's inability to successfully implement economic reforms like a revamp in the tax system) • Being a competitive market, it is difficult to establish a strong presence. However, this threat can easily be overcome and turned into an opportunity for establishing partnerships and alliances between clothing brands as a way to combine resources and efforts while facing other competitors.

2. What were the main factors influencing Quebramar's internationalization decision to Brazil?

Bearing a critical role in the entire internationalization process, Quebramar's motivations must be understood.

	Boundary	Push Factors	Pull Factors
EXTERNAL FORCES	Political		• Relaxed consumer credit regulations (Attention should be paid to the overleveraged consumer sector that appeared as a consequence).
	Economic	• Poor economic conditions (IMF's austerity program), • Low growth potential (apparel and footwear consumption steadily decreased over the last years), • High operating costs associated with dense and underused structures, • Mature markets (reflects Quebramar's perception), • Small domestic market.	• High growth potential (Apparel market with a CAGR of 7,2% compared to a European CAGR of 1,1%), • Developing market (Unparalleled transferral of power towards fast growing markets), • Large market (20 times the Portuguese population. Fifth largest apparel marketplace).
	Social	• Negative social environment, (reduced purchase power followed by unemployment).	• Positive social environment (The rise of an aspirational middle class that represented 40% of total apparel expenditure), • Positive demographic trends (Young and socially connected population).
	Cultural		• Resembles Quebramar's essence, • Homogeneous cultural environment (same language, former Portuguese colony, Portuguese community).
	Retail Structure	• Troubled environment (Consumers favour sales period and the new 2015 law), • Unfavourable operating environment (companies are financially weakened).	• Niche opportunities.

<table>
<tr><th></th><th>Boundary</th><th>Push</th><th>Pull</th></tr>
<tr><td rowspan="4">INTERNAL FORCES</td><td>New Ownership structure</td><td colspan="2">• Cost reductions/sharing,
• Acquisition of additional funds,
• Expertise and knowledge associated with Lanidor Group and its internationalization process.</td></tr>
<tr><td>Brand</td><td></td><td>• Sex appeal to explore a niche in the Brazilian market.</td></tr>
<tr><td>Founder</td><td></td><td>• Global vision,
• Personal relationships in the Brazilian market.</td></tr>
<tr><td>Firm's experience (Learning Process)</td><td colspan="2">• Lessons learned from the Spanish market:
o Avoid highly concentrated markets that possess established and notorious local brands,
o Build reputation before-hand (it facilitates exposure and may attract potential local partners).
• Lessons learned from the Brazilian market (Lanidor):
o Strategically chose the brand's first location,
o Have tight/close control over overseas' operations.</td></tr>
</table>

Although a table is not mandatory, students must identify and classify motivations into push or pull factors. By grouping them, it is easy to understand Quebramar's proactive attitude towards internationalization.

3. What were the most used entry modes among clothing brands in Brazil? What are the advantages and disadvantages of those and what could be possible entry modes for Quebramar?

INVESTMENT-BASED

Wholly Owned Subsidiaries:

It is an uncommon entry mode among international fashion brands in the Brazilian market. Following this strategy, a firm establishes an entity in the foreign country either by acquiring an existing company or by building one from scratch. Although being the most expensive mode, this direct investment allows a firm to develop a deeper relationship with the host government, customers or local suppliers and distributors. Moreover, the firm retains full control over its investment, which can also be the major disadvantage since that same investment is exposed to several risks (political or economic), particularly in emerging markets that are characterized by accentuated instability.

International players should not underestimate the time it takes to start an operation in Brazil due to the country's bureaucracy and lengthy contracts, laws and regulations, which are difficult to overcome without local guidance.

Even so, this form of entrance is not impossible as Zara did it. In fact, by establishing its own manufacturing facilities in Brazil, Zara was able to avoid government's protectionism in the form of import duties and secure freight savings.

Looking at Quebramar's history, it is clear that this entry mode may require a commitment (especially financial) that is perhaps too high. In fact, firm's executives are aware that *"Quebramar does not have the proper resources to open its own international stores. (…)"*.

Joint Ventures:

Foreign investors have often joined with local ones to create a joint venture company in which they share ownership, control and, consequently, costs and risks. This co-operative strategy allows synergies through the combination of resources, expertise and distribution. This latter synergy is illustrated by the evenly owned joint venture between InBrands and PVH Corp. to promote and distribute Tommy Hilfiger branded products in Brazil. In fact, although this partnership was not the chosen option for Tommy's entrance in the Brazilian market, the brand had had a shy presence without the expertise of an appropriate local partner. But drawbacks still exist, consisting mainly in conflicts coming from disagreements between both parties.

CONTRACT-BASED

Franchising:

It is considered a more complete form of licensing in which a company gives the franchisee the right for using its brand against a fee. The inexistence of capital investments makes this a favourite approach among retailers. This method allows for a rapid international expansion at little cost and risk for the franchisor, being the preferred choice for Quebramar's initial steps towards internationalization. Moreover, Quebramar chose to incorporate the talent and local knowledge of foreign management by trusting in a specific

Middle Eastern Group to open franchise stores in that region. Still, and although the franchisee must assure certain requirements, there exists lack of control over foreign operations.

Licensing:

Being a simple way to engage in international marketing, it also allows the licensor to gain entry at little risk. In fact, a license is issued to a foreign company that is entitled the right to represent/distribute the brand for a fee or royalty. However, this type of agreement, like franchising, implies little control over the licensee operations. International brands like Lacoste or Tommy Hilfiger that opted by this entry mode are now rethinking their strategy in that country.

But this arrangement is very popular in Brazil and not forcibly as an entry mode but to increase brand awareness by reaching diverse geographic areas at a fast pace. In fact, the majority of brands that were mentioned in the case have issued licenses to specific licensees to be present in diverse channels (mostly multi-brand or online).

Quebramar: Possible entry modes

After a structured reasoning derived from the case that should include both company and market specificities already described[57], students must justify feasible approaches in Brazil.

Although there are risks and uncertainties in the Brazilian market, it is advisable to enter the country on a larger resource commitment level as it poses long-term opportunities that are expected to compensate the required investment. Moreover, being Quebramar's goal to gain control over its foreign operations in a near future, further penetrating strategic markets, a joint venture would be the appropriate approach. It would allow Quebramar to mitigate its foreignness liability by providing a link with a local established firm that could provide information regarding the unfamiliar trading environment. Likewise, this tactic provides a flexible platform on which Quebramar can decide either to fully enter into the market by creating an infrastructure to support the whole Latin America in the long-run, or to exit at a later stage.

The second choice, for reasons that were already exposed, would be a franchise agreement

[57] Market and company specificities were already described in the first part of the current answer and on questions 1 and 2

just like the one closed in the Middle East. However, following Quebramar's long-term goals, the future internationalization strategy should go through a deeper involvement.

Despite of the choice, the selection of the most suitable partner is of utmost importance due to its relevance in promoting/establishing the brand. Quebramar is expected to provide both the "software" (Quebramar's brand, essence, values and lifestyle) and the company's know-how (i.e.: purchasing or selling processes) while the local partner should provide the Portuguese company with the right "hardware" (local infrastructure).

Illustration 1 - Partner's preferred characteristics

Partner's preferred characteristics	Franchising	Joint Venture
Reliability	✓	✓
Image/Reputation in the market	✓	✓
Knowledge about applicable laws, regulations and taxes	✓	✓
Knowledge about the Brazilian clothing market	✓	✓
Local manufacturing contacts		✓
Logistics	✓	✓
Knowledge of the labour market	✓	✓
Management Skills	✓	✓
Distribution (e-commerce/multi-brand channels)		✓
Access to retail space/location	✓	✓
Communication (How to adapt)	✓	✓

Illustration 2 - Quebramar's responsibilities vis-à-vis its local partner

	Franchising	Joint Venture
Quebramar's Responsibilities	• Act as a Knowledge Hub; • Administration; • Training and Support; • Choose the product to ship to Brazil (local partner should give feedback on local preferences); • Marketing/Communication (may be adapted if proposed by the franchisee).	**Short-term** • Act as a Knowledge Hub; • Administration; • Training and Support; • Choose the product to ship to Brazil (local partner should give feedback on local preferences); • Marketing/Communication guidelines (will be adapted by the local partner to fit Brazilian reality). **Long-term** • Short-term responsibilities (except choosing the product to ship as products will be locally produced); • Special Design for the Southern Hemisphere; • Quality assurance in local manufacturing plants; • Purchase decisions.

Additionally, with the appropriate due diligence and strategic plan, Quebramar could benefit from funds, contacts and/or expertise connected to Lanidor Group, which had already experienced the Brazilian market and may see this bold move as a way to positioning other brands from its portfolio in Brazil.

4. Should Quebramar maintain its domestic positioning in Brazil? Who should Quebramar target and how should the brand be positioned among that target?

Students should firstly identify Quebramar's domestic positioning:

Quebramar manufactures good quality products, adopting a more focused positioning based on a "way of life", and betting on the casual and classic-casual look for men and women within the 20 – 45 years old range. It practices a medium price, targeting the middle and upper-middle classes (**Exhibit 4**).

Although Quebramar offers collections for both men and women, the latter lacks a clear concept and structure. And, while at a transition to a more relaxed and bohemian look, the product department is still struggling to come up with a relevant feminine collection. Moreover, though more recalled by consumers during summer, Quebramar does not offer beachwear for women.

Then, students should identify factors in the Brazilian market that may influence Quebramar's positioning strategy:

Customers

Age is no longer a decisive segmentation variable since there is a trend towards the superimposition of generations and ages due to the adoption of similar patterns and lifestyles among people from different age ranges.

The most important demographic variable would then be social class. Looking at total apparel consumption by social classes (**Figure 1**), it is clear that classes B and C are the most attractive. However, while there is a rise in middle class that, in 2013, characterized 52% of total population, this C class represented 40% of total apparel spending, which, proportionally, is not a great achievement[58]. In fact, B class also accounted for 40% of total apparel spending but it only represented 25% of total population[59]. And even though Brazilian population is composed by a limited upper class, it represented 12% of apparel spending[60].

Gender is also relevant as, besides being responsible for the household purchasing decisions, women acquire both womenswear and menswear (Quebramar is already accustomed to this pattern as, although menswear is its best seller, women buy most of Quebramar's apparel). Moreover, men's growing concern with fashion and appearance allied to their higher levels of brand loyalty and greater average ticket by individual purchase constitutes an opportunity in this specific market. In Brazil, European brands are extremely overvalued with price signalling quality. In fact, affordable brands have the opportunity to be perceived as more luxurious or up-market.

[58] This implies approximately EUR 126,7 per person in class C (40% of total apparel spending / 52% of Brazilian population)

[59] Individual spending in class B is about EUR 653,8 (40% of total apparel spending / 25% of Brazilian population)

[60] Similarly to class B, individual spending in class A is approximately EUR 658,7 (12% of total apparel spending / 3% of Brazilian population)

Competitors

Mass Fashion Brands:

Quebramar cannot compete with mass fashion brands in terms of fashion cycles, volume or even price (with the exception of mass players like Zara that adopted a premium pricing strategy in Brazil). Moreover, it is difficult to dethrone companies like C&A or Renner that are very known and familiar and possess the biggest market slice (**Table 2**). As a matter of fact, Quebramar is used to a focused/niche strategy as opposed to a mass customization one.

Lifestyle Fashion Brands – Premium market:

Although very fragmented, some local groups are taken consolidation steps in this market that may reduce the number of participants, increasing opportunities for remaining players. Moreover, international brands' presence is minimal in the premium segment, as they tend to be either fast fashion brands like Forever 21, or luxury brands such as Ralph Lauren or Armani (**Exhibit 25**). Thus, Quebramar would compete with Tommy Hilfiger do Brasil and other Brazilian players (i.e.: Richards, Dudalina or Ellus).

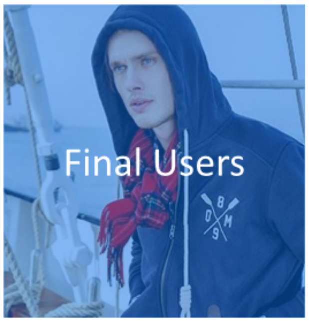
High-end – Luxury Brands:

Being in the beginnings of its internationalization process, Quebramar is neither a global brand nor a recognized one in foreign markets. This constitutes a handicap for competing with established and traditional luxury brands that, by possessing global awareness, desirability and status have legitimacy to practice huge prices.

Thus, a possible solution:

As Quebramar is not prepared to compete in the Brazilian market with its current women collections, the company should only offer its men's clothing lines. However, the brand should appeal to two distinct segments: the final users and the influencers.

Illustration 3 - Quebramar's target segments in Brazil

	Description	Who are they
 Final Users	People that actually wear Quebramar's clothes	Men (of all ages)[61] with a young state of mind that favour a healthy, casual, relaxed, and comfortable but sophisticated lifestyle (Quebramar's essence).
 Influencers	Despite of not being final users, they are potential buyers who can influence final users.	Women that like to shop for their boyfriend/husband, father or sons according to their own perceptions/ideals regarding what a man should wear and represent. They usually are opinion leaders among people they shop for.

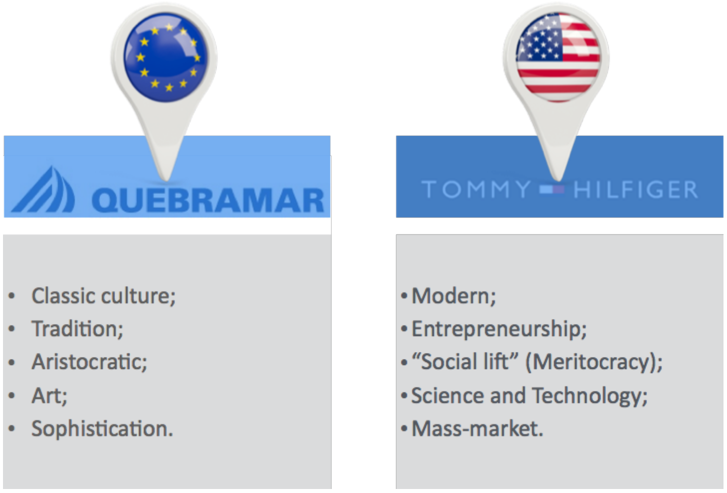
Although USA is Brazilians' preferred destination, they have European tastes, favouring European brands. But, more than just a European brand, Quebramar belongs to a fellow nation that besides possessing a European culture, it understands Brazilian people. In fact, as already said by Juca Chaves[62], in his "Ninguém Segura Este Nariz[63]" album, *"I lived in Portugal for one year and seven months and only then I went to Europe."* Thus, Quebramar will use its Lusitanian state as a communication facilitator between the Portuguese brand and its Brazilian partners and costumers in order to build a solid relationship. But the company's origin will not be further highlighted, as Quebramar must be perceived as a European brand.

Quebramar should explicitly compete with Tommy Hilfiger by clearly opposing the European and American lifestyles in the premium segment.

[61] Quebramar's man will not be defined by his age, but by his attitude towards life.

[62] Juca Chaves was born in Rio de Janeiro in 1938. He is a Brazilian comedian, singer and writer very known for his irreverence.

[63] Translation: "No one stops this nose" (1974)



To sum up, American brands like Tommy intend to artificially recreate the natural European elite by being too classic/conservative and restricting their brand's access. Contrary, by intrinsically containing the culture/tradition within it, European brands can afford to open up to a broader audience without losing its tradition or sophistication.

Hence, Quebramar's strategy would be somewhat different as the company has the opportunity to slightly increase its brand positioning by conveying an aspirational but nonchalant image based on a healthy and relaxed European lifestyle with nautical inspirations, very adaptable to Brazilian reality (and other fast growing markets). Consequently, as opposed to its domestic positioning, Quebramar would directly compete with Tommy by targeting classes A and B (28% of population with an individual average apparel spending of EUR 654,3[64]). But, and although not a priority, as a consequence of its irreverent approach, Quebramar has the ability to be also relevant to individuals from class C.

Tommy gives emphasis to its American preppy style with a twist, transmitting an urban-casual look through its regular traditional/classic stores (it does not have a Flagship in Brazil yet). But, by the other hand, Quebramar intends to convey its healthy, relaxed and nonchalant European look through its new store concept, entirely thought and designed to reflect a sophisticated, young and fresh image. In conclusion, Quebramar will emphasize its democratic and comprehensive positioning based on a self-confident proposition where individuals just need to realize who they are, knowing they have legitimacy to be

[64] Weighted average of A and B classes individual apparel expenditures.

nonchalant. Following this reasoning, a slogan like "Sea and Be Yourself" will reflect the referred statement while simultaneously conveying Quebramar's sea culture (**Exhibit 13**). In fact, Quebramar is inspired by the sea but it cannot be reduced to that since, besides being an unifying element, the sea is infinite.

5. How should Quebramar adapt its marketing mix strategy? Give an example of a possible Marketing Mix solution.

Students should be able to justify their choice of adapting or standardizing certain marketing mix elements. Therefore, they must identify the main aspects influencing Quebramar's positioning strategy and, simultaneously, be consistent with the previously chosen positioning.

Customers

Besides possessing a very stratified and young society, if a brand is not international recognized, Brazilians tend to be quite nationalistic, favouring local brands that are believed to better cater to their unique style. Thus, advocates of a premium positioning can argue that by possessing an appealing Portuguese name, Quebramar is able to look like a local player by resembling their communication and leverage its relationship with its Brazilian partners and customers while maintaining its European identity. Brazilian fashion tastes favour colourful, comfortable and light clothing embodying a casual style, a typical Quebramar's trait. But Brazilian people have different purchasing behaviours/habits (i.e.: they demand credit even for low value purchases and they are impulsive buyers persuaded by promotions or discounts), being highly influenced by specific media that usually communicate in their native tongue. Additionally, they demand a highly tailored and personal customer service.

Illustration 4 - Quebramar's product and communication strategy in Brazil

		Product[65]		
		Do not change product	Adapt product	Develop new product
Communications	Do not change Communications	Straight Extension	Product Adaptation	Product Invention
	Adapt Communications	Communication Adaptation	Dual Adaptation	

Quebramar

The company intends to export its new store concept, *"The Boat House"*, to foreign markets, which infers standardization of store format (**Exhibit 14**).

Competition/Market

The clothing market is characterized by Government protectionism and, consequently, high import duties and significant transportation costs. Moreover a moderate level of rivalry essentially among strong national players in the premium segment forces the existence of some degree of differentiation.

All of these factors will influence the adaptation of the marketing strategy namely price, customer service, distribution channels or communication and thus, an effective integrated marketing communication strategy must be implemented. Quebramar should move towards a geocentric orientation by allowing the company to adopt local solutions in Brazil because, while the company has the ability to offer quite a homogeneous product for a global market[66], some adjustments to its marketing mix are imperative. In fact, Lacoste or Tommy Hilfiger are examples of brands that entered this country without changing their marketing approach to fit local needs/ tastes and faced difficulties until the reformulation of their local strategy.

Students must develop a marketing mix plan that guarantees the consistency of Quebramar's positioning throughout all marketing elements. Moreover they must be coherent with previous choices regarding both the positioning and the adaptation vs.

[65] Clothes will be slightly adapted to reflect differences in sizes, seasons or temperatures but the product itself won't change, at least in a first phase. Collections will still be designed and thought of as usual while products to be exported to Brazil will be internally chosen.

[66] In fact, the world has been assisted to the convergence in international fashion/clothing trends

standardization dilemma. Thus, below, a suggestion for a **Marketing Mix** solution in the premium lifestyle market is given.

Product / Brand

Quebramar promotes a lifestyle with which Brazilians can easily identify. Therefore, the firm should maintain its brand and essence. However, to benefit from the positive image associated with European lifestyle perceptions, it should consider the creation of an English slogan or other communication elements further described in the promotion section.

The product itself, as already mentioned, will not change. However, Quebramar's offering in Brazil will be different. In fact, due to the scarce and slightly inconsistent female line that would not fit Brazilian women requirements, it is advisable to have available only the men collection. Additionally, clothes to be offered in Brazil must be adapted to its seasons and temperatures and as a consequence, in an initial stage, Quebramar could opt by Gap's strategy of having delayed collections, which will facilitate local partner's feedback regarding the Brazilian offer[67]. However, if Quebramar wishes to expand its Brazilian operations and tap the rest of Latin America or even South Africa, significant product adaptations would make sense as the company could overcome the costs of adaptation to few locations (at no scale). Quebramar could rely on local manufacturers to produce and supply those regions with a different and adapted collection, thus avoiding import duties. For this, the product department could have a special division, responsible for designing special collections for the Southern Hemisphere (a regional version of Quebramar's offer). Finally, when the current transition phase in women collections comes to an end, Quebramar will have the opportunity to extend its Brazilian line offer by including womenswear and making a buzz out of it.

Price

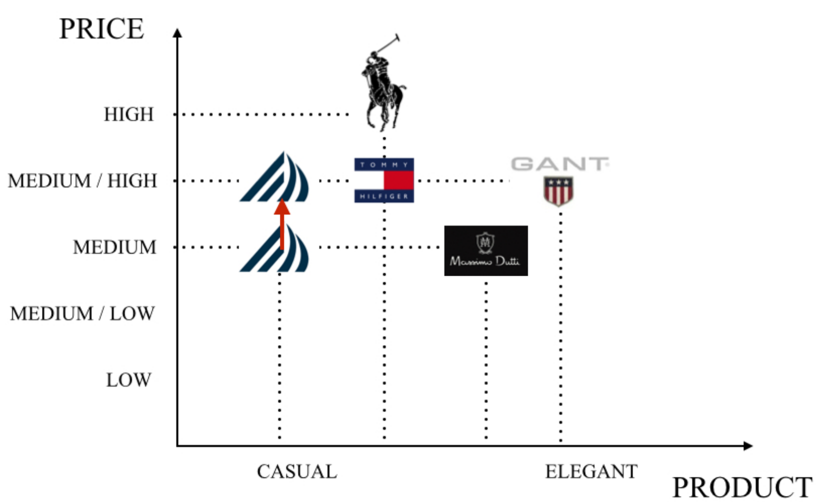
Instead of opting between setting a market-based price and defining a cost-based one in Brazil, Quebramar could follow a non-mutually exclusive approach by combining both

[67] The local partner is expected to better know Brazilian preferences and thus, he should have access to the collection available in Portugal through Quebramar website and catalogues.

perspectives. Therefore, the company should perform competitors' price comparisons, taking, simultaneously, potential costs into account[68].

Although it was proposed a direct competition between Quebramar and Tommy Hilfiger, responsible for inferring the adoption of a similar pricing policy, students should understand possible price ranges in Brazil.

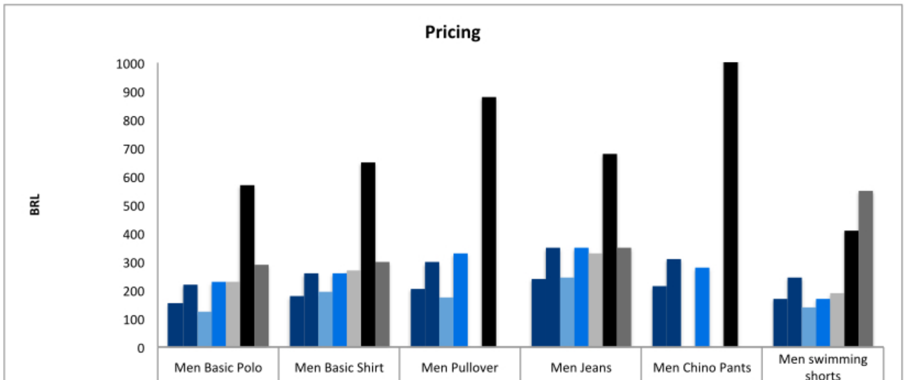
Illustration 5 - Desired positioning in Brazil as opposed to the domestic situation



Quebramar's current prices (**Exhibit 31**) should be increased following mark-up chosen values that can be justified by the 35% import duties and the desired premium positioning. In fact, price signals quality, especially within international players. Thus, Quebramar could leverage its image through a higher pricing policy that would stress its high quality products, allowing the brand to differentiate itself from the mass market. Consequently, Quebramar's prices will almost double in the Brazilian market.

[68] Especially the "Brazil cost" that includes high operational costs and import duties.

Illustration 6 - A comparison between Quebramar's prices (35% and 95% increases) and competitors' prices in Brazil



	Men Basic Polo	Men Basic Shirt	Men Pullover	Men Jeans	Men Chino Pants	Men swimming shorts
Quebramar 135%	152	179	206	241	214	170
Quebramar 195%	219	258	297	349	310	245
Gap	122	192	175	245		140
Richards	229	259	329	349	279	169
Tommy Hilfiger	229	269		329		189
Ralph Lauren	570	650	880	680	1020	410
Lacoste	289	299		349		550

Finally, the existence of a payment system that enables credit facilities, will force Quebramar to accommodate this point of parity. However, the company must define the maximum payment subdivision that should not exceed four times. This lower number of instalments (when compared to Richards or Tommy) is essentially justified by the capability of Brazilian people to shop overseas without resorting to this kind of facilities. Moreover, although not being its preeminent concern, Quebramar does not want to exclude the C class by not having an adequate credit facility strategy.

Place

Quebramar should opt by opening a Flagship to convey its essence and lifestyle in a shopping mall at the State of São Paulo, not only the most populous but also the one with the highest consumption share (**Exhibits 16, 17**). Nonetheless, cities should be selected depending on the desired positioning. Therefore, if Quebramar wants to be seen as a Tommy's direct competitor, targeting essentially A and B classes, the company should consider every mall where the American brand is present. However, Quebramar should start its operation by opening its Flagship in the city of São Paulo. This decision is not only based on São Paulo's consumption share and consumption potential (**Exhibit 18**) but, most importantly, because it figures in the top 10 fastest growing mid-market fashion cities (**Exhibit 15**), which gives status and visibility to brands. In fact, most international players are present in this city, having inclusively chosen São Paulo to be their first Brazilian location (**Exhibit 25**). Moreover, if Quebramar intends to signal quality and a certain degree of exclusiveness, it must be present alongside other known/recognized brands. Though, in order not to vulgarize Quebramar' brand, an extensive own store chain is not advisable.

In Brazil, multi-brand stores are explored by brands possessing high-income products (**Exhibit 20**). Consequently, Quebramar may adopt a selective distribution strategy that includes certain multi-brand channels to increase awareness and facilitate further penetration in the market. However, this distribution strategy should only take place after the consolidation of Quebramar's essence.

But place should not be limited to physical location. As a matter of fact, e-commerce has been steadily increasing being fashion and accessories the most requested on-line category. In this way, this channel should not be neglected as it is reinforced by 62 million e-consumers (**Exhibit 21**). Quebramar should rely on its local partner that could bring this distribution added value or, if not, the company should consider forming partnerships with e-commerce sites like Dafiti. In the long-run, Quebramar should have its online store available just like it has in Portugal[69].

Promotion

Before opening the physical store

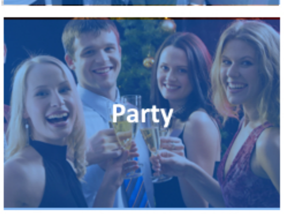
[69] The need to have a different online store for the Brazilian market is related to the distinctive product offer in Brazil (Brazilians may be redirected to the Brazilian version).

Illustration 7 - Brand promotion and brand awareness

Initiative	Description	Objectives
 Social Media	• Create new Instagram and Facebook accounts to communicate with Brazilians in Brazilian.	• Characterise Quebramar's brand by transmitting its sea culture and by creating an english slogan able to convey Quebramar's democratic yet sophisticated positioning (i.e.: "Sea and Be Yourself").
	• Express Quebramar's essence, values, lifestyle and European roots through imagery of Quebramar's world, looks and possible associations such as sea, comfort, happiness, or irreverence.	• Make influencers and potential consumers familiar with the brand before hand; • Increase desirability and buzz behind the opening of a Brazilian point of sale.
 Party (economic diplomacy: with AICEP and Portuguese Government support)	• Organize a party in the Portuguese Consulate in Rio de Janeiro with Brazilian fashion influencers. Show Quebramar's essence and way of life by contrasting a formal place with a relaxed but sophisticated ambiance.	• Show that people that embrace Quebramar's lifestyle have a sense of belonging, being able to be in formal places with a casual look and being comfortable with it; • Create buzz and curiosity behind the opening of the Flagship in São Paulo; • Trigger free referrals and positive word of mouth (WOM)

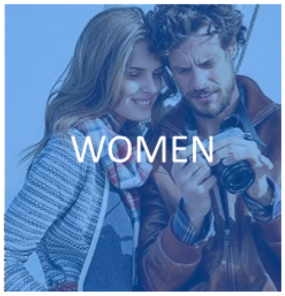
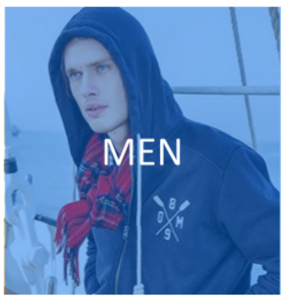
Alongside the opening of the Flagship

Illustration 8 - Quebramar as top of mind player

Initiative	Description	Objectives
 Customer Service	• Staff training: stores are the prime vehicle for conveying Quebramar's ambiance and image.	• High service standards among A and B classes imply excellent customer service.[70]
 Party	• Organize a party at Quebramar's Flagship in São Paulo to celebrate its opening and to present Quebramar's way of life, proposed collections and store ambiance to Brazilian fashion influencers.	• The store opening should cause impact in order to put Quebramar in Brazilian's top of mind for lifestyle premium clothing; • Trigger free referrals and positive WOM.
 Blogs	• Quebramar should be mentioned in popular fashion blogs against the appropriate payment **(Exhibit 28)**. And even though Quebramar will only offer menswear, Brazilian blogs targeting women are welcomed as they can indicate Quebramar as a pleasant place to shop for men.	• Brand awareness and recognition.

[70] Examples of initiatives include concierge services, small comforts like tea, coffee, juice or chocolates, or even tailoring jobs.

Ilustration 9 - Attracting Quebramar's segments

Segment	Description	How
 WOMEN	• Quebramar must reflect women's image of an ideal man (i.e.: Sophisticated, confident, successful, or accessible).	• Imagery conveyed through Quebramar's own vehicles; • Fashion female blogs; • e-mail marketing and special offers as women are more susceptible to this kind of campaigns **(Exhibit 29)**; • Celebrities/Influencers that embody this ideal.
 MEN	• Quebramar allow men to make a statement: "I know who I am and thus, I have legitimacy to be nonchalant"; • For confident men that stand for a healthy and relaxed lifestyle; • For every man who does not always need to use a suit in his daily life.	• Imagery conveyed through Quebramar's own vehicles; • Male blogs (it does not need to be strictly limited to fashion blogs as Quebramar intends to be a lifestyle brand); • Celebrities/Influencers that may represent this essence.

Continuously invest in brand awareness and recognition through its own vehicles like social media and official site[71].

Quebramar is used to a hybrid campaign approach. However, in Brazil, to communicate its intended aspirational positioning, the emphasis must always be on brand-oriented advertising to strengthen brand image and signal product excellence.

Long-run: Marketing budget could then be defined as a percentage of Brazilian sales[72] and thus more aggressive communication plans should be thought of.

[71] It was already argued that both Brazilian online store and official site should be somehow different from the current online store and site due to the distinct Brazilian offer. It does not make sense that Brazilian people have access to collections that are not available at their country.

[72] Posteriorly, marketing budget can be a percentage of Latin America sales.

Illustration 10 – Leveraging upon Quebramar's current assets

Initiative	Description	Objectives
	• Exclusively done for the Southern Hemisphere. Chose formal and traditional places (i.e.: Portuguese library in Rio de Janeiro) that can contrast with casual yet appropriate colourful looks conveyed by informal and relaxed models.	• Convey Quebramar's offering in an appealing and aspirational way.
	• Allied to the opening of more stores that can give expression to Quebramar's operation, the brand can bring its clubs' concepts to Brazilian beaches through franchise agreements.	• Extend Quebramar's offering by complementing the brand's lifestyle and exposing Quebramar's essence through the Clubs' relaxing and welcoming ambiance, its nautical decoration and healthy/fresh offerings.
	• Organize an annual party event that should be recalled by people as a "Quebramar's Party".	• Associate Quebramar with a happy, nonchalant and young lifestyle brand that conveys a fresh image contrasting tradition and informality.

An attentive glance to premium lifestyle brands' communication in Brazil can be a great benchmark. For instances, Richards choose to support events related to travelling and adventure activities. This constitutes a recurrent practice for distributing Quebramar's attitudes in the Portuguese market and as a result, this kind of strategy should be also adopted in Brazil. By the other hand, Dudalina opted by celebrity endorsements, fundamentally through soap operas. Quebramar could think about dressing up a soap opera character that personifies Quebramar's essence or search the proper influencer[73] that is already an advocate of a similar lifestyle and can convey it through Quebramar's brand.

Finally, students could refer relevant partnerships including designer collaborations, complementing lifestyle brands[74], healthy or beauty brands or even sports' clubs/schools.

The ultimate goal is to give autonomy to local management that is expected to better understand the market tastes/preferences. Thus, they should be able to propose campaigns[75] and be responsible for managing the digital media content.

[73] It could be an actor, journalist, blogger, artist or athlete.

[74] Examples would be watches, eyewear, cars, sports' brands, to name just a few.

[75] Quebramar adopted a similar strategy in Qatar, inciting local management to suggest campaigns for that specific country.

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