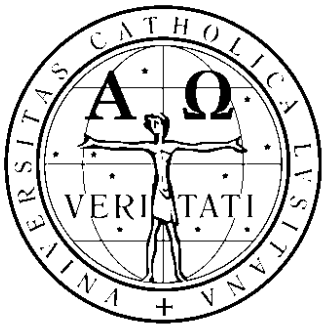

CATÓLICA LISBON
SCHOOL OF BUSINESS & ECONOMICS

Internationalization through B2C E-Commerce

A comparison and evaluation of the market attractiveness in selected countries for a fashion and lifestyle company

Author: Patricia Benedum
Advisor: Prof. Rute Xavier

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Abstract

Dissertation title: Internationalization through B2C E-commerce. A comparison and evaluation of the market attractiveness in selected countries for a fashion and lifestyle company.

Author: Patricia Benedum

TM Collection, a premium clothing and lifestyle company, desires to grow internationally to raise sales. The relative business attractiveness is most attractive for the business unit B2C e-commerce. Currently, TM Collection is not fully exploiting its opportunities to generate sales in this business unit. Marketing activities to raise awareness of its online shop have been focused on several countries. However, TM Collection would like to know which countries bear the most potential for focusing its marketing activities. The following countries were considered in this evaluation: Portugal, Italy, Spain, France, the United States, Japan and Australia.

The study contains an analysis of relevant criteria for market selection. The literature on international market selection confirms that the macro and micro environment need to be evaluated as well as the product and distribution-channel specific characteristics and the current market presence. These criteria have been applied with different weights to TM Collection´s needs and a market research was performed. The country which has most potential within these criteria is by far the United States, followed by France. Italy and Japan are attractive as well. Portugal, Spain and Australia are least attractive.

Sumário

Titulo da dissertação: Internacionalização através do B2C E-commerce. Comparação e avaliação da atratividade do mercado em países selecionados para uma empresa de moda e estilo de vida.

Autor: Patricia Benedum

A TM Collection é uma empresa de vestuário e estilo de vida de qualidade superior que pretende internacionalizar-se de forma a aumentar as suas vendas. A atratividade do negócio é desta forma superior através da unidade de negócio B2C e-commerce. Atualmente, a TM Collection não está a explorar as oportunidades disponíveis para o crescimento das vendas nesta unidade de negócio. As atividades de marketing para sensibilizar o mercado relativamente à existência da loja online têm sido desenvolvidas em vários países. Contudo a empresa gostaria de ter conhecimento dos países com maior potencial para o desenvolvimento das suas atividades de marketing. Desta forma, os seguintes países foram considerados para avaliação: Portugal, Itália, Espanha, França, Estados Unidos da América, Japão e Austrália.

Este estudo contém uma análise dos critérios relevantes para a seleção de mercado. A literatura relativa à seleção de mercado internacional confirma que é necessário avaliar o ambiente micro e macro, as características especificas do produto e dos canais de distribuição, bem como a atual presença de mercado. Diferentes ponderações foram aplicadas aos critérios mencionados de acordo com as necessidades da TM Collection. Posteriormente um estudo de mercado foi realizado. Desta forma, o país com maior potencial de acordo com os critérios mencionados é os Estados Unidos, seguindo-se a França. A Itália e o Japão foram também considerados atrativos. Contudo, Portugal, a Espanha e a Austrália foram considerados os menos atrativos.

Contents

Preface

With regard to this study, I would like to thank my academic advisor, Professor Rute Xavier, for her continuous feedback and guidance. I would also like to thank the TM Collection team, in particular Teresa Martins, Miguel Martins and Joana Fonseca who gave me feedback throughout the consulting project. I am convinced this project played a decisive role in gathering relevant information to support this study.

Further, I would like to thank my family who has always supported my international education, of which the master´s degree represents the concluding step.

List of Abbreviations

Acronym	Definition
€	Euro
$	U.S. dollar
JPY	Japanese yen
AUS	Australian dollar
m	Million
bn	Billion
cm	Centimeter
GDP	Gross domestic product
VAT	Value added tax
BMI	Body mass index
T-TIP	European Trade and Investment Partnership
SS	Spring / summer collection
AW	Autumn / winter collection
PT	Portugal
IT	Italy
SP	Spain
FR	France
USA	The United States
JP	Japan
AUS	Australia

I. Introduction

1.1 Context

"I predict the Internet will soon go spectacularly supernova and in 1996 catastrophically collapse." – Robert Metcalfe, founder of 3Com and inventor of Ethernet.

As we all know, Robert Metcalfe´s prediction turned completely into the opposite direction. In 2014, 3 bn people used the internet and of those 1,2 bn people were doing e-commerce (Ecommerce Europe, 2015).

Taking the perspective of companies, these numbers confirm that B2C e-commerce possesses nowadays huge potential. B2C e-commerce is valuable for increasing sales in a competitive marketplace as well as for increased businesses awareness which encompasses products or services. These benefits are supported by the social network exploitation which allows to educate and to interact with customers via social media, newsletters and website marketing.

As the Internet is available across borders, one of the major benefits of B2C e-commerce is the possibility to grow not only nationally but also internationally. This growth can be obtained via proprietary online shops but also via third party websites targeting both regions but also prior selected countries.

International expansion via e-commerce has been growing worldwide in recent years. Asia-Pacific still remains the strongest B2C e-commerce region in the world with a B2C e-commerce turnover of 518 bn € in 2014. Asia-Pacific is closely followed by Europe and North America (Ecommerce Europe, 2015). Such a type of growth can be found in the fashion industry as well.

Other aspects to be taken into consideration when evaluating B2C e-commerce are the driving success factors in B2C e-commerce: ease of use and customer experience (Nielsen, 2016; Remy, Catena, & Durand-Servoingt, 2015).

1.2 TM Collection

In the framework of the US Embassy program "Connect to Success" my colleague Mariana Matos and I were assigned to conduct a consultancy project with TM Collection, a company launched in 2004. TM Collection is a clothing and home design company which creates its own

textiles and products. Everything from fabrics to final products is designed in-house. 75% of the production is located in India, the remainder in Portugal and Nepal. They target a premium segment aging from 35 to 65 years.

TM Collection achieved sales of almost 1 million € in 2015, with a 10% increase against the previous year. The two executive partners, Teresa and Miguel Martins, meanwhile invested half a million Euro into their business. TM Collection was founded in 2004. In 2013, 2014 and 2015 profits have been positive due to governmental support and funding. Otherwise, TM Collection would have made a loss. In order to become a sustainable business Teresa and Miguel Martins intend to raise sales from 1 million € to 10 million €. Their demanding and ambitious desire to grow will be supported by further investments.

TM Collection is distributing its products via three channels – wholesale, retail and B2C. Wholesales contribute with 56% to the end result, whereas retail sales amount to 37% and B2C to 7%. This scenario changes when evaluating the relative business attractiveness. The best return and lowest risk business becomes B2C when judged by executive partners of TM. The markup of the wholesale and retail appear inferior to B2C. This is further supported by demanding schedules of wholesale and high fixed costs in retail. In B2C TM Collection is currently active with its online shop.

What are TM Collection´s unique selling points? The distinction of their products is high quality with unique and natural fabrics. The fabrics are embellished with exclusive prints, colors, textures and embroideries. One important aspect which is also transmitted and reflected in their logo are the roots: their clothing, fabrics and manufacturing techniques go back to the roots! This is supported by their use of natural fabrics, traditional craftsmanship and the pursuit of excellence and cultural variety in their timeless pieces. However, they only sell clothing of one size (TM Collection, 2016).

1.3 Statement of the problem

For becoming competitive TM Collection has to grow this year which requires an increased brand awareness and increased sales. In this thesis, one part of its growth strategy is covered. Due to the potential of B2C e-commerce, TM Collection wishes to expand through its online shop and third party websites. B2C e-commerce can be done worldwide. TM Collection already decided on

a number of pre-selected countries, and the further analysis will analyze which countries to target best. The pre-selected countries are Portugal, Italy, Spain, France, the United States, Japan and Australia. The analysis will be based on which of those pre-selected countries are worth raising brand awareness and promoting B2C channels.

Other factors for taking into account are cross-country differences. Consumer behaviors and attitudes are heterogeneous in e-commerce and there are different formal and informal institutions. Economic characteristics such as gross domestic product per capita (GDP) must be further considered as well as cultural characteristics and the physical appearance, say body shapes, which all influence the business attractiveness of a country. Due to the lack of homogeneity the worldwide cyber community and consumers must always be understood in their local context (Barnes, Bauer, Neumann, & Huber, 2007; Lin Chai & Paul A Pavlou, 2004). The goal of my thesis is to understand which country (-ies) TM Collection should target in their B2C strategy. I analyze certain criteria and reflect on whether the country fits to TM Collection´s positioning.

To restrict the scope of my thesis, only countries agreed prior with TM Collection will become evaluated. The agreed countries were chosen in accordance with following criteria: prior successful existence with retail and wholesale and benchmark with direct competitor's global presence.

1.4 Research questions

The following research questions have been studied:

(1) Which criteria are relevant to assess a country for TM Collection?
(2) How to apply those criteria to the characteristics of TM Collection?

1.5 Structure of this thesis

The present thesis comprises four chapters. First, I will analyze the scientific perspective of B2C internationalization having regard to the research questions. Second, a methodology section will follow for a better understanding of how relevant information was collected. The main part comprises a data analysis followed by the results, a recommendation and its limitations.

II. Literature review

In the following I am examining the theoretical background of the questions under research. An internationalization process is not straightforward. This chapter therefore summarizes the research done so far in terms of criteria and how countries should be evaluated and selected.

The attractiveness of markets is often overestimated by companies because they refer to existing born global firms that are naturally successful due to a competitive advantage which is often the result of a more sophisticated knowledge base (Bell, McNaughton, & Young, 2001). Nonetheless, not all companies are successful when trying to expand its business worldwide. Thus, the majority of firms should follow a more prudent market selection process. Reasons for internationalizing vary for every firm. They depend on external market factors such as human resources, market size and political climate or on internal company motivations like maintaining business reputation, the need for growth, revenue and profits (Zitta & Powers, 2003).

International market selection is the combined process of establishing criteria for a selection of countries, investigating the market potentials, classifying those in accordance with agreed criteria and the decision which markets are to addressed first and which are suited for a later development (Kumar, Stam, & Joachimsthaler, 1994). There are several theoretical perspectives on the internationalization of firms. All of the proposed criteria for the examination of the market potential end up in a decision-making complexity. Thus, an analysis of the various dimensions is required when performing international market selection, processing and screening (Brock, Johnson, & Zhou, 2011).

Every firm is part of its business environment within it operates. The business environment can be broadly classified into two categories, the macro environment and the micro environment. The macro environment consists of those criteria that affect all business entities. On the other hand the micro environment comprises merely those criteria that affect the particular business. The following literature review is structured in accordance with a proposed integrative two-stage approach (Gaston-Breton & Martín, 2011).

2.1 Macro environment at consumer level

Politics focuses on the extent to which foreign governments can generate conditions conducive for international business activities. Governments achieve this by creative administration policy

and in obtaining the trust and backing of its people as well as by being sensitive toward the needs of the private sector of the economy (Ghemawat, 2001). A stable political environment is an entry threshold for investments in foreign countries (Mellahi, Guermat, Frynas, & Al-Bortmani, 2003). The weight of politics, of course, depends on the industry that experiences high levels of government involvement such as for the electricity industry (Ghemawat, 2001). Political climate and stability impact companies significantly when investing in a country (Mellahi et al., 2003; Zitta & Powers, 2003). Manifestations of unethical behavior, such as corruption, bribery, campaign finance abuse, fraud, embezzlements and side payments reduce the willingness of firms to invest. They make countries less attractive for investors (Malhotra, Zhu, & Locander, 2010).

Another variable requiring examination is a country´s involvement in trade agreements as they have an immense impact on global trade. According to Ghemawat, colony-colonizer links between countries boost trade by 900%. Further, preferential trading arrangements, common currency and political union increase trade by more than 300%. One example, is the European Union having diminished political differences (Ghemawat, 2001).

Economic stability impacts the attractiveness of a market too (Mellahi et al., 2003). Rich countries engage in more cross-border economic activities compared to the size of their economy than countries with less purchasing power. Usually a country portfolio analysis is made in order to evaluate the economic attractiveness of a county (Ghemawat, 2001).

What market development captures as well is the quality of a market in terms of its socio-economic "advancement" or progress. This is reflected amongst others in per capita income and employment rates (Gaston-Breton & Martín, 2011). Ghemawat, labels these factors "economic distance" which assess the distance between home and host countries in the level of economic development of the host country relative to that of the home country. This distance is reflected in differences in factor costs, wages and technological capabilities (Ghemawat, 2001). In this context, national income plays an important role in both the internet penetration rate and adoption rate of internet shopping. Similarly, irrespective whether online or offline shopping, the higher the income, the higher the purchasing power (Lim, Leung, Sia, & Matthew K. O. Lee, 2004).

In addition, the dynamics and the future potential of a market is evaluated on basis of future trends and market growth rates (Cavusgil, 1985; Wood, Karriker, & Williams, 2010).

As essential question requiring consideration for determination of the potential of a market is its size and the amount of sales obtainable from entry and ongoing presence in that respective market (Cavusgil, 1985; Ojala & Tyrväinen, 2008; Sakarya, Eckman, & Hyllegard, 2007; Shirley Ye Sheng & Michael R. Mullen, 2011; Zitta & Powers, 2003). The answer depends on a variety of indicators which all relate to the size of the economy. The literature on international market selection confirms the importance of having the market size determined as well as the level of economic development when trying to identify potential opportunities (Cavusgil, 1985; Gaston-Breton & Martín, 2011; Ozturk, Joiner, & Cavusgil, 2015).

However, the size of a market depends on the product or service of a firm and whether sales are B2B or B2C. In case of a B2C market the size of the targeted segment matters. Age and gender are further useful variables for assessing foreign markets. When trying to shed more light onto the targeted segment within a potential market, population figures should be broken down to gender and age in order to make the targeted group more transparent (Mullen, 2009). It may be further narrowed down by an analysis of the income distribution as the market potential may be distorted otherwise (Mullen, 2009)

2.2 Micro environment at consumer level

The level of competition is another important factor when evaluating market attractiveness. Is the market already saturated? As foreign firms compete not only among themselves but also against domestic producers in the target countries, total demand needs to be considered for the true potential of the market (Papadopoulos, Hongbin Chen, & Thomas, 2002). Customers must be open towards additional products. The degree of competition from local manufacturers and from substitute products represent further aspects which require consideration when evaluating market attractiveness (Goodnow & Hansz, 1972).

Cultural harmony is another important aspect. This term describes how the culture of a country affects how people interact with one another and with companies and institutions. Differences in religious beliefs, race, social norms and language within and between countries are variables that can create a distance between countries. Culture can influence the size and nature of market segments as well as their choice (Ghemawat, 2001).

Social norms are deeply embedded into culture that guides individuals in their choices and interactions everyday. Cultural distance affects consumer's preferences towards a product (Cavusgil, 1985; Gaston-Breton & Martín, 2011; Ghemawat, 2001; Sakarya et al., 2007). Distance is created by cultural attributes which influence choices that consumers make, for example between and for substitute products due to their preference for specific features. Color tastes are one of the cultural influences (Ghemawat, 2001).

Cultural distance in research is usually measured by a cultural frameworks proposed by Hofstede (G. Hofstede, 1980). Hofstede´s cultural framework consists of five dimensions: individualism – collectivism, uncertainty avoidance, power distance, masculinity- femininity and long-term orientation. However, Brock has suggested that Hofstede's indices need to be updated and further expanded to account for more recent cultural valuations (Brock et al., 2011).

From the micro economic perspective, product-specific characteristics must be considered when determining market attractiveness. Cross-border dissimilarities and similarities in consumers´ needs, preferences and behavior towards products exist (Bijmolt, Paas, & Vermunt, 2004; F. T. Hofstede, Steenkamp, & Wedel, 1999). Product-specific factors for fashion can be determined via the average height of people from different ethnic backgrounds. Average height in countries and between socio-economic groups differ. In Europe, the height of women in Southern countries France, Italy and Spain is 7 cm less to Scandinavian women living in Norway, Sweden and Denmark (Cavelaars et al., 2000). Further, the mean body mass index (BMI) of nations varies with Asia having the lowest, Europe being an intermediary and North America and Australia having the highest. Waist-to-hip ratios vary too (Yusuf et al., 2005).

In terms of distribution channels, the market attractiveness depends on the usage of the distribution channel. For TM Collection, the distribution channel has been predefined to be B2C e-commerce. In this context, culture is explained by its effects on e-commerce. Individualism and collectivism affect the way people form trust and thus their willingness to trust online vendors (Doney, Cannon, & Mullen, 1998). Uncertainty avoidance affects the willingness of people to accept uncertainty which is an inevitable element of internet shopping (Keil et al., 2000). The interaction of individualism and uncertainty avoidance is very dominant and explains the different internet shopping rates across cultures. More precisely, countries with high

individualism and low uncertainty avoidance adopt higher internet shopping rates than countries with a collectivist culture and low uncertainty avoidance (Lim et al., 2004).

The Hofstede dimensions collectivism and uncertainty avoidance likely account for 14% of the explained variance for predictable internet shopping rates. Uncertainty avoidance as well as the individualism collectivism dimension are most relevant since internet shoppers must accept risks combined with internet shopping and trust not personally known online vendors. Transactions in a virtual environment, lack of information and of no physical store, the process of non-physical payment and the uncertain date of delivery of the product are sources for uncertainty (Lim et al., 2004).

However, one may ask whether such cultural distances still exists as the world is becoming more global and less distant due to the media. Ghemawat´s central position that distance does indeed matter is confirmed by Brock´s study that cultural distance especially matters for a firm market selection process, and more specifically for internationally-oriented small firms (Brock et al., 2011).

2.3 Market attractiveness matrix

When a firm considers a market entry, it has to analyze whether the market is in line with the firm´s strategy and showing potential. The country´s distinct performance levels must be scrutinized to identify those countries which are most attractive and which can contribute most with respect to the long-term and sustainable strategy. As the decision to go abroad is a proactive one, above mentioned selection criteria and dimensions must be determined. The relative attractiveness of a country is best evaluated by a comparison of markets as well as operational and risk criteria. These can be adapted to company and sector specific criteria. When comparing more than one country, a systematic approach should be followed with markets listed in a clear and transparent way (Freire, 1997; Gaston-Breton & Martín, 2011; Ozturk et al., 2015).

The critical sub points, namely economic and market factors with market size, market growth, trade agreements etc., give further insights about the individual attractiveness of the key criteria. The attractiveness of the key criteria can differ from the total attractiveness of all evaluated key criteria. Thus, different weights can be given to the key criteria when evaluating the overall attractiveness (Freire, 1997). Falkenbach determined in his study the rank and threshold by a questionnaire asking the investors on their opinion about the different weights for the dimensions (Falkenbach, 2009).

III. Methodology

This chapter describes tools and methodologies used for collecting data and corresponding objects. The sources of information for addressing the research questions can be divided into primary and secondary data.

3.1 Primary data

The primary data was collected interactively. In one of the weekly meetings with TM Collection, the criteria to evaluate the country´s attractiveness were proposed by the author. The proposed criteria for market attractiveness were found and based on literature on market selection taking into account industry specific features. The proposed criteria were then open for discussion and the author collected a first feedback from TM Collection. The investors and executive partners of TM Collection, Teresa and Miguel Martins, were then asked to take time and reflect on these criteria.

After this meeting, the author handed over a questionnaire **[Appendix A]**. In order to increase the understanding of the importance of the criteria, the executive directors were asked to weigh criteria according to their relevance. Further, they were asked to indicate whether a respective criterion has to fulfill certain factors before investment in this country and to reflect whether the criterion should be considered as a threshold criterion. If a criterion on said questionnaire has no effect on the market selection, the respondents were asked to indicate that too. This was done to determine the weights of the criteria for a market attractiveness matrix. The questionnaire was only for the executive partners at TM Collection since they had to decide on investments.

3.2 Secondary data

The scientific articles were looked at in established databases. The author identified them using search engines such as business source premier (via EBSCO host), google scholar and social science research network. The search was done with thematically appropriate English search terms like market selection and internationalization. Further, the author did research in the bibliography of the prior identified scientific articles by applying the snowball principle.

On the other hand internal data from TM Collection was further consulted with respect to its company presentation, lookbooks and website.

For analysis and evaluation of the pre-selected countries, further market research apart from the scientific research was done by collecting general and country-specific information on internet platforms such as Statista. This research was also done by pulling out critical information from articles in national media and magazines regarding country specifics. Relevant data to compare individual criteria were withdrawn from the international databanks of OECD and Worldbank.

VI. Data analysis

First, this chapter includes the identification of criteria relevant to assess countries for TM Collection. It is followed by a data analysis.

4.1 Identification of TM Collection´s relevant criteria for market evaluation

The criteria for the market evaluation were determined by a reviewing the literature. The so determined criteria were then introduced in a meeting with TM Collection. It was an objective of the author to consider the relevant criteria in advance and to have those limited to a selection of criteria potent to influence the market attractiveness **[Appendix A]**.

The ***macroeconomic environment*** is differentiated between economic factors, market size metrics and political and legal factors.

These economic factors are key metrics that impact the market profitability:

- **GDP** and **GDP per capita growth** – GDP is one of the primary indicators to evaluate a country´s economy. It stands for economic production and growth. GDP has an impact on employment, wages and therefore demand. Per capita GDP measures the total output of a country by dividing GDP by the number of people in said country. It indicates whether the economy within a country grows or declines (Cavusgil, 1985; Investopedia, 2016b; Wood et al., 2010). This measure is especially useful when comparing the relative performance of countries.
- **Inflation rate** – Inflation is the rate at which the general level of prices for goods is rising, and for this reason the purchasing power of the currency is falling. This may involve a falling value of money and fluctuating currency exchange rates. A common currency is favorable for market attractiveness (Investopedia, 2016a).

For determining the market size of the respective country several criteria must be taken into account:

- **Demographics, demographic growth rate and age distribution** – The potential market size of a country depends on the market structure and demographic aspects (Mullen, 2009). Hence, population size, its growth rate as well as its age distribution are factors

narrowing the market size. TM Collection is targeting female customers of 35 to 65 years age.

There are political and legal external environmental factors that affect the business. As politics have a huge influence on the enforcement of laws, politics and legal development are proposed by the author as one category.

- **Political stability** – Political factors have the power to change results and to affect government policies at local and federal level. For this reason, stability is determined by the consistency of governmental regulations regarding e-commerce and trade (Mellahi et al., 2003). Political actions are difficult to predict. Influenced by pressure groups and political movements governmental parties may change policies which may affect the online-purchasing power.

- **Corruption level** – Corruption is an obstacle to economy and let a country appear less attractive (Malhotra et al., 2010).

- Government involvement in **trade agreements** – Trade agreements like the European Union or the NAFTA reduce trade barriers and enhance the export of clothing (Ghemawat, 2001). They facilitate and promote international trade and increase market attractiveness.

- **Tariffs** – Custom tariffs increase the price of imported goods so that domestic producers have less price competition, whereas domestic consumers are left paying higher prices as a result.

- **E-commerce regulations** – Governmental laws have been amended to protect consumers when doing purchases online via the internet. In the European Union, the country of origin principle facilitates e-commerce as the laws of this country are applicable where the action is performed. But which e-commerce regulations apply when doing intercontinental trade?

In terms of ***microeconomic environment***, market size, product-specific and distribution-channel specific criteria have to be taken into account.

Product-specific characteristics, for both categories the clothing line and the lifestyle line have to be assessed to determine market attractiveness (Bijmolt et al., 2004; F. T. Hofstede et al., 1999). However, the main focus is put on the clothing line as TM Collection itself stresses its clothing line and generates 89% of sales with clothing (TM Collection, 2016).

- **Physical appearance** – Height and BMI are two measures that are significant for clothing. It is important to know whether the product fits to the average person of a country as TM Collection is selling only one size. For this reason, the addressed customer should be in terms of height and BMI within the range of the average Portuguese. If most of the addressed customers' don´t fit the scale of the TM Collections clothing, but order it – this may lead to a negative reputation and increased returning of the goods.

- **Seasons and weather –** Seasons vary – depending on the world region. TM Collection produces two collections per year – a spring / summer (SS) and an autumn / winter (AW) collection. Moreover, people dress different in Europe's Southern countries than in the North of Europe. According to Teresa Martins, her collections are designed for people in Southern countries who value light clothing in the summer.

- **Cultural factors and trends impacting attitude towards product –** Teresa Martin's design goes back to the roots, values traditional patterns and is produced with a high quality of fabrics. When interpreting Hofstede´s cultural dimensions of the individual countries preferences of customers towards TM Collection´s product characteristics are depicted (Cavusgil, 1985; Gaston-Breton & Martín, 2011; Ghemawat, 2001; Sakarya et al., 2007). The valuation of these criteria is necessary to judge whether the average customer in this country cherishes TM Collection´s product characteristics.

The scope of this consulting project and thesis analyzes e-commerce. As B2C e-commerce behavior is different in the various part of the world, the characteristics of the distribution channels characteristics need to be looked at.

- **Language** – TM Collection communicates on their website, online shop and in social media channels in English. Therefore, an advanced English-level within the target country is necessary that potential customers feel addressed. Returns, claims and general communication with customer are more complex when customers use another language than a person of TM Collection.
- **E-commerce usage** – The internet penetration rate and the percentage of people doing online-shopping influences the attractiveness of a country. In this context, it is also interesting to examine the age and gender distribution of online-shoppers.
- **Returning behavior –** The returning behavior is another important index when evaluating the attractiveness of a county. Returns imply additional efforts from TM Collections like sending, tracking and counterchecking whether goods are with(-out) deficits when returned.

- **Cultural factors impacting attitude towards e-commerce** – Hofstede´s cultural dimensions provide information about the attitude of a country´s population towards e-commerce (Doney et al., 1998). Especially uncertainty avoidance indicates the trust towards online-shopping and therefore the tendency towards e-commerce usage (Keil et al., 2000).

- **Operational costs** (postal service) – TM Collection distributes their goods from Portugal. The costs for shipment increase with distance as well as delivery time. Currently, customers usually have to bear shipment and delivery costs. Increased shipping costs may represent a barrier. Shipment costs also influence the attractiveness of a country**.**

- **Current market presence** – TM Collection has a retail and wholesale presence in some countries. Brand awareness and brand recognition in these countries is higher than in countries where TM Collection is not present. Therefore, these factors also influence market attractiveness.

4.2 Determination and estimation of weights for criteria of the market attractiveness matrix

In the weekly meeting with TM Collection, the above determined criteria were introduced and discussed with the investors. The author received feedback after the investors took time to reflect on the criteria.

Summarizing the feedback, the structure of the criteria and the dimension was adapted. The following **thresholds** were considered to be present. Political instability and a high level of corruption would detract TM Collection to make specific investments in one country. However, TM Collection considers these two variables more important when considering the country attractiveness with regard to the retail and / or wholesale presence. Therefore, in the B2C analysis it is neglected. However, e-commerce regulations do represent a threshold. If it is not possible to sell B2C or it is very complicated in one country, the country should be removed from the evaluation.

Key metrics were narrowed down to GDP per capita and GDP growth. TM Collection considered GDP per capita being influenced by several factors: operational costs, trade agreements and tariffs as they imply a cost increase. Therefore, they asked to evaluate GDP per capita with respect to these factors as one dimension and not as several sub dimensions.

Further, with respect to the dimension **market size**, the author was asked to combine the language capacity dimension with the variable demographics. If a country has a low capacity for the English language, the market size within this country is smaller. English is the primary marketing language of TM Collection. Currently, the online shop has adopted two languages – English and Portuguese. Therefore, customers need to be confident with their language ability to do transactions on the website. In future TM Collection is considering implementing the local language on TM collections webshop when a country has a low capacity for English. Further age distribution is considered an important factor. With respect to TM Collection´s product characteristics a population of higher age is better and lets a country appear more attractive.

With respect to the microeconomic environment, **product-specific characteristics** were perceived as an important dimension. Physical appearance was further included into the evaluation. This criterion was evaluated. However, TM Collection produces just one size and clothes are designed for the average Portuguese women. Thus, another general physical appearance in another country will turn out negative for TM Collection as they have to adapt collections. Season and weather further affect the attractiveness of a country for TM Collection. It is assumed that customers of warmer countries prefer the SS collection and of colder countries the AW one. TM Collection has no preference for moderate climate countries but countries with extreme temperatures should receive a lower rating in terms of country attractiveness. As

suggested it will be also evaluated whether the promoted collection fits to the season in said country. In this category, cultural factors are regarded important.

According to TM Collection, **e-commerce characteristics** are most important for the macroeconomic environment. Miguel Martins proposed to evaluate this dimension as one criterion, namely e-commerce market size. This criterion covers e-commerce usage within the fashion and luxury B2C of the respective country. Further, cultural factors which have an impact on the attitude towards e-commerce and e-commerce trends are looked at. Returning behavior should be neglected as it is linked to e-commerce usage and could distort the evaluation.

TM Collection agreed that the current **market presence** influences the country attractiveness. Therefore, this was taken into account. Including the feedback from the TM investors the country attractiveness matrix in **Figure 1** with its weights was agreed on:

COUNTRY ATTRACTIVENESS MATRIX	Weight in %	Country
Macro environment	60%	
Key metrics	70%	
GDP / capita	80%	
GDP / capita growth	20%	
Market Size	30%	
Demographics	70%	
Age distribution	30%	
Micro environment	40%	
Product-specific characteristics	40%	
Physical appearance	35%	
Season and weather	15%	
Cultural factors & trends impacting attitude towards product	50%	
E-commerce characteristics	50%	
E-commerce market size	100%	
Current market presence	10%	
TOTAL	**100%**	
10 = great opportunity / very good; 0 = strong threat		

Figure 1 – Country attractiveness matrix applied on TM Collections needs and wishes

Source: Feedback TM Collection

4.3 Country attractiveness matrix analysis

In the following part the attractiveness of each country is examined. The thresholds will be analyzed first, then the macro and micro economic environment.

4.3.1 Thresholds

Europe is a mature e-commerce market with growth opportunities in Southern and Eastern European countries. Cross-border e-commerce is encouraged by lobbying for enhanced e-commerce policies and offering a European platform for stakeholders (Ecommerce Europe, n.d.). Art. 3(2) of the E-Commerce-Directive 2003/31/EC facilitate e-commerce as member states of the European Union are subject to the law of the Member State in which the service provider is established. In other words the law is applicable in which country the action or service is performed (*European Parliament and of the Council*, 2000). In Europe and with respect to Portugal, Italy, France and Spain, e-commerce represents no threshold. Further, e-commerce in general is also possible in the United States, Australia and Japan. In 2015, 66% of the online shoppers in Australia purchased products from overseas retailers. In Japan (32%) and in the United States (29%) customers are more reluctant to shop online from overseas suppliers (Nielsen, 2016). However, this confirms the possibility of sales to countries outside of Europe. Therefore, those countries do not represent a threshold.

4.3.2 Macro environment

In the following part the key metrics and market size are analyzed.

4.3.2.1 Key metrics

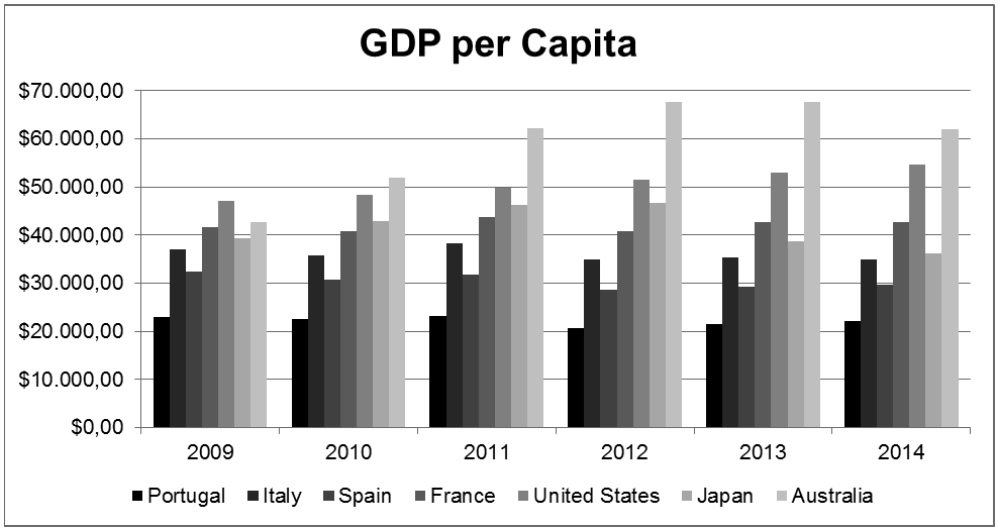

Figure 2 – Evolution of GDP per capita from 2009 to 2014 in selected countries (in $)

Source: The World Bank, 2016a

The column diagram of **Figure 2** shows that **Portugal** scores lowest in GDP per capita with $ 22,143 in 2014 compared to other selected countries (The World Bank, 2016a). The diagram of **Figure 3** shows that GDP per capita growth follows more volatile trends (The World Bank, 2016b). GDP per capita decreased in Portugal because of the falling labor. This downward trend is countered by the Portuguese government and efforts to lower administrative burdens, reforms in employment protection and improvements in education and innovation (OECD, 2015).

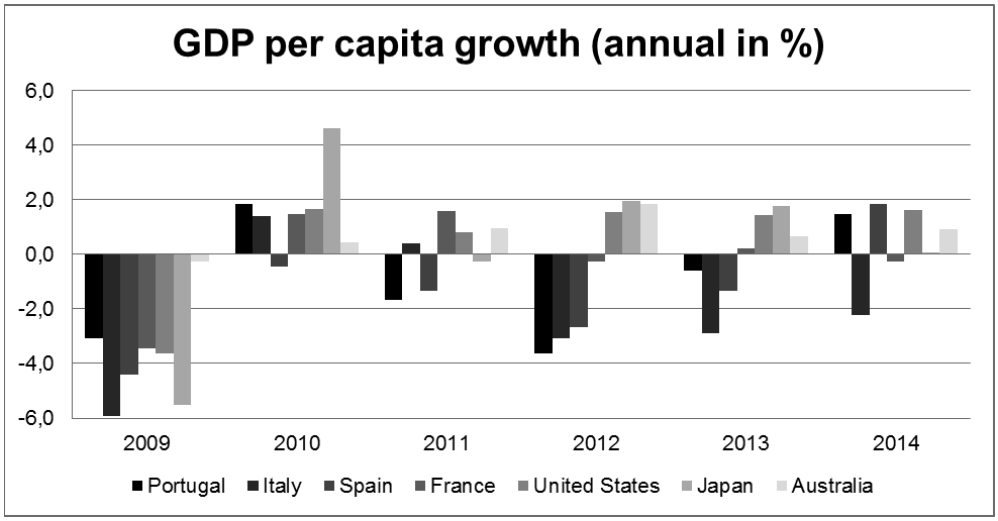

Figure 3 – GDP per capita growth (annual in %) from 2009 to 2014 for selected countries

Source: The World Bank, 2016b

In order to rate GDP per capita, operational costs, trade agreements and tariffs must be evaluated. Operational costs that accrue for TM Collection are mainly shipping costs. The table of **Figure 4** lists shipping costs. Shipping costs within Portugal vary and depend on whether customers live on the mainland or on the islands. Shipment to the Portuguese mainland is least expensive within this country comparison. In return, shipping to the Portuguese islands is expensive compared to other European countries. Trade agreements and tariffs can be neglected in this consideration as they do not accrue due for shipments within one country.

Operational Costs	Portugal	Portugal Islands	Italy	Spain	France	United States	Japan	Australia
Up to 0,5 kg	12,30 €	39,98 €	23,78 €	23,78 €	23,78 €	31,64 €	50,09 €	44,07 €
Up to 1,0 kg	12,30 €	39,98 €	27,74 €	27,74 €	27,74 €	36,31 €	57,48 €	56,22 €
Up to 1,5 kg	12,30 €	39,98 €	31,73 €	31,73 €	31,73 €	41,00 €	64,86 €	63,42 €
Up to 2,0 kg	12,30 €	39,98 €	35,45 €	35,45 €	35,45 €	50,63 €	73,23 €	70,59 €
Up to 3,0 kg	12,30 €	39,98 €	41,86 €	41,86 €	41,86 €	58,51 €	86,53 €	84,56 €
Up to 5,0 kg	12,30 €	39,98 €	68,56 €	68,56 €	68,56 €	85,51 €	114,18 €	111,50 €
Up to7,0 kg	15,38 €	55,35 €	78,29 €	78,29 €	78,29 €	98,06 €	138,39 €	135,08 €
Up to 9,0 kg	15,38 €	55,35 €	87,99 €	87,99 €	87,99 €	110,58 €	162,57 €	158,67 €

Figure 4 – Shipping costs in Euro of TM Collection to selected countries (Status as of April 2016)

Source: TM Collection

In comparison, **Italy** ranks best with its GDP per capita of $ 34,908 in 2014. In 2014 GDP per capita declined by 2% (The World Bank, 2016a, 2016b). Italy still has to recover from the recession. Labor force participation remains week as well as the productivity performance of Italy lags behind. The Italian government wishes to launch reforms about the labor market, the tax system and to reduce barriers to competition, however many of those actions have not been implemented (OECD, 2015). In terms of shipping costs, shipping to Italy costs the same as to other European countries. However, shipping costs are almost double compared to shipment on the Portuguese mainland. Portugal, France, Italy and Spain belong to the 28 member states of the European Union. This affects positively the free trade of goods as there are no custom barriers nor import duties within the European Union. Customers merely have to pay the value added tax (VAT). However, as this is the case in all European countries, customers are used to it. In total, the customer covers the costs for the product, the insurance and freight (European Commission, n.d.).

Spain´s GDP per capita is slightly better with $ 29,767 in 2014 than the Portuguese. However, it ranks low in this country comparison (The World Bank, 2016a). The evolution of the GDP per capita has been volatile with negative growth. However, from 2013 to 2014 Spain showed a 2% growth in GDP per capita (The World Bank, 2016b). The gap of GDP per capita continued to widen. This is the result of the persistent unemployment. Productivity has improved and progress has been made in reforming education and strengthening the labor market. This resulted in a growing GDP per capita (OECD, 2015).

France ranks in the period under evaluation constantly around a GDP above $ 40,000. In 2014 France achieved a GDP per capita of $ 42,753 (The World Bank, 2016a). GDP growth has been in this period always small but positive (The World Bank, 2016b). The gap in GDP per capita to the leading countries is reflected by the low unemployment rates of young and older people. Reforms in job protection and shifts in the tax burden away from the labor like in 2013 have raised the growth potential by the introduction of the corporate tax credit (OECD, 2015). As explained above, shipping costs to European countries are the same. Further, Spain and France are members of the European Union and enjoy the same benefits as Italy.

The **United States** shows the second highest GDP per capita in this country comparison with $ 54,629 in 2014 (The World Bank, 2016a). In the period under evaluation growth was positive but small (The World Bank, 2016b). The positive GDP per capita was driven by the strengthening of labor productivity though labor participation decreased. Further growth was supported by policies raising employment, reducing distortions in the tax system and improving access to high quality education (OECD, 2015). Shipping costs up to 3 kg are almost 5 times more expensive compared to Portugal. Compared to the other European countries the difference is not that significant and the expense margin is between 8 to 24 € for up to 0.5 to 9.0 kg. The difference increases with the weight of the parcel. No e-commerce trade agreement is in place between the U.S. and Portugal. Though there are on-going negotiations between the United States and the European Union to establish a European Trade and Investment Partnership (T-TIP) which shall reduce trade barriers between the United States and the European Union. A unitary customs territory is supposed to encourage cross-border trade. This agreement is politically heavily discussed while it is supposed to be beneficial for consumers due to free trade (Office of the United States Trade Representative, n.d.). Right now, the American consumer has to pay import duties for goods from Portugal. Clothing has an import duty rate of 5%. This rate is added to the price paid for the product in addition to the costs for transportation, insurance and associated costs for delivery. A merchandise processing fee of $2 per shipment is further levied on postal imports having a product, insurance and freight value of less than $ 2,500 (Global Trade Solutions, 2016; U.S. Customs and Border Protection, 2006).

Japan´s GDP per capita decreased by more than $ 10,000 from 2012 to 2014. In 2014 GDP per capita was $ 36,194. An annual growth of 0% was expected (The World Bank, 2016a, 2016b). The GDP per capita gap is increasing as the average labor productivity is nearly a quarter below those of the leading OECD economies. Narrowing the productivity gap requires reforms to reduce entry barriers and encourage foreign direct investment. Further, reforms are needed to make the Japanese tax system more pro-growth (OECD, 2015). With respect to operational costs, shipment from Portugal to Japan is the most expensive one for the selected countries. Shipment of a parcel up to 0.5 kg costs above 50 €. This is more than twice as much as for European countries. The gap increases to 45 € for a 5 kg parcel. Shipment of a 5 kg parcel already reaches a critical point and costs more than a 100 €. There is no free trade agreement in place. There have been negotiations between the European Union and Japan about a Free-Trade Agreement and an

Economic Partnership Agreement since 2015. The negotiations are ongoing; the last meeting was in Brussels in March 2016. The goal of this agreement is to eliminate tariffs and improve trade between the nations (Ministry of Forgein Affairs of Japan, 2016). Currently, an import duty tax of 9.8% is levied on clothing and a consumption tax rate of 8%. For personal imports, the customs value is assessed to be 60% of the retail value. However, customs must be able to verify the retail price of the imported product and that they are for private use only. No duty and consumption taxes are payable when the total value of the product, including insurance and freight, does not exceed 10,000 JPY, say approximately 81 € (exchange rate taken from 10.4.2016) (Global Trade Solutions, 2016).

Among the selected countries, **Australia** performs best in GDP per capita with $ 61,925 in 2014 (The World Bank, 2016a). Growth remained small but positive in this period (The World Bank, 2016b). The high GDP per capita is a result of the high trade and employment rates (OECD, 2015). In terms of shipping costs, Australia ranks second highest for the selected countries. Compared to shipment to countries within the European Union, shipping costs roughly in each weight category two times more than shipping to a European country. Shipping to Australia of a parcel of up to 5 kg costs above 100 €. With respect to additional costs for a TM product, an import duty rate of 5% is levied on clothing and the goods and services tax rate is 10%. The taxes and duties are levied on top of the value of the product. The costs for transportation, insurance and further associated costs with the delivery of the product must be added. Import processing charges may apply as well depending on the format and method of declaration. When the assessed value of the imported merchandise does not exceed 1,000 AUS, which is approximately 662 € (exchange rate taken from 10.4.16), the merchandise can be imported for free (Australian Government, n.d.; Global Trade Solutions, 2016). There are no special trade agreements in place between Australia and the European Union, respectively Portugal.

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4.3.2.2 Market size

Compared with other European countries **Portugal** is the smallest market with almost 11 million people. TM Collection targets specially women of 35 to 65 years age. As the author was unable to find data for this specific age group for the countries under evaluation, in the following comparison of the countries demographics, the age group was expanded to women of 25 to 64 years age. This data is comparable for all countries under evaluation. 27.2% of women in Portugal are of 25 to 64 years. TM Collections target group comprises nearly 3 million of women (Indexmundi, 2014). 32% of the Portuguese can understand and speak English. Of those Portuguese have a high proficiency rate of English scoring best among the non-mother tongue selected countries with a score of 60.61 (EF Education First, 2015). Even though the online shop is in Portuguese as well, this is important as most marketing activities are in English. For detailed information regarding the comparison of demographics for all countries consult **Appendix B**.

Italy has a population of 61 million. Of those 28.1% belong to the target group of women of 25 to 65 years age. TM Collection´s Italian target group comprises therefore approximately 17.3 million women (Indexmundi, 2014). 34% of Italians understand English, but the English level only shows a moderate proficiency level with a score of 54.02 (EF Education First, 2015).

47 million people live in **Spain**. Of those 28.4% belong to the age target group of TM Collection which are in absolute number approximately 13.6 million Spanish women (Indexmundi, 2014). However, among the European countries Spain possesses the lowest performance level of 22% of people understanding English. The people who speak English have a moderate proficiency with a score of 56.8 (EF Education First, 2015).

France is with approximately 63 million people the biggest European country under evaluation. Of those 27.1% or approximately 17.3 million women belong to the female target group of 25 to 64 years age (Indexmundi, 2014). 39% of the French understand English but the proficiency level for English is as low as a score of 51.84 (EF Education First, 2015)

In terms of population the **United States** is the biggest country in this evaluation. Approximately 319 million people live in the United States with 26.4% of women in the age of 25 to 64 years. This represents the biggest target group of the country´s under evaluation with approximately 84 million women. This target group is bigger than the 30 million women of the selected European

countries (Indexmundi, 2014). The ability of understanding English is in the United States no particular issue.

Even though **Japan** is three times smaller in size than the United States, the number of people living there is large. Japan has a population of 127 million which makes it the second biggest country in this evaluation. 25.0% of this population (approximately 32 million women) is female and within TM Collection´s target age group (Indexmundi, 2014). The ability of Japanese people to speak and understand English is low even though English is taught compulsory at school (Japan national tourism organization, 2014; Miller, 2014). The moderate proficiency score for English is 53.57 (EF Education First, 2015).

Australia has a population of 22 million people. Even though Australia is large, the number of people living there is comparatively small. Of the selected countries, Australia is the second smallest country in terms of population. There are approximately 6 million women within the age range of 25 to 64 years. This is 26.5% of the total population (Indexmundi, 2014). Like in the United States the ability of speaking English is no particular issue.

4.3.3 Micro environment

In the following part, product and distribution channel specific characteristics as well as TM Collection´s current market presence is discussed.

4.3.3.1 Product-specific characteristics

Portugal is the basis for the following country comparison. The clothes have originally been designed for Portuguese women and the Portuguese climate.

	Portugal	Italy	Spain	France	United States	Japan	Australia
Average height of females	1.637 m	1.650 m	1.662 m	1.625 m	1.622 m	1.580 m	1.634 m
Average female BMI	25.5	24.4	25.4	23.9	29.0	21.7	27.3

Figure 5 – Average height and average BMI of females for selected countries

Source: AverageHeight, n.d.; Soria, 2013

As it can be seen in **Figure 5**, Portuguese women are on average 164 cm tall and have an BMI of 25.5 (AverageHeight, n.d.; Soria, 2013). For this comparison the BMI was used as it describes the body shape. Comparing only the body weights would ignore that people in different countries are differently tall. An adult with a BMI between 18.5 and 24.9 is considered to have an ideal weight for his height. Regarding the climate, mainland Portugal shows four seasons, namely winter, spring, summer and autumn. In the South the climate is Mediterranean with mild winters and hot summers. In the North of Portugal winters are cold and summers warm. The hot season in Portugal is between June and September. Temperatures in summer range between minimum 15 to maximum 35 degrees. The cold season is between December and February with temperatures of 5 and 15 degrees (World Weather & Climate Information, 2015). For further information regarding temperature specifics, consult **Appendix C**.

Italian women are approximately 1 cm taller than Portuguese. The BMI in Italy with 24.4 is slightly lower than the Portuguese (AverageHeight, n.d.; Soria, 2013). Italy has a Mediterranean climate and four seasons. The average temperatures in the South of Italy are similar to the Portuguese in the South. Still, in the North of Italy the temperatures are throughout the year lower. The hot months in Italy are like in Portugal from June to September with temperatures of between 15 to 30 degrees and the mild winters during December to February with temperatures of between -5 to 15 degrees (World Weather & Climate Information, 2015).

In **Spain** the women are on average approximately 2 cm taller than in Portugal. The average BMI is very similar and differs only by 0.1 (AverageHeight, n.d.; Soria, 2013). The weather in Spain is similar to Portugal. There are four seasons with hot months from June to September. Temperatures range between 15 to 35 degrees. The mild winters are during November until February with temperatures of between 0 to 15 degrees (World Weather & Climate Information, 2015)

French women are on average 1 cm smaller than Portuguese women. The BMI is 1.6 points lower (AverageHeight, n.d.; Soria, 2013). France has four seasons. The climate is generally cold in winter and mild in summer. Mild winters with temperatures ranging from 5 to 15 degrees and hot summers with temperatures of between 15 to 28 degrees are common along the Mediterranean Sea and in the South West of France. Winters are stronger in the Alps and Pyrenees (World Weather & Climate Information, 2015).

In the **United States**, women are on average 1 cm smaller than in Portugal (AverageHeight, n.d.). The BMI differs significantly from Portugal by 4.5 points. On average American women have a BMI of 29.0. This is the highest BMI for the selected countries (Soria, 2013). The climate in the United States is temperate with notable exceptions. Alaska has an Arctic climate whereas Hawaii and South Florida have a tropical climate. On the East and the West coast the temperatures differ as well. In New York the hot months are from June to September with average maximal temperatures below 30 degrees. The cold months last from December to March. At the West Coast, in Los Angeles for example, temperatures are mild throughout the year with a temperature peak during June to August. However, the average temperature with approximately 25 degrees in summer is on the West Coast lower than the average temperature on the East Coast. In the heart

of the United States, in Texas hot months with maximal temperature above 35 degrees last from May to mid of October (World Weather & Climate Information, 2015).

The average height of **Japanese** women is 6 cm lower than the average height of Portuguese women. On average Japanese women are 158 cm tall (AverageHeight, n.d.). Japan shows the lowest BMI for women for the selected countries. The BMI is 21.7 (Soria, 2013). The climate varies and Japan has four distinct seasons. Spring months are March, April and May, summer months are June, July and August. Autumn is September, October and November and winter the rest of the months. The summer is hot and humid with maximal temperatures around 30 degrees. Winters are colder with a temperature of between 0 to 10 degrees. Though the average temperature in winter is still above 0 degrees (World Weather & Climate Information, 2015).

Australians have the same height as Portuguese women (AverageHeight, n.d.). The BMI differs. With a BMI of 27.3 Australia has the second highest BMI of the selected countries (Soria, 2013). In general, the seasons are opposite as for European countries. Hot season in Australia is December to March and the coldest month is July. The temperatures range between 17 to 25 degrees in Sydney in summer. Temperatures however depend on the region. There are temperatures between 20 to 35 degrees throughout the year in Darwin in the North of Australia (World Weather & Climate Information, 2015).

There are several cultural factors that impact the attitude towards a product. Culture is defined as the programming of the human mind with which one group distinguishes itself from another group. Therefore, countries differ from one another as there are different cultures between geographic regions (G. Hofstede, 1980). There are two main characteristics that define TM Collection´s products. They are all manufactured with high quality fabrics and they contain cultural heritage. The design pictures traditional manufacturing and intends to go back to the roots. These characteristics are a consumption value – the perceived attributes of products or services for consumers. They reflect an impetus for obtaining the product which differs among countries (Tse, Wong, & Chin Tiong Tan, 1988). Therefore, some of Hofstede´s cultural dimensions serve as a basis for comparing attitudes towards the product as cultural norms and beliefs shape the perception, disposition and the behavior of people (G. Hofstede, 1980; Markus & Kitayama, 1991). The higher the uncertainty avoidance dimension of a country is, the more its people may value quality. Quality is a synonym for trust. If a product like a dress is of high

quality, people are sure that fabrics color will not wash off and wear down. Countries with high uncertainty avoidance support rigid codes and proven practices (G. Hofstede, 1980). Further, countries that score low on long-term orientation favor traditions and norms. These countries are reserved towards change. For this reason those countries prefer products that go back to the roots and incorporate cultural heritage (G. Hofstede, 1980).

With regard to uncertainty avoidance, Portugal ranks best in the comparison with a score of 99. Portugal is followed by Japan with a score of 92. France and Spain rank equal with a score of 86, whereas Italy scores 75, Australia 51 and the United States 46. In terms of long-term orientation Australia and the United States rank best, with scores of 21 respectively 26. They are followed by Portugal with a score or 28. Spain also ranks with a score of 48 slightly below 50. Italy (61), France (63) and Japan (88) rank highest in this comparison (G. Hofstede, 1980).

How do **Portuguese** value quality? The current trend which depicts itself in the Portuguese purchasing behavior is that the consumer spending was hit by the low wages in Portugal. After the economic and financial crisis, Portuguese adapted to a low-cost way of life (Euromonitor, 2014). In addition, there is a growing tendency over the last years that Portuguese choose products rather by price than by quality [**Appendix D]** (Grupo Marktest, 2014). Social status and brand names however are significant for clothing purchases (Banco Santander, S.A., 2016e). **Italians** consider in their purchasing decision the quality of the product. Italian consumers are demanding of quality products. Environmental criteria appear not to have influence on their purchasing decision. If they can choose between international or national products, Italians favor "made in Italy"(Banco Santander, S.A., 2016c). **Spanish** consumers are very price sensitive. The high unemployment and economic situation turn consumers towards cheap products which they have been avoided previously. They are not necessarily loyal to one brand (Banco Santander, S.A., 2016f). In **France** people regard the price as the essential element in their purchasing process. However, quality is becoming increasingly important as French show a preference towards quality labels and brands. The purchasing behavior of French is rather impulsive and French like to try new and innovative products (Banco Santander, S.A., 2016b). In the **United States**, the financial crisis led to a growing price consciousness of consumers. However, the American consumer is very open towards the purchase of foreign products (Banco Santander, S.A., 2016g). In **Japan**, people are aware of product features, qualities and brands. Still in Japan

the economic crisis is present and economic conditions become harder. Therefore, the price is a buying criterion as well. Japanese consumers are traditionally reluctant to purchase foreign products. Nowadays, they are more open and interested in Western products. People value detailed instructions for use and exquisite packaging (Banco Santander, S.A., 2016d). **Australians** are receptive to foreign "authentic" products and favor especially products of high value from Asia, North America and Europe. Even though Australians show an increasing interest in quality, the price factor will still influence the purchase (Banco Santander, S.A., 2016a).

4.3.3.2 E-commerce characteristics

To determine the size of the market, the e-commerce luxury apparel market was examined. A detailed evaluation of the different market sizes and its development can be seen in **Figure 6**.

in million Euro	2014	2015	2016	2017	2018
Portugal	n/a	n/a	n/a	n/a	n/a
Italy	57	69	85	96	113
Spain	332	395	476	575	687
France	n/a	n/a	n/a	n/a	n/a
United States	1,723	2,017	2,376	2,799	3,279
Japan	547	617	706	771	846
Australia	n/a	n/a	n/a	n/a	n/a

Figure 6 – E-commerce luxury fashion market size development

Source: McKinsey, 2015

Within Europe, **France** presents the biggest online luxury apparel market with a size of 395 million € in 2015. France will grow with a $CAGR_{14\text{-}18}$ of 21%. **Italy**´s online luxury apparel size in 2015 is 69 million €. It has a remarkable $CAGR_{14\text{-}18}$ of 19% that results into a market size of 113 million € in 2018. The biggest e-commerce luxury market for the selected countries is the **United States**. With a market size of 2,017 million € in 2015, it is expected to grow to a size of 3,279 million € in 2018. For its size, the American online luxury apparel market has a remarkable $CAGR_{14\text{-}18}$ of 17%. **Japan** represents the second biggest online luxury apparel market with a size

of 617 million € in 2015. With a $CAGR_{14\text{-}18}$ of 17%, it will reach a size of 846 million € in 2018 (McKinsey, 2015). While searched, no available data were found to determine the online luxury apparel market size for **Portugal, Spain and Australia**. However, interpreting and looking at the geographical sales distribution of the Yoox Group in **Appendix E** – one of the biggest online luxury apparel retailers – the highest percentage of sales was generated in Europe, primarily in Italy and the U.K.. Hence, not in Portugal and Spain though this might be mainly due to its European presence and it´s headquarter in Italy. 22.6% of sales were generated in North America, followed by 7.6% of sales in Japan. Only 4.8% of sales were generated in other countries, including Australia (YOOX S.p.A., 2015).

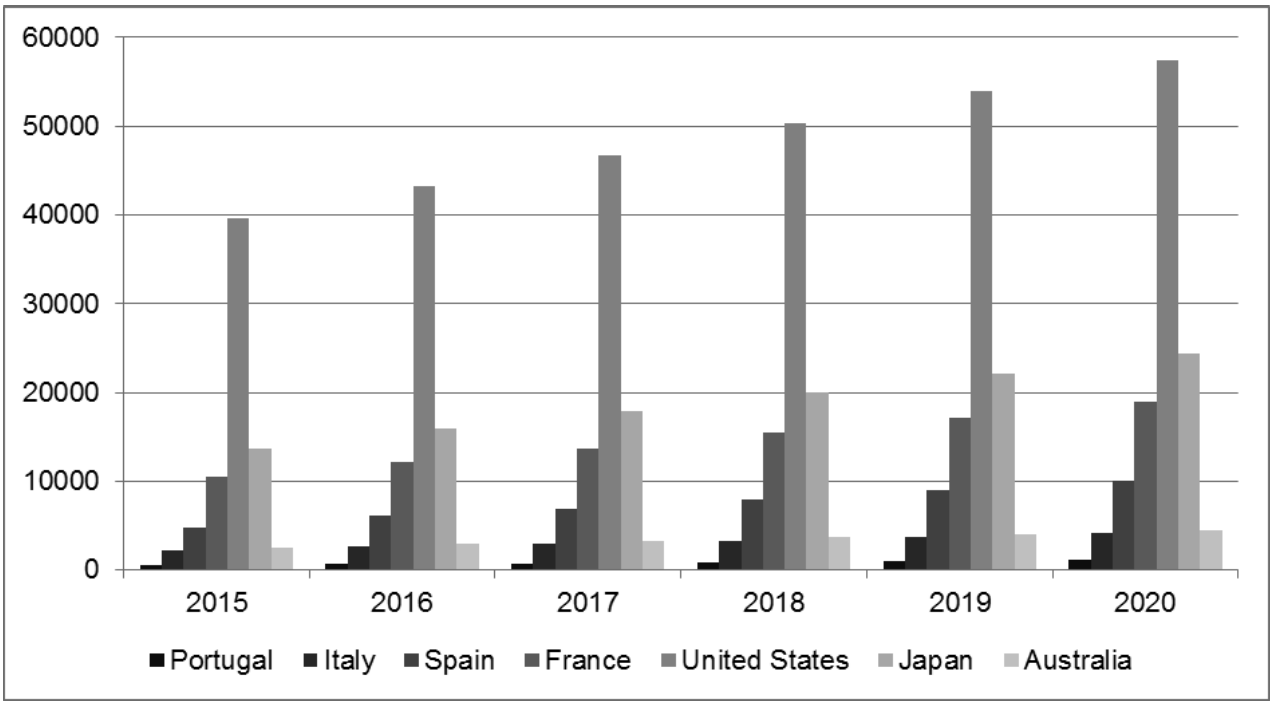

Figure 7 – Revenue of the clothing and accessories E-commerce market in m $

Source: Statista, 2015a, 2015b, 2015c, 2015d, 2015e, 2015f, 2015g

For a better examination of the size of this market, especially for Portugal, Spain and Australia, the online apparel and accessories market was investigated. The results have been summarized in **Figure 7.** The data shows that in terms of revenue generation the **United States** are by far the biggest market (Statista, 2015g). The sales of the online apparel and accessories market in the United States grew from $ 39,648 million to a size of $ 57,460 million. In 2015 the two second biggest markets in terms of revenues were roughly a quarter of the size of the United States –

Japan and France (Statista, 2015b, 2015d). The forecast until 2020 suggests that the rank remains the same. **Spain** doubled in size in terms of revenues from $ 4,804 million in 2015 to $ 10,087 million and represents the second-best European apparel and accessories market (Statista, 2015f). **Italy and Australia** are similar in size and development. They will generate revenues of more than $ 4,000 million until 2020 (Statista, 2015a, 2015c). In this country comparison **Portugal** remains the smallest market with a size of $ 554 million in 2015, doubling its size to $ 1,127 million until 2020 (Statista, 2015e). The year-over-year revenue development is positive and for most selected countries above 10% as it is depicted in **Figure 8** (Statista, 2015a, 2015b, 2015c, 2015d, 2015e, 2015f, 2015g).

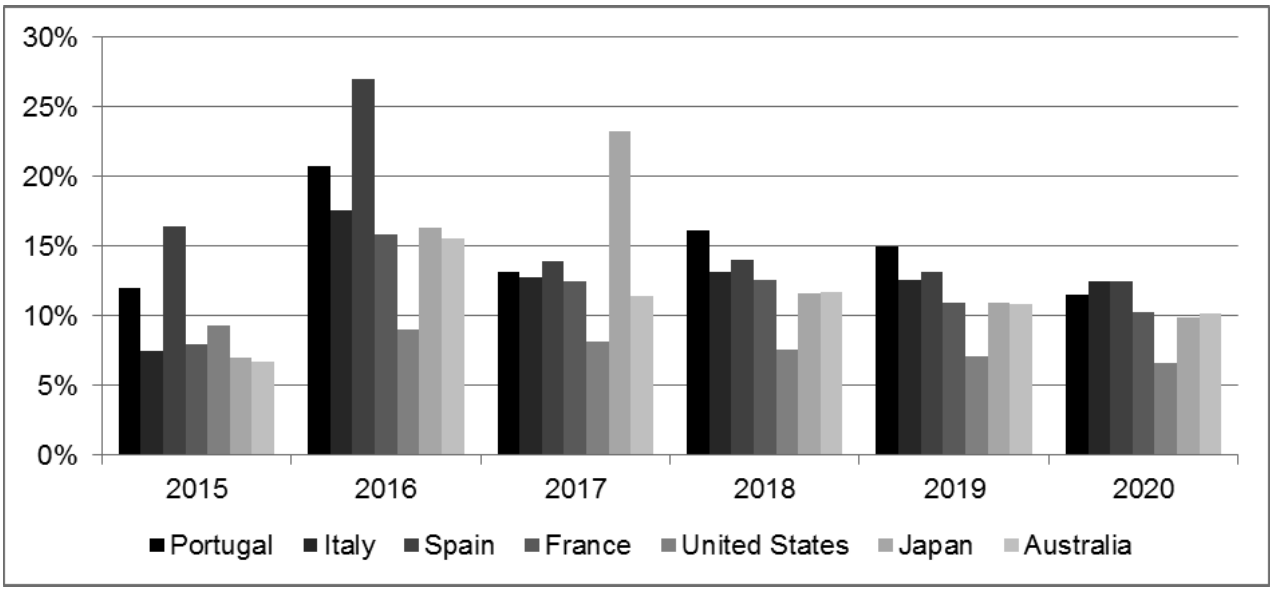

Figure 8 – Revenue growth of the clothing and accessories e-commerce market – the year-over-year revenue development of the selected market in percentage terms

Source: Statista, 2015a, 2015b, 2015c, 2015d, 2015e, 2015f, 2015g

Comparing **Figure 7** with **Figure 8**, say the e-commerce luxury appeal market with the e-commerce clothing and accessories market, it can be seen that the distribution is similar. Throughout the forecasts, the United States, Japan and France remain the biggest markets in terms of size. This scenario remains the same when looking at the relevant age group within this market in **Figure 9**.

2016	55+	45-54	35-44	25-34	16-24
Portugal	0,1	0,1	0,1	0,4	0,4
Italy	0,8	1,1	1,8	1,7	1,1
Spain	0,6	1,2	2,1	1,8	1
France	2,2	2,7	3,3	2,7	2,1
United States	11,1	12,1	13,4	17,1	14,5
Japan	2,8	3,8	5,7	5,7	1,5
Australia	0,6	0,6	0,7	0,9	0,7

2020	55+	45-54	35-44	25-34	16-24
Portugal	0,3	0,2	0,2	0,5	0,7
Italy	1,4	1,6	2,5	2,5	1,6
Spain	1,2	1,9	3,2	2,4	1,5
France	3,3	3,8	4,4	3,8	3
United States	15,6	13,9	17,2	21,7	18
Japan	4,3	6,1	8,1	8,5	2,2
Australia	1,0	0,9	1,0	1,3	1,1

Figure 9 – Female distribution of paying customers for the e-commerce apparel and accessories segment in millions by five age groups in the selected markets in 2016 and 2020

Source: Statista, 2015a, 2015b, 2015c, 2015d, 2015e, 2015f, 2015g

The distribution of paying female customers in the e-commerce clothing and accessories segment favors the **United States, Japan and France** as well. In 2020 the United States will have 46.7 million women, Japan, 18.5 million women and France 11.5 million women in the age group above 35 and buying clothing and accessories online (Statista, 2015b, 2015d, 2015g). In 2020 **Spain** and **Italy** will have 6.3 and 5.5 million women above 35, respectively, doing online-shopping in the segment of clothing and accessories (Statista, 2015c, 2015f). **Australia** and **Portugal** represent the smallest markets for this age group. Only 2.9 million and 0.7 million women, respectively, will do online shopping there (Statista, 2015a, 2015e).

An overview of internet penetration and its development is given in **Appendix F**. The United States, Japan, Australia and France will be the best developed countries in this comparison, all scoring an internet penetration of above 90% in 2020 (Statista, 2015a, 2015b, 2015d, 2015g). The internet penetration develops strongest in Portugal from 2015 to 2020 becoming one of the top internet penetrated countries in 2020 (Statista, 2015e). Italy will stay behind in this country comparison and an internet penetration of 62% in 2020 is expected (Statista, 2015c). For Spain an internet penetration of 80% in 2020 is assumed (Statista, 2015f).

What other trends will influence the e-commerce market size within the luxury clothing segment? Multi-brand websites in comparison to single-brand websites gain importance and capture the greatest proportion of growth (McKinsey, 2015). Consumers will favor shopping luxury clothing online as they can buy when most convenient and they can compare products (Remy et al., 2015). Further, they enjoy services like free shipping and easy return policies that have been adopted faster by multi-brand online stores than single-brand shops. These factors simplify the purchasing experience and enhance online-shopping (Technavio, 2015).

National culture influences how people identify with and perceive luxury (Rose & De Jesus, 2007; Sakarya & Soyer, 2013). This can be determined by Hofstede´s cultural dimensions in **Figure 10** that are used as a basis for this country comparison (G. Hofstede, 1980). Power distance influences the mindset towards luxury. High power distance symbolizes that people in this country accept a hierarchical order. Thus, luxury consumption stands for status and distinction in society (Heisley & Cours, 2007; G. Hofstede, 1980). Masculine characteristics of achievement, heroism, assertiveness and material rewards for success display luxury possession. Further, a masculine country distinguishes itself through its competitiveness. Thus, symbols are used to stand out of the ordinary society (G. Hofstede, 1980; Teck-Yong Eng & Bogaert, 2010). Cultural influence on e-commerce is determined by uncertainty avoidance. People experience a risk when doing online shopping. Consumers are worried that there is little security with respect to online payments and disclosure of personal information. When doing online-shopping consumers cannot examine the product physically. Thus, consumers are worried about the actual performance of a product (Keil et al., 2000). A high score on the individualism dimensions reflects that people must trust online vendors (Doney et al., 1998; Lim et al., 2004).

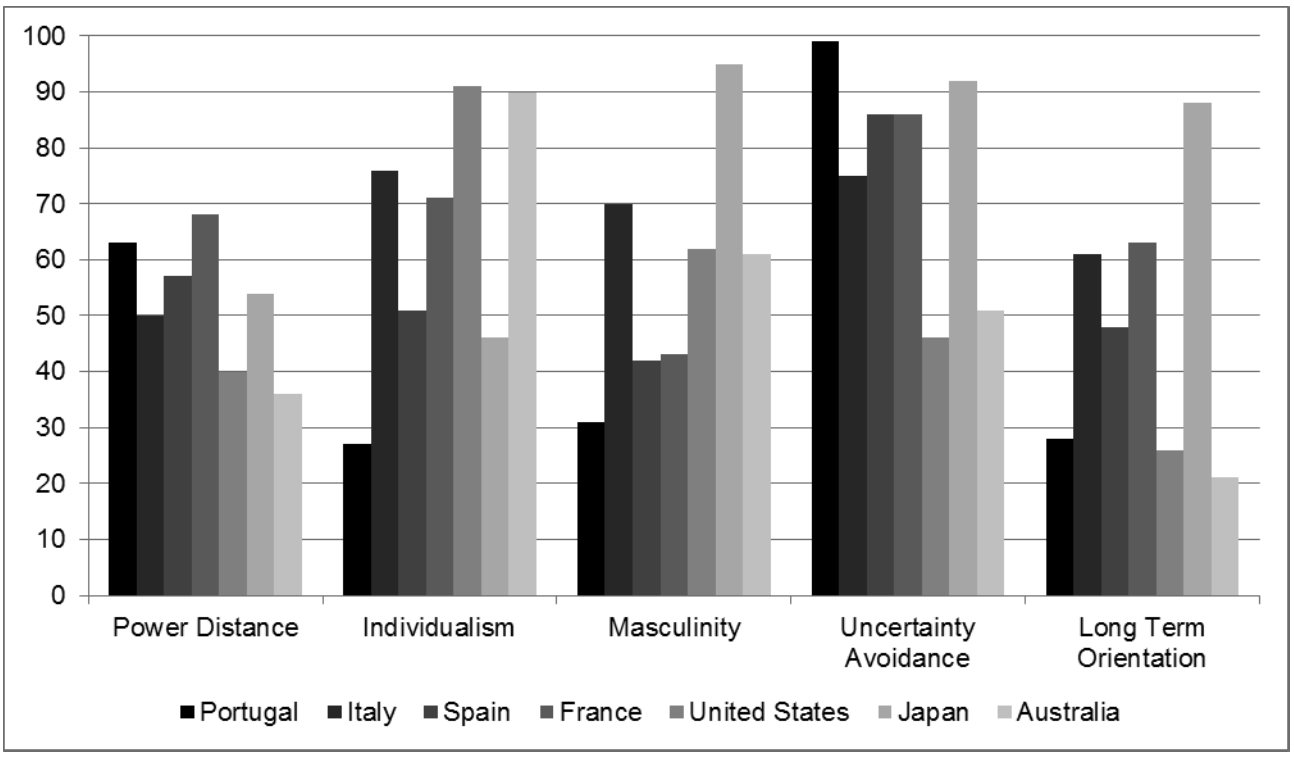

Figure 10 – Hofstedes cultural dimensions for selected countries

Source: G. Hofstede, 1980

In terms of influence on luxury consumption, France, Portugal, Spain and Japan rank in the dimension power distance above 50 with scores of 68, 63, 57 and 54. In the dimension masculinity, Japan ranks highest with a score of 95 – Italy, the United States and Australia follow with scores of 70, 62 and 61. France, Spain and Portugal are more feminine countries with scores of 43, 42 and 31. One dimension influencing e-commerce is uncertainty avoidance. As mentioned above, the United States ranks below 50 only with a score of 46. Best ranked Portugal (99) and Japan (92) are followed by France (86), Spain (86), Italy (75) and Australia (51). More individualistic countries are the United States (91), Australia (90), Italy (76), France (71) and Spain (51). Japan and Portugal are more collectivistic countries with a score of 46 and 27 (G. Hofstede, 1980).

4.3.3.3 Current market presence

The actual experience of a product has the greatest impact on sales. Premium and luxury customers are influenced by experiencing the product in physical stores (Remy et al., 2015). TM Collection exhibits the greatest market presence within **Portugal**. It (co)-owns 5 stores across Portugal. Some of them are open throughout the year whereas others are only open during summer. There are no special wholesale or marketing activities within Portugal in 2015 and 2016 that would enhance TM Collection´s presence. In **Italy**, TM Collection has agents and co-owns a shop in Sardinia. In February and October TM Collection is present in a showroom in Milan. In **France**, TM Collection shows presence four times a year in a showroom in Paris and with its agents. Further, they have attended twice in 2015 the fair Maison & Object and twice the fair Who´s next. In the **United States**, TM Collection has been present with its agents and in 2015 in two fairs, namely Coterie and Edit. In **Spain, Japan** and **Australia** TM Collection has neither shops nor wholesale and has not attended any fairs (TM Collection, 2016).

V. Results

In this chapter, the results for the research questions are presented, bearing in mind the interview and market research done.

According to the TM Collections investors the following criteria were decisive for the assessment of countries with regard to their B2C e-commerce potential. First, thresholds were studied to determine whether the country should be examined in first place. A threshold for TM Collection is considered when it is not possible to perform B2C e-commerce within that country, for example, when restricted by the law or other e-commerce regulations. Such thresholds were only applied to the B2C e-commerce segment, as TM Collection assessed other thresholds such as political instability and corruption when present in that country through retail or wholesale. Criteria for an assessment of countries within the macroeconomic environment were GDP per capita and GDP per capita growth. The variable GDP per capita takes account of shipping costs, trade agreements and tariffs which may involve additional costs for the product of TM Collection. Further, demographics and the age distribution were evaluated. Within the demographics dimension, the number of women and the English level of a country were assessed. For the investors of TM Collection key metrics such as GDP per capita and GDP per capita growth were rated higher than market size. TM Collection rated the importance of key metrics with 70 % and market size with 30%. Within the microeconomic environment product-specific characteristics, e-commerce characteristics and current market presence were important. E-commerce and product-specific characteristics were rated highest within the microeconomic environment with 50% and 40%, respectively. Within the product-specific characteristics the physical appearance of people of their country was relevant, the seasons and weather but also cultural factors and trends that may influence the attitude towards the product. E-commerce characteristics were determined by its market size. In total, these criteria were in line with the literature criteria proposed on international market selection. The relevance of those criteria was determined in accordance with TM Collection. The importance was rated according to TM Collections needs.

COUNTRY ATTRACTIVENESS MATRIX	Weight in %	PT	IT	SP	FR	USA	JP	AUS
Macro environment	60%	1,84	3,44	3	4	6,48	3,62	4,24
Key metrics	70%	2,2	3,2	3	4	5,4	2,6	5,2
GDP / capita	80%	2	4	3	5	6	3	6
GDP / capita growth	20%	3	0	3	0	3	1	2
Market Size	30%	1	4	3	4	9	6	2
Demographics	70%	1	4	3	4	9	6	2
Age distribution	30%	1	4	3	4	9	6	2
Micro environment	40%	4,6	6,1	4,8	6,9	6,82	6	3,36
Product-specific characteristics	40%	7,5	8	7	7,5	5,3	6,25	5,9
Physical appearance	35%	10	10	10	10	6	5	7
Season and weather	15%	10	10	10	10	8	10	3
Cultural factors & trends impacting attitude towards product	50%	5	6	4	5	4	6	6
E-commerce characteristics	50%	2	5	4	7	9	7	2
E-commerce market size	100%	2	5	4	7	9	7	2
Current market presence	10%	6	4	0	4	2	0	0
TOTAL	**100%**	2,94	4,50	3,72	5,16	6,62	4,57	3,89
10 = great opportunity / very good; 0 = strong threat / very bad								

Figure 11 – Country attractiveness matrix applied on TM Collections needs and wishes bearing in mind the respective market research data

Source: The author

The data collected during market research was applied to the country attractiveness matrix as shown in **Figure 11**. Each of the criteria within the respective markets was given a number between 0 and 10 based on the data analysis. 0 represents a strong threat or a very unattractive market whereas 10 represents a very attractive market with great opportunities. Within the chosen criteria, the data from the market research was assessed against the countries. Based on the data, a rank for the countries within each category was identified. Based on this rank in accordance with factors influencing this criterion an evaluation of its attractiveness was determined.

In the macroeconomic environment the ranking within the GDP per capita was as follows: Australia best, followed by the United States, France, Japan, Italy, Spain and Portugal. With respect to shipping costs which also have an impact on the final price of the product of TM

Collection Portugal was best, followed by the countries within the European Union, the United States, Australia and Japan. All the European countries ranked best within the category trade agreements due to the European Union facilitating a free movement of goods. They were followed by Japan due to the negotiations on the free trade agreement, then the United States due to the protracted negotiations on T-TIP and finally Australia. In terms of tariffs, the countries within the European Union ranked best followed by Australia, the United States and Japan. This resulted in a superior ranking of the United States and Australia with both 6. Even though both countries stand for high side costs, the GDP per capita in these countries is higher by more than $ 10,000. France was evaluated with 5 as it scored better than the European countries in the GDP per capita comparison and has moderate shipping costs. In comparison with Spain, with all other influencing factors being equal, Italy scored slightly better in the GDP per capita which gave an evaluation of 4. Spain and Japan were both evaluated with a 3. Even though Japan has a higher GDP per capita than Spain, the additional shipping costs and tariffs allow not better ranking. Further, the trade agreement is still in negotiation. Portugal was evaluated as 2 due to its low GDP per capita and low side costs compared to the other countries. Within the GDP per capita criterion, Portugal, Spain, the United States and Australia show a positive growth of almost 2 % and were therefore evaluated with a 2. Japan has no growth which resulted in a 1. Italy and France were rated with 0 due to their negative growth.

Within the demographics the United States was ranked highest being the third biggest country in the world in terms of population. The United States were followed by Japan, France, Italy, Spain, Australia and Portugal. This criterion was negatively adapted in accordance with the capacity of speaking English; say a lower English capacity reduced the market potential. The United States and Australia ranked best, followed by Portugal. Italy and Spain were rated as equal, followed by France and Japan. This resulted again in a superior ranking of the United States with a score of 9 due to its size followed by Japan with a score of 6. This score was negatively adjusted due to the limited English capacity of the Japanese. Italy and France were rated 4 due to size and moderate English speaking capacity. Spain followed with a 3 as the English level is similar to that of Italy and France, but due to the smaller population. Australia was rated with 2 due to the small population size despite high English capacity. Portugal scored lowest due to the size of the population and adjustment for the English capacity. With regard to the relative age distribution, Japan ranked best, followed by Italy, Spain, Portugal, France, Australia and the United States.

When looking at the age distribution in absolute terms, the United States scored highest, followed by Japan, France and Italy, Spain, Australia and Portugal. Therefore, the grading of the countries followed the grading of the criterion demographics.

Within the microeconomic environment, more precisely with respect to the product specific characteristics, the Portuguese woman was used as the basis for comparisons. The average height was similar in Portugal, Italy, Spain, France, the United States and Australia. Japanese women ranked lower due to a difference in height of almost 6 cm. With respect to the average BMI, the distribution was similar. Portugal and Spain ranked best. Italy, France and Australia ranked lower due to the difference in BMI of more than 1. Japan and the United States ranked lowest. Therefore, Portugal, Italy, Spain and France are graded with a 10 in terms of attractiveness due to its similarities in average height and BMI, whereas Australia scored 7, the United States 6 and Japan 5. When season and weather was used as criterion, Portugal, Italy, Spain, France, the United States and Japan have similar rankings and seasons. Only Australia has opposite seasons to the Northern hemisphere. The weather in terms of similar temperatures during summer and winter are most similar in Portugal, Italy, Spain, France and Japan. In the United States and Australia, the weather in terms of temperatures is in some parts similar as well. However, due to size there are varying climate conditions throughout the country that lead to a lower ranking. Taking into account the ranking of season and weather, Portugal, Italy, Spain, France and Japan are graded with a 10 due to similarities whereas the United States was graded with an 8. Australia was evaluated with a 3, mainly due to the opposite seasons. With respect to cultural factors and trends impacting the attitude towards a product, Italy, Japan and Australia were graded with a 6. In those countries people value quality which is also transmitted with at least one of Hofstede's cultural characteristics. Portugal and France were evaluated with a 5. Though cultural characteristics are favorable, quality is not the main purchasing criteria. Spain and the United States were graded with a 4 due to the low accordance with Hofstede's cultural characteristics and the price as major purchasing criterion.

With respect to the e-commerce characteristics the United States ranked best in luxury and usual online apparel shopping size. Further the e-commerce market size for apparel clothing is largest within this age group as well. The two other major markets Japan and France follow. Italy, Spain, Australia and Portugal come next. In terms of revenue growth all countries rank equal and best

apart from the United States. Revenue growth in the United States though still positive was decreasing. When it comes to internet penetration Portugal, France the United States and Australia ranked best. They are followed by Spain and Italy where the internet usage is not fully developed until 2020. In terms of cultural characteristics favorable towards luxury and e-commerce, France and the United States ranked best followed by Australia, Spain, Italy, Japan and Portugal. Therefore, the United States was graded as 9, followed by a 7 of Japan. Italy was evaluated with a 5, followed with a 4 for Spain and a 2 for Australia and Portugal.

Current market presence was highest in Portugal, followed by Italy and France. In the United States market presence was small, whereas there was no market presence in Spain, Japan and Australia. Therefore, Portugal was graded with 6, Italy and France with a 4 and the United States with a 2. The other countries were evaluated with a 0.

Figure 11 contains a table with the country attractiveness matrix, determined weights and results. Within the macroeconomic environment the non-European countries were most attractive. United States showed by far the biggest opportunity, followed by Australia and Japan. The least attractive country was Portugal. Within the macroeconomic environment France, the United States and Italy were the most attractive countries. Their score was very similar. The least attractive country was Australia. In total – considering both the macro- and microeconomic environment – the United States was the country with the highest potential. France and Japan appeared promising as well. Even though Portugal was the home market, it scored lowest when taking account all criteria.

VI. Conclusions

5.1 Recommendations

Country attractiveness determination should be done on the basis of predetermined criteria. The selection process should be neutral and not biased by preferences on basis of anyone's gut feelings. The literature on market selection proposes a number of criteria which must be considered. When evaluating the attractiveness of a country, the criteria should be adapted to the desires of the individual company and its industry. TM Collection should therefore not only consider market size figures but also product- and distribution channel specific characteristics.

Further, TM Collection should first and most intensively target the United States. The United States is the biggest country in terms of market size. Moreover, it is most advanced in e-commerce usage. However, the United States is the largest country in terms of geographic size. Marketing activities should be directed towards selected regions to make people aware of the B2C e-commerce of TM Collection. There are highly populated areas, say the major cities on the East and West coast, which enjoy a climate similar to Portugal where advertisements should be most effective. France should be targeted as well. It is the most attractive European market. Moreover, the trend in France towards the purchase of quality products is beneficial for products of TM Collection. In a second step, Japan and Italy should be targeted. Both countries appear attractive in terms of market size and show a genuine interest towards TM Collection products. Australia, Spain and Portugal are attractive for some criteria; however there may be other countries that are more profitable and attractive in the long-term. Therefore, extensive marketing activities towards B2C e-commerce are not recommended for these countries. Though, Portugal as home market for other distribution channels should remain established for retail and wholesale. There are numerous synergistic effects when TM Collection has an extensive retail basis in Portugal.

Apart from expanding marketing activities in the respective countries to make people more aware of its products, TM Collection is recommended to show presence in national and international online-multibrand stores. A broad online presence supports the brand awareness of people within a country.

5.1 Limitations

The country attractiveness matrix is a good tool to analyze countries. It is a clear and simple approach. However, the evaluation of countries was only implemented by the author. Therefore, distortions may have taken place as it was not possible to support all criteria with quantitative figures. Some criteria were subject to a subjective evaluation of the author. In addition, this evaluation of market attractiveness is valid short-term. If the entry of the most attractive market is not implemented, a new country attractiveness analysis needs to be executed. The macroeconomic and microeconomic environment is dynamic and the results of the analysis become outdated.

As most of TM Collection´s competitors ship worldwide and have a wholesale or retail presence in the respective countries it may be interesting to evaluate the strength of the competitors. It could have been in particular useful to examine to what extent competitors use marketing activities to make their customers aware of their online presence. These numbers, however, have not been published and were not obtainable.

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List of Figures

Appendices

Appendix A - Evaluation of country attractiveness script for TM Collection

This questionnaire is designed to measure the importance of weights for various criteria of the investors for TM Collection, to determine whether there are threshold criteria and to find out whether there are other criteria for evaluation and important to TM Collection for assessing the attractiveness of selected countries.

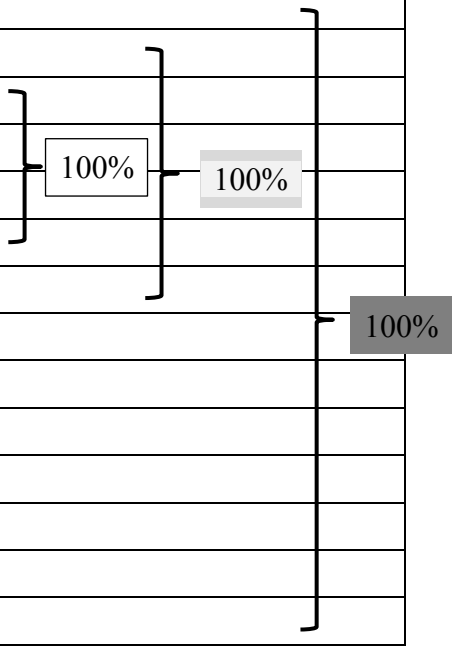
The country attractiveness matrix is constructed like the depicted figure. It is divided into two **key dimensions** – macro and micro environment. For each dimension – macro and micro environment the weight is given in percentages which add up to a 100%. Each of the key dimensions has **main sub dimensions** like for the macro environment with key metrics and political and legal criteria. The main sub dimensions are also given in percentages which add up to 100%. All sub points belonging to a main sub dimension also add up to 100%.

	Weight in percentage	Country A	Country B
Macro environment			
Key metrics			
GDP			
GDP growth			
Purchasing power			
Inflation rate			
Market Size			
Demographics			
Demographic growth rate			
Age distribution			
Political and legal criteria			
Political stability			
Corruption level			
Trade agreements			
Tariffs			
E-commerce regulations			
Micro environment			
Product-specific characteristics			
Physical appearance			

Season and weather			
Cultural factors & trends impacting attitude towards product			
E-commerce characteristics			
Language			
E-commerce usage			
Returning behavior			
Trends and cultural factors impacting attitude towards e-commerce			
Operational costs			
Current market presence			
TOTAL	100%		
10=great opportunity / very good; 0= strong threat / very bad			

Exemplary, macro and micros environment was divided into 50% and 50%. The key metrics received 40% weight whereas political and legal criteria a weight of 60%. The sub points in the key metrics add up to a 100% again. Therefore, the weights could be divided like this: 25% GDP, 25% GDP growth, 30% purchasing power, and 20% inflation rate.

Extract: ILLUSTRATIVE	Weight in percentage	Explanation
Macro environment	50%	
Key metrics	40%	
GDP	25%	
GDP growth	25%	
Purchasing power	30%	
Inflation rate	20%	
Political and legal criteria	60%	
Political stability		
Corruption level		
Trade agreements		
Tariffs		
E-commerce regulations		
Micro environment	50%	
…		



1.) Critically reflect on the criteria listed above. Are there any criteria which you consider not to be involved in the country evaluation? If yes, please list them here and explain why.

2.) Are there any criteria which you would like to involve into the country evaluation? If yes, please list them here, explain your reasoning and state into which dimension they belong.

3.) For the criteria listed above, and the additionally added criteria are there any thresholds – this means characteristics for which you don´t see the country attractive at all and intend to remove it from the evaluation once it becomes true? Please explain which criteria and the thresholds for it.

4.) Please distribute the weights as explained above for the criteria. Please cross out, criteria you don´t consider relevant and add in the blank space criteria you would like to involve into the market evaluation.

	Weight in percentage	Country A	Country B
Macro environment			
Key metrics			
GDP			
GDP growth			
Purchasing power			
Inflation rate			
Market Size			
Demographics			
Demographic Growth Rate			
Age distribution			
Political and legal criteria			
Political stability			
Corruption level			
Trade agreements			

Tariffs			
E-commerce regulations			
Micro environment			
Product-specific characteristics			
Physical appearance			
Season and weather			
Cultural factors & trends impacting attitude towards product			
E-commerce characteristics			
Language			
E-commerce usage			
Returning behavior			
Trends and cultural factors impacting attitude towards e-commerce			
Operational costs			
Current market presence			
TOTAL	100%		
10=great opportunity / very good; 0= strong threat / very bad			

Source: The author

Appendix B – Relevant statistics for the countries under evaluation

Portugal (2014):

Population: 10,813,834
Age structure: 0-14 years: 15.9% (male 893,902/female 821,062)
15-24 years: 11.4% (male 654,102/female 579,440)
25-54 years: 42.2% (male 2,304,503/female 2,260,556)
55-64 years: 11.9% (male 599,380/female 685,279)
65 years and over: 18.6% (male 824,062/female 1,191,548)
Median age: total: 41.1 years
male: 39 years
female: 43.3 years
Sex ratio: at birth: 1.07 male(s)/female
0-14 years: 1.09 male(s)/female
15-24 years: 1.13 male(s)/female
25-54 years: 1.02 male(s)/female
55-64 years: 0.95 male(s)/female
65 years and over: 0.69 male(s)/female
total population: 0.95 male(s)/female
English capacity: 32% of Portuguese speak English (2012)
English proficiency score: 60.61 (2015

Italy (2014):

Population: 61,680,122
Age structure: 0-14 years: 13.8% (male 4,340,943/female 4,154,547)
15-24 years: 9.8% (male 3,046,202/female 3,028,190)
25-54 years: 43% (male 13,107,098/female 13,405,812)
55-64 years: 12.4% (male 3,703,329/female 3,942,261)
65 years and over: 21% (male 5,548,047/female 7,403,693)
Median age: total: 44.5 years
male: 43.3 years
female: 45.6 years
Sex ratio: at birth: 1.06 male(s)/female
0-14 years: 1.05 male(s)/female
15-24 years: 1.01 male(s)/female
25-54 years: 0.98 male(s)/female
55-64 years: 0.93 male(s)/female
65 years and over: 0.74 male(s)/female
total population: 0.93 male(s)/female
English capacity: 34% of Italians speak English (2012)
English proficiency score: 54.02 (2015)

Spain (2014):

Population: 47,737,941
Age structure: 0-14 years: 15.4% (male 3,791,781/female 3,575,157)
15-24 years: 9.6% (male 2,370,289/female 2,212,511)
25-54 years: 45.9% (male 11,158,451/female 10,752,197)
55-64 years: 11.4% (male 2,662,055/female 2,799,379)
65 years and over: 17.6% (male 3,582,643/female 4,833,478)
Median age: total: 41.6 years
male: 40.4 years
female: 42.9 years
Sex ratio: at birth: 1.07 male(s)/female
0-14 years: 1.06 male(s)/female
15-24 years: 1.07 male(s)/female
25-54 years: 1.04 male(s)/female
55-64 years: 0.98 male(s)/female
65 years and over: 0.74 male(s)/female
total population: 0.97 male(s)/female
English capacity: 22 % of Spanish speak English (2012)
English proficiency score: 56.80 (2015)

France (2014):

Population: 62,814,233
Age structure: 0-14 years: 18.7% (male 6,337,877/female 6,053,185)
15-24 years: 11.9% (male 4,018,044/female 3,837,191)
25-54 years: 38.6% (male 12,851,278/female 12,719,073)
55-64 years: 12.5% (male 4,012,614/female 4,290,624)
65 years and over: 18.3% (male 5,197,519/female 6,941,607)
Median age: total: 40.9 years
male: 39.3 years
female: 42.4 years
Sex ratio: at birth: 1.05 male(s)/female
0-14 years: 1.05 male(s)/female
15-24 years: 1.05 male(s)/female
25-54 years: 1.01 male(s)/female
55-64 years: 0.96 male(s)/female
65 years and over: 0.74 male(s)/female
total population: 0.96 male(s)/female
English capacity: 39% of French speak English (2012)
English proficiency score: 51.84 (2015)

The United States (2014):

Population: 318,892,103
Age structure: 0-14 years: 19.4% (male 31,580,349/female 30,221,106)
15-24 years: 13.7% (male 22,436,057/female 21,321,861)
25-54 years: 39.9% (male 63,452,792/female 63,671,631)
55-64 years: 12.6% (male 19,309,019/female 20,720,284)
65 years and over: 14.5% (male 20,304,644/female 25,874,360)
Median age: total: 37.6 years
male: 36.3 years
female: 39 years
Sex ratio: at birth: 1.05 male(s)/female
0-14 years: 1.05 male(s)/female
15-24 years: 1.05 male(s)/female
25-54 years: 1 male(s)/female
55-64 years: 0.97 male(s)/female
65 years and over: 0.77 male(s)/female
total population: 0.97 male(s)/female
English capacity: Mother tongue

Japan (2014):

Population: 127,103,388
Age structure: 0-14 years: 13.2% (male 8,681,728/female 8,132,809)
15-24 years: 9.7% (male 6,429,429/female 5,890,991)
25-54 years: 38.1% (male 23,953,643/female 24,449,655)
55-64 years: 13.2% (male 8,413,872/female 8,400,953)
65 years and over: 25.8% (male 14,218,655/female 18,531,653)
Median age: total: 46.1 years
male: 44.8 years
female: 47.5 years
Sex ratio: at birth: 1.06 male(s)/female
0-14 years: 1.07 male(s)/female
15-24 years: 1.09 male(s)/female
25-54 years: 0.98 male(s)/female
55-64 years: 0.94 male(s)/female
65 years and over: 0.76 male(s)/female
total population: 0.95 male(s)/female
English capacity: Low ability of people to speak English even though it´s part of compulsory education
English proficiency score: 53.57 (2015)

Australia (2014):

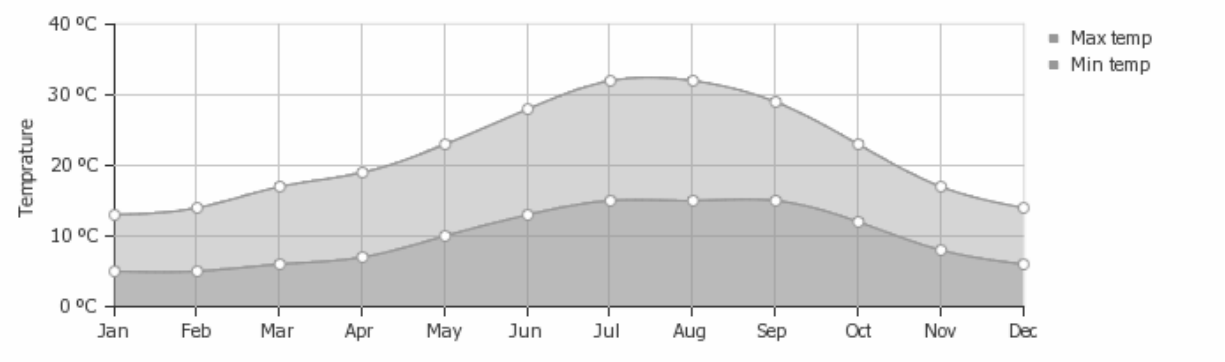
Population: 22,507,617
Age structure: 0-14 years: 18% (male 2,075,316/female 1,969,645)
15-24 years: 13.3% (male 1,534,947/female 1,457,250)
25-54 years: 41.8% (male 4,783,473/female 4,626,603)
55-64 years: 11.8% (male 1,321,246/female 1,341,329)
65 years and over: 15.1% (male 1,569,197/female 1,828,611)
Median age: total: 38.3 years
male: 37.5 years
female: 39 years
Sex ratio: at birth: 1.06 male(s)/female
0-14 years: 1.05 male(s)/female
15-24 years: 1.05 male(s)/female
25-54 years: 1.03 male(s)/female
55-64 years: 1.01 male(s)/female
65 years and over: 0.85 male(s)/female
total population: 1.01 male(s)/female
English capacity: Mother tongue

Source: EF Education First, 2015; Indexmundi, 2014; Japan national tourism organization, 2014; Miller, 2014

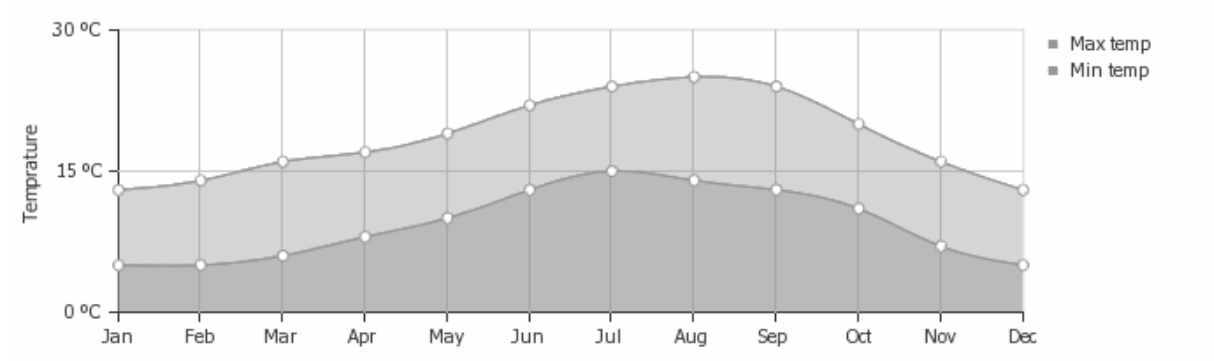
Appendix C – Average maximal and minimal temperature in respective cities for the countries under evaluation

Portugal

Lisbon

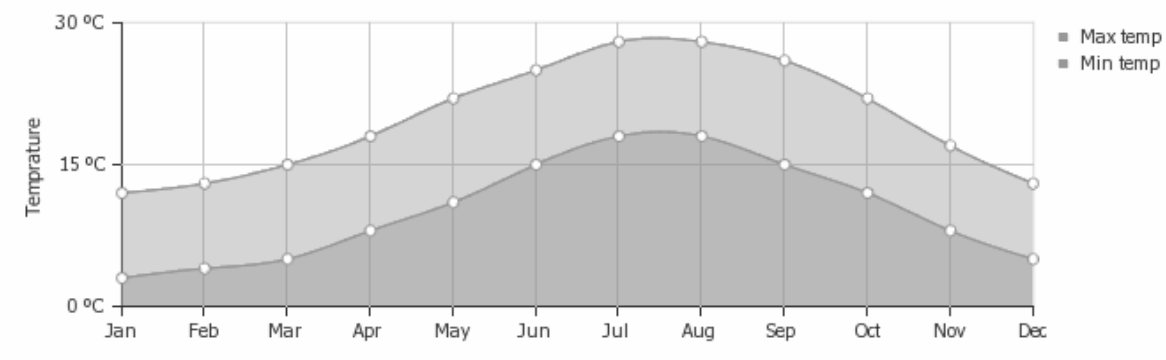


Braga

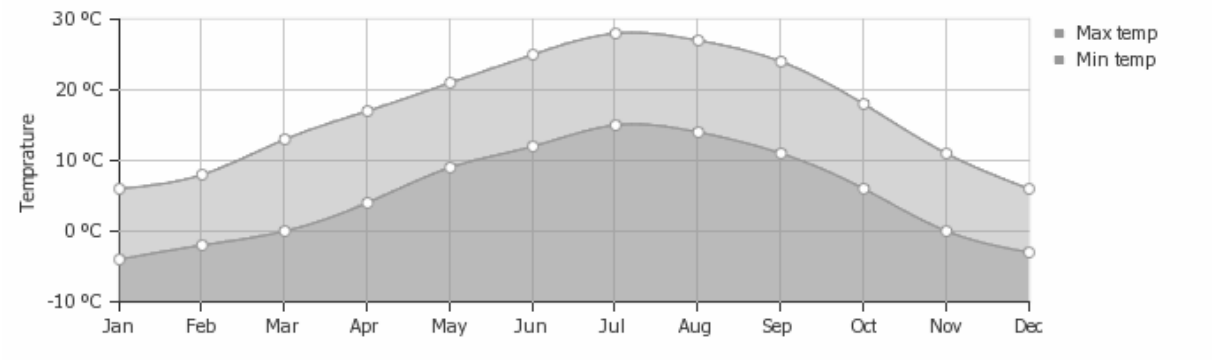


Italy

Rome

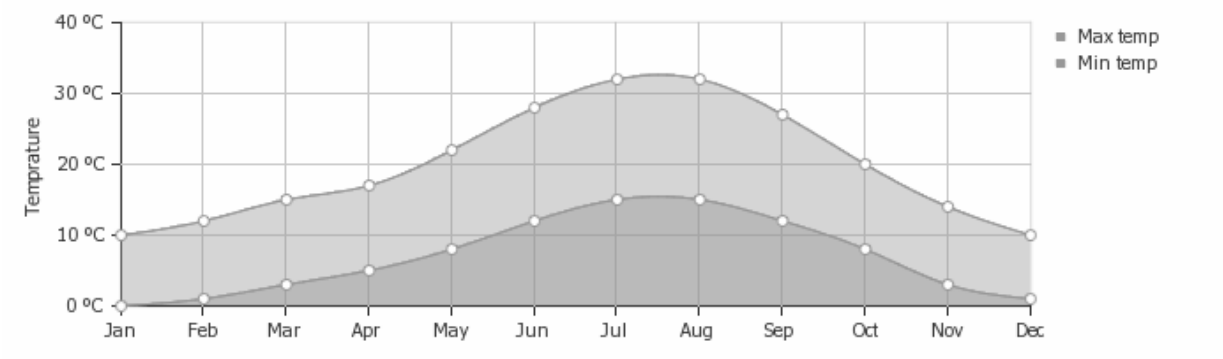


Turin



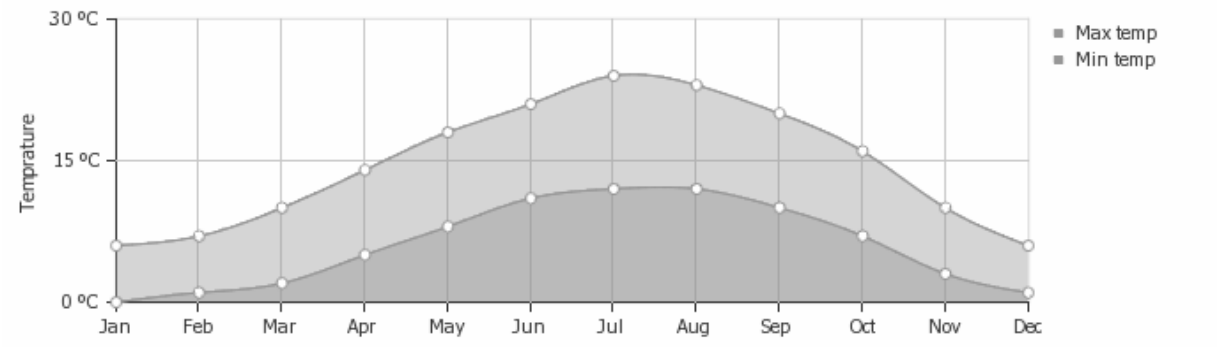
Spain

Madrid

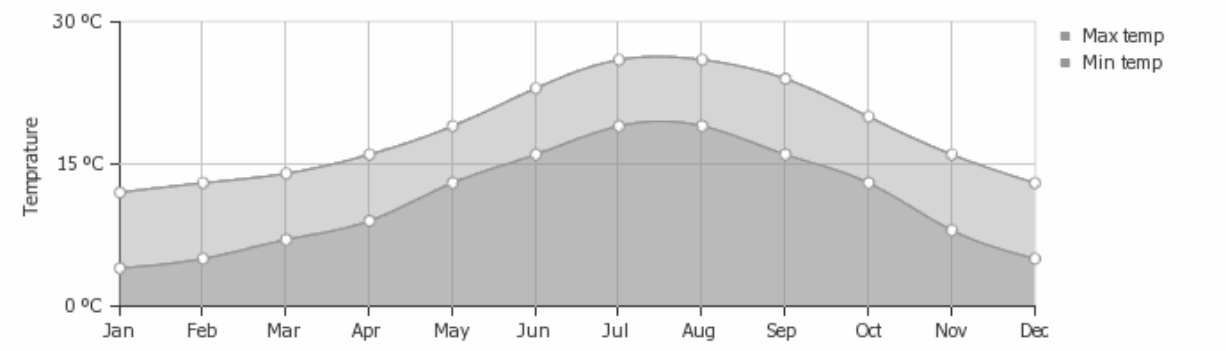


France

Paris

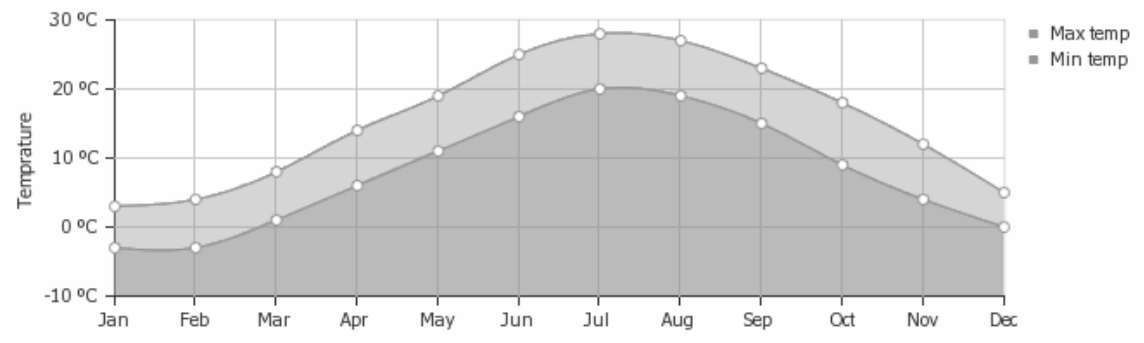


Nice

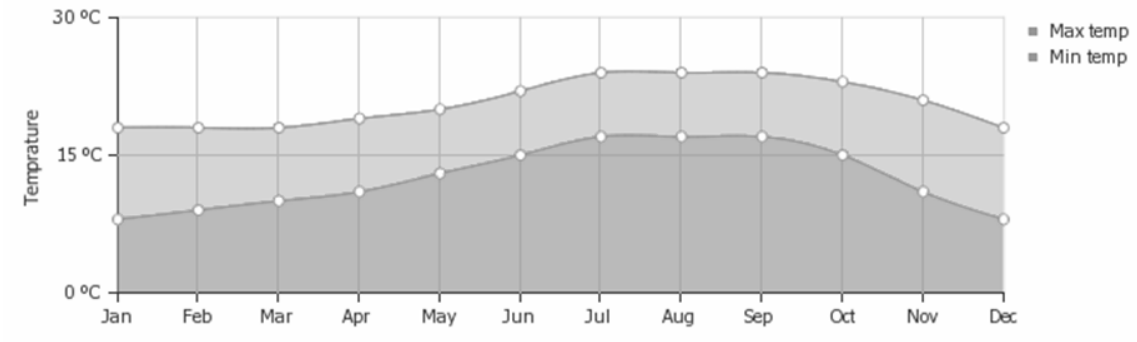


United States

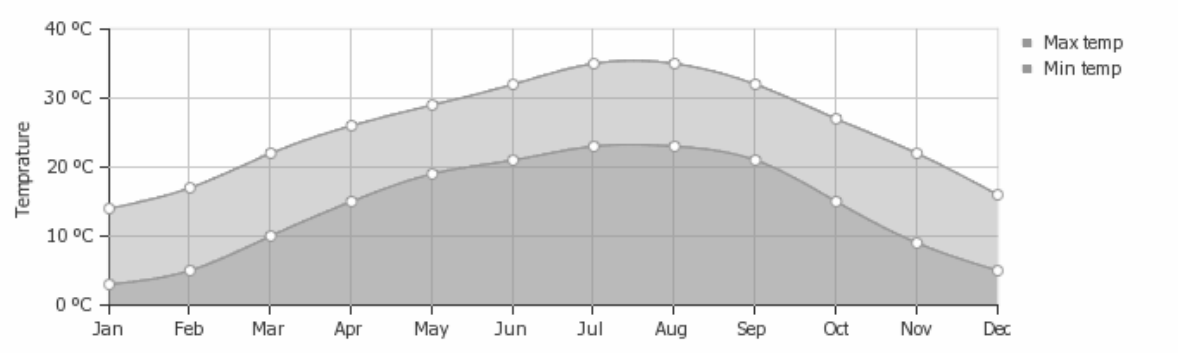
New York



Los Angeles

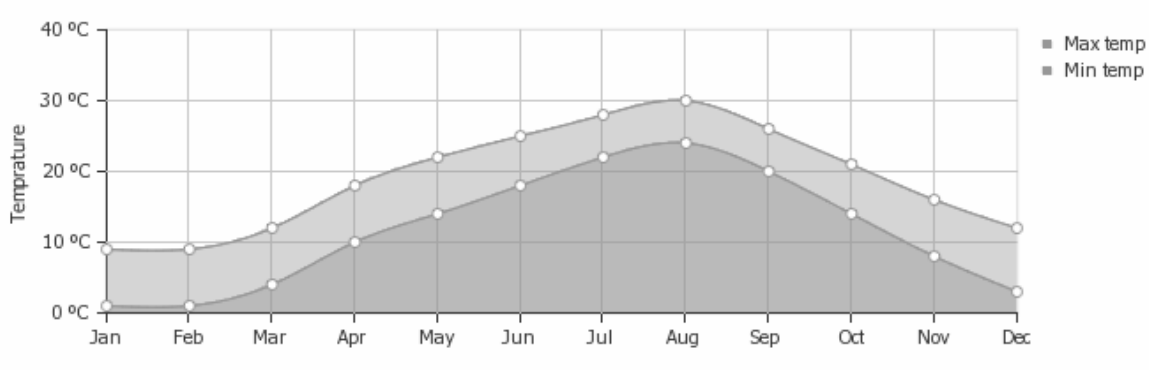


Houston



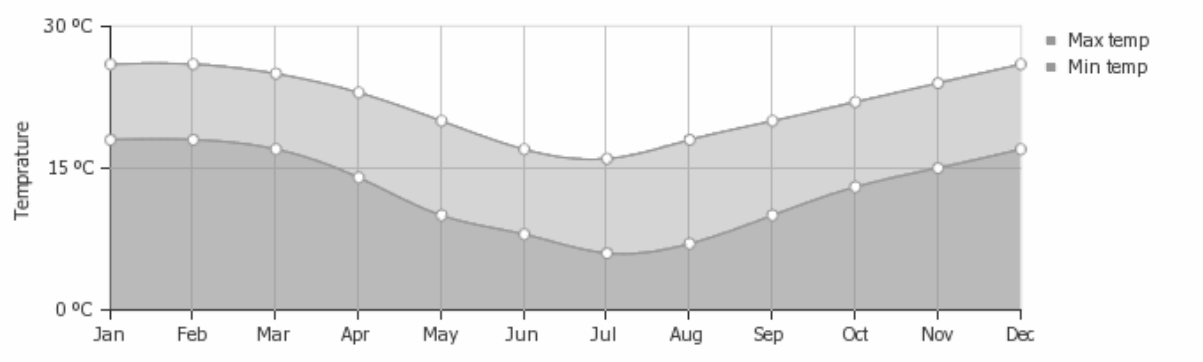
Japan

Tokyo

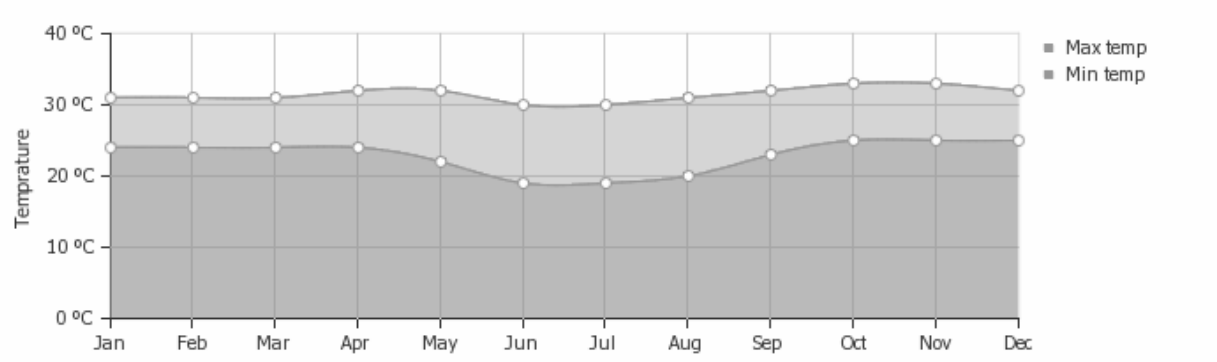


Australia

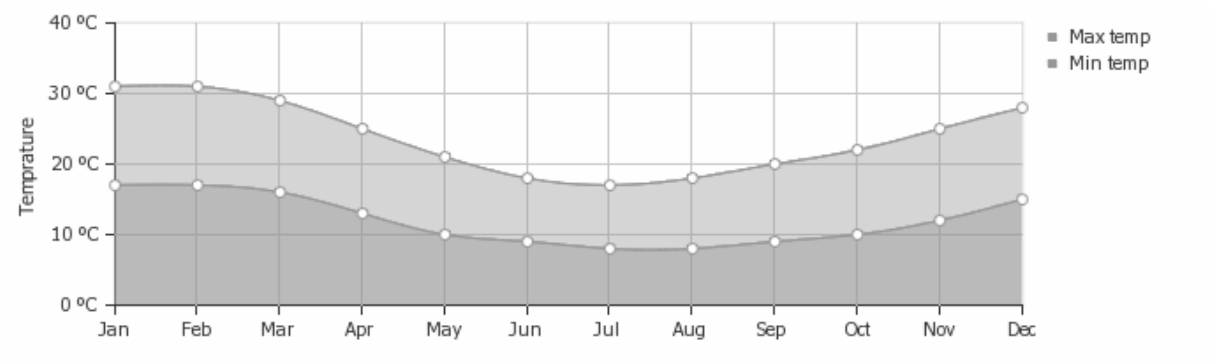
Sydney



Darwin

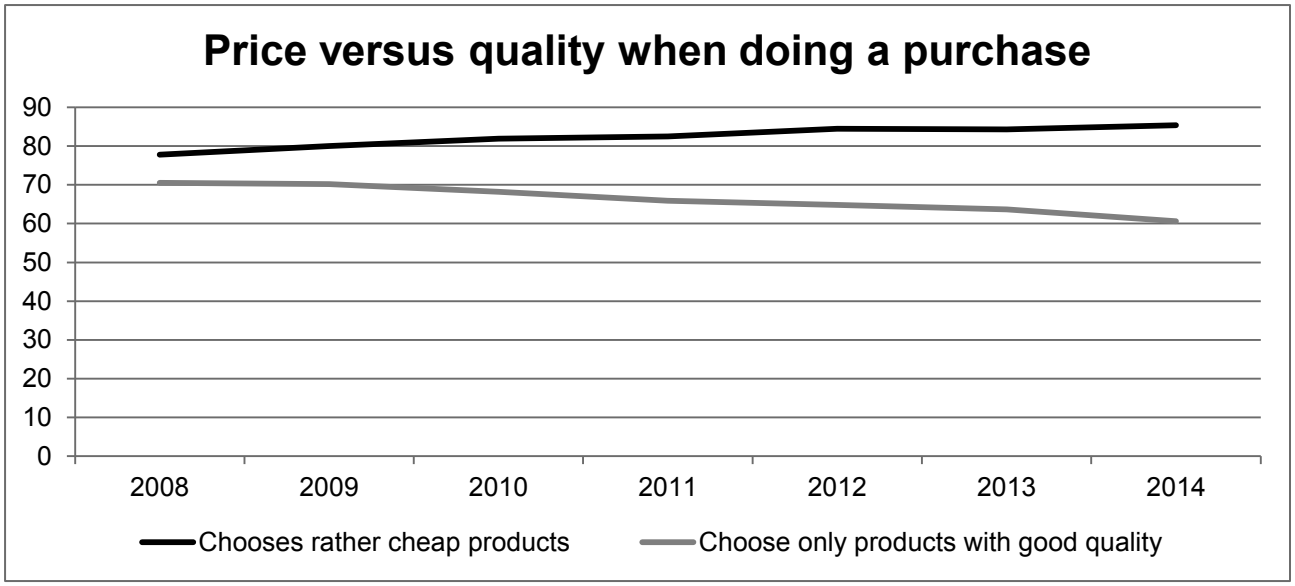


Perth



Source: World Weather & Climate Information, 2015

Appendix D – Portugal: Price versus quality in the purchasing decision



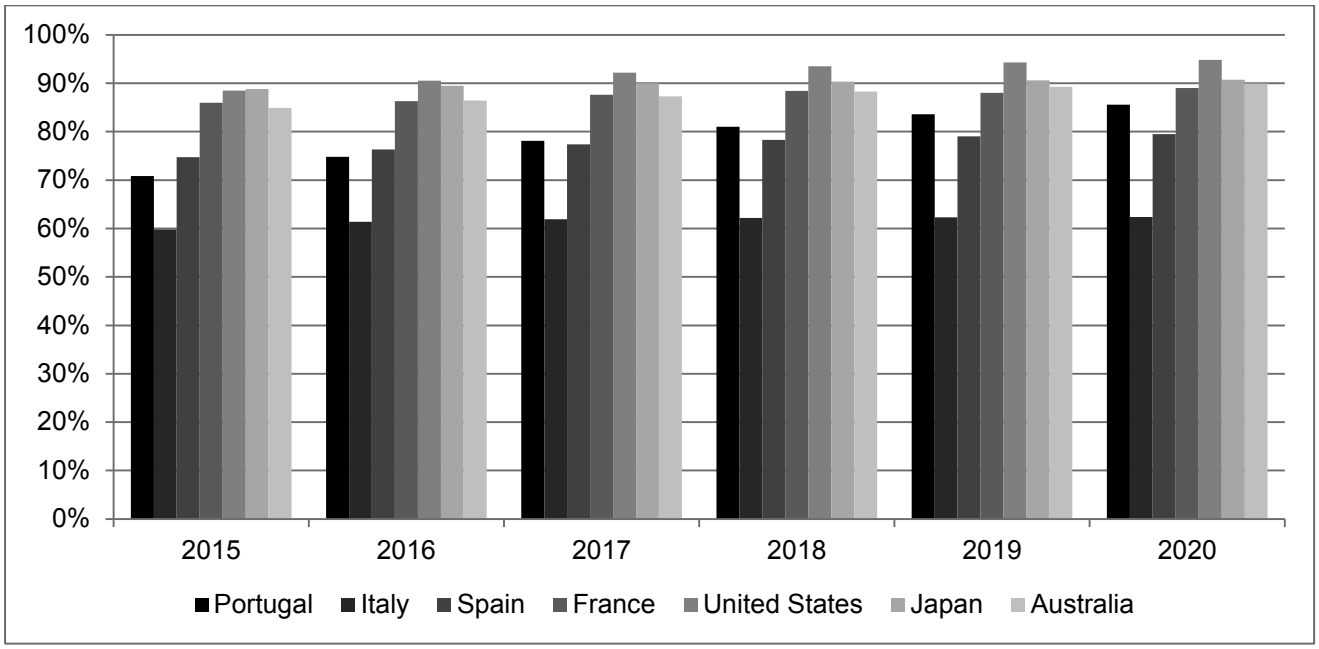
Source: Grupo Marktest, 2014

Appendix E– Geographical distribution of Yoox Net-a-Porter Group revenue

in %	2013	2014
Italy	15,6	16,4
Europe (excluding Italy)	48,0	47,4
North America	22,6	22,0
Japan	7,6	7,0
Other countries	4,8	5,5
Non-country related	1,5	1,7

Source: YOOX S.p.A., 2015

Appendix F – Percentage of individuals from the total population using the internet (within the last 12 months) in the selected markets



Source: Statista, 2015a, 2015b, 2015c, 2015d, 2015e, 2015f, 2015g

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