Conceição Rosa Pereira & Cª., Lda – *Luis Onofre* :

Strategic development for a Portuguese Luxury brand

Pedro Leite Cohen

Thesis written under the supervision of Nuno Cardeal

Dissertation submitted in partial fulfilment of the requirements for the degree of the MSc of Science in management with Major in Strategy & Entrepreneurship Católica-Lisbon School of Business & Economics, 2012/2013

Acknowledgments

To Professor Nuno Cardeal, my thesis advisor, for all his support, feedback and insights provided during this thesis.

To my thesis partners Ana Rita Velhinho and Ana Rita Fernandes for the help and encouragement.

"Muito custa ganhar a vida honestamente"

Pai

Abstract

Dissertation Title: Conceição Rosa Pereira & Cª., Lda – Luis Onofre. Strategic development for Portuguese luxury brand

Author: Pedro Leite Cohen

How can a Portuguese luxury brand stand out in the competitive footwear industry? Which internationalization strategies should the company uses and what are the most important resources that will sustain the firm competitive advantage in this market?

Conceição Rosa Pereira & Cª., Lda is a Portuguese company that operates in the footwear industry and its most recognized by his own shoe brand – Luis Onofre. Besides operating in the footwear industry by commercializing the brand Luis Onofre the company also takes care of production for private labels.

This dissertation purposes a journey into the company history to understand the key milestones and to get to know the position of the company in the recent years. There will be the opportunity to comprehend the differentiation factors from the firm and to analyze the resources and the capabilities that enable to firm to have competitive advantages.

Keywords: Competitive Advantage; Resource-Based Theory; Internationalization Strategy

Resumo

Título: Conceição Rosa Pereira & Cª., Lda – Luis Onofre. Desenvolvimento estratégico de uma empresa Portuguesa de luxo.

Autor: Pedro Leite Cohen

Como é que uma empresa de luxo Portuguesa se pode sobressair no competitivo mercado do calçado? Que estratégias de internacionalização deve utilizar e quais os recursos mais importantes para obter e sustentar as vantagens competitivas neste mercado?

Conceição Rosa Pereira & Cª., Lda é uma empresa portuguesa que opera na industria do calçado de luxo sendo que é mais reconhecida por fabricar e comercializar a sua marca *Luis Onofre*. Para além da marca *Luis Onofre* a empresa também fabrica sapatos para outras marcas privadas através da sua empresa irmã Luis Onofre Internacional.

Esta dissertação propõe uma viagem ao longo da historia da empresa de modo a perceber os momentos decisivos no sucesso da empresa e também para perceber a evolução da empresa desde a sua criação. Haverá oportunidade para compreender e analisar os factores diferenciadores que contribuíram para que a empresa fosse bem-sucedida e quais os recursos e capacidades que a empresa possui que lhe permitem gerar vantagens competitivas.

Palavras chave: Vantagem competitiva; Teoria Baseada nos Recursos; Estratégia de Internacionalização

Contents

Acknowledgments 1
Abstract 2
Resumo 3
I-Luis Onofre - Case study 7
1|Conceição Rosa Pereira & Cª., Lda – Luis Onofre 7
2|From disgrace to being the "sexiest" industry 8
3|Introducing LUIS ONOFRE – THE BRAND 10
3.1|Mission, Products and Markets 11
3.2|From production to be worn by a Princess – LO Business model 12
3.4|Internationalization 14
3.5|The challenges of going international and going online 15
3.6|Diversification 17
Exhibits 19
III –Literature Review 31
III –Sugested Assigment Questions 38
IV –Conclusion 47
VI -Bibliography 48

List of Exhibits

Exhibit 1| Top 10 footwear consumer's quantity 19

Exhibit 2|Top 10 footwear exporters 20

Exhibit 3|Average export price worldwide 20

Exhibit 4|Average export price per continent 21

Exhibit 5|Average export price among the Top 15 world exporters 22

Exhibit 6|Portuguese Footwear Industry Trend 23

Exhibit 7|Portuguese Value added per employee and value added at factor cost % of manufacturing 24

Exhibit 8|Portuguese footwear Exports and Imports evolution (Value and Quantiy) 24

Exhibit 9|2015 Portuguese footwear Top 5 export countries 25

Exhibit 10|Portuguese Footwear production 25

Exhibit 11|Luis Onofre process 26

Exhibit 12|Luis Onofre Shop 26

Exhibit 13|Luis Onofre Shop 27

Exhibit 14|Luis Onofre Shop 27

Exhibit 15|Luis Onofre Online shop 28

Exhibit 16|Luis Onofre Stand MICAM 28

Exhibit 17|International stars wearing Luis Onofre 29

Exhibit 18|Giuseppe Zanotti Boutique Shanghai 29

Exhibit 19|Luis Onofre Internacional and Conceição Rosa Pereira &Cª., Lda Turnover 30

Table of Figures

Figure 1 Porter's Diamond Model 32
Figure 2 Ansoff matrix 34
Figure 3 Diversification context 35
Figure 4 VRIO Map analysis 37

I-Luis Onofre - Case study

1|Conceição Rosa Pereira & Cª., Lda – Luis Onofre

Conceição Rosa Pereira &Cª.,Lda is a shoe factory founded in 1938 by Mrs. Conceição Rosa Pereira ,the grandmother of the shoe designer Luís Onofre . The business started as an extremely small operation with only six employees but already with a mission of producing shoes with high quality and with attention to detail.

As in many other shoe factories in the Portuguese industry, during approximately 61 years the factory was producing shoes for international brands that were searching in Portugal for a partner to whom they could trust their production operation. Again, as in many other Portuguese factories the company had the best profit years between the 60's and 80's and it faced some adversities when Portugal increased the labor costs and the private labels started to search for new production partners.

In 1990 Luís Onofre, joined the company full time and nine years later in 1999 he created the brand *Luis Onofre*. As the *Luis Onofre* brand was produced in the family factory to differentiate the business of producing for private labels and producing for the brand of the company the management strategically decided to create a new company – Luis Onofre Internacional. The new company – Luis Onofre Internacional – is dedicated fully to the production of shoes for private labels and the Conceição Rosa Pereira &Cª., Lda is taking full care of all operations concerning the brand *Luis Onofre*. Both companies share the same CEO and decision maker – Luís Onofre.

On the recent years Conceição Rosa Pereira &Cª., Lda grew thanks to the increasing success of the brand *Luis Onofre* and this growth of the brand also affected positively the business of Luis Onofre Internacional. It is common that private labels choose to produce their shoes with Luis Onofre Internacional when they observe the quality and the know how behind the *Luis Onofre* brand. The company CEO sees both business as complementary because not only the brand *Luis Onofre* offers credibility to Luis Onofre Internacional but also because in the case the brand *Luis Onofre* faces a less good period there is always the business of producing for private labels.

The turnover from both companies has grown from 2013 from a value of approximately € 6,5 million to a value of approximately € 7,8 million. Luis Onofre Internacional share of the turnover is 70% and the remaining 30% turnover comes from Conceição Rosa Pereira&Cª., Lda[1].

In 2016 both companies had a total of 58 employees from where 50 belonged to Conceição Rosa Pereira&Cª., Lda and the remaining 8 are from the Luis Onofre Internacional company. Along the past five years the number of employees remained the same which has helped the company to be more solid since there is no need to train new employees frequently.

Luís Onofre considers that the most direct competitors for both of his companies are the French and Italian companies and brands that operate in the footwear luxury industry since they are extremely strong in terms of quality and expertise in production, design, excellence of materials used and they possess strong brands which helps them to have higher creditability when approaching clients.

2|From disgrace to being the "sexiest" industry

The footwear industry in Europe has always been dominated by the following players: Italy, Spain, France and Portugal.

In Portugal, the footwear industry represents an important contribution to the economy. During the so called Golden Age of the XX century (mainly in the 80s) the industry in Portugal was characterized by mass production aligned with low cost consequence of the low labor cost. Due to these characteristics, it is common to hear that Portugal, in these decades, was the "China of Europe".[2]

As Portugal entered the Europe Union, the labor costs increased significantly and only a minority believed that the industry would survive and be capable to reinvent and modernize itself. As the markets started to evolve and the trades became more frequent, Portugal faced the brutal competition mainly from the Asian market where producers improved in terms of quality and flexibility. The result was a period of transition with low quality producers going out of business

[1] See exhibit 19
[2] (José Neves - businessoffashion.com/articles/intelligence/made-portugal-rise).

and being replaced by fast growing high-end factories. By this time, the Portuguese shoe industry was facing adversities.

Entering in the European Economic Community

When Portugal became a member of the European Community in 1986, the Portuguese footwear industry was booming and production was increasing from day to day[3]. The industry was growing since the creation of EFTA in 1960, where Portugal was a founding member alongside with Austria, Denmark, Norway, Sweden, Switzerland and the United Kingdom. During the EFTA and EEC times the industry was benefiting from the free trade conditions among members of the association. From the 60's to 80's the Portuguese footwear industry was growing based on a strategy of low cost production due to the low salaries and mass production.

By this time many international brands from countries such as Germany, France or United Kingdom saw an opportunity in Portugal and began either producing their shoes in Portuguese factories or buying Portuguese factories. At this point, Portuguese manufacturers were most of the time executing the international brand guidelines concerning all factors associated with the shoe production from materials to design.

As labor costs started to increase in the industry, the Portuguese manufacturers began to lose competitiveness and, associated with the rising of the Asian market where producers were improving in terms of quality and flexibility, a huge negative impact was felt in the industry. When the Portuguese manufacturers that were used to produce in big scale for international brands saw their clients shifting the production to cheaper locations, they felt as if someone had pull the rug from under their feet.

By then a big question mark was in the head of all shoes manufacturers – How can we compete with such price-aggressive players? At which price level should we be positioned? Should we compete on price or something else?

The new paradigm

As the industry evolved, alongside with the characteristics and taste of consumers that start looking for more distinctive and different products, Portuguese manufacturers started to realize that there was a need of change regarding the approach to the market. The new generation of Portuguese

[3] See exhibit 6

manufacturers started to work to become not only more modern and creative but also to have premium quality production process and top quality on the materials used. One of the most important aspects that helped the Portuguese footwear industry to develop strong in the international markets was the presence of associations such as APPICAPS (Portuguese Footwear, Components and Leather Goods Manufacturers' Association) since they have contributed to the development and implementation of innovative technological solutions for the industry and also have contributed to a greater linkage between footwear producers and the related suppliers such as leather and other components suppliers.

Additionally, the manufacturers understood that to catch up with competitors and, most important, to surpass them, the flexibility and rapid response were key success factors.

Contrarily to the 1970s and 1980s approach of competing just on price, the new strategy relied on going from low-end to high-end exporters. This new approach turned out to be successful and, even though Italy was still leading on creativity and quality, Portugal was catching up fast.

In 2016, Portugal had approximately 1,500 shoe factories, employs more than 37,000 people and, last year, exported 77 million pairs worth more than €1.8 billion, an increase of 50% when compared to 2009. Portugal is currently commanding the world's second-highest average export price after Italy — almost $32, compared with around $4.50 for shoes made in China, according to the Manufacturers' Association..

3|Introducing LUIS ONOFRE – THE BRAND

"Since I was young, I remember that my grandmother has always been concerned about the quality in the products developed in our factory" [4]

Luis Onofre is the grandson from the owner of a shoe factory in Oliveira de Azeméis - Conceição Rosa Pereira & Cª., Lda. The factory began to operate in 1938 and it started as a small family business with only 6 employees. Over time, the factory grew along with the industry and began to produce international shoe brands such as *Kenzo* or *Cacharel*.

[4] Luís Onofre interview at Conversas com vida Economico TV -2015

By the time Onofre was studying in the university, he did not see himself working in the same industry as the family and, instead, he preferred to make an interior design course. However, when one of the partners of the firm left, his father requested his help not only to manage the company but also to assume the design department of the firm.

Since the first day in the company, Onofre was having direct contact with luxury brands produced in his factory and it has awakened his desire of creating his own brand, which happened a few years later.

In 1999, after nine years of experiments done in the family factory in Oliveira de Azeméis the *Luis Onofre* brand was created. Onofre began to manage 2 companies in parallel: A new one that was focused on his brand (Conceição Rosa Pereira & Cª., Lda.) and the factory the company that was producing for international brands (Luis Onofre Internacional).

3.1|Mission, Products and Markets

"That mission is way beyond creating high quality shoes. The brand aspires at acquiring a position as a brand that empowers women: by making them taller, even more beautiful, confident, stylish, comfortable" LO website

Since the beginning of its operations, the brand *Luis Onofre* was targeting woman between 25-45 years old that wanted shoes with extreme high-quality and positioned in the luxury business. At Onofre's factory there are no shiny corporate signs placed at the entrance of the building, listing the corporate values that employees are supposed to follow. Instead, there is a permanent attempt to make the mission of the company clear to all co-workers by working daily closely with every single worker trying to imprint in them the soul and heart of the brand[5].

The core products of the brands are shoes for woman that have an approximate price range from 200€ to 600€. The prices vary mostly due to the complexity of the shoe and type of materials used. One of the most recognized characteristics of Onofre is the ability to use different types of high-quality materials such as jewelry or premium leather in the shoe collection. The network developed with suppliers and the notoriety gained by the brand has enabled the firm not only to gain access to top quality materials but also to request exclusive materials to the suppliers.

[5] https://luisonofre.com/the-brand/history/

Aside from shoes for woman, the *LO (Luis Onofre)* brand is also composed of a collection of bags for woman which the brand creator believes are crucial to have, since most of his clients want to match the shoes with another accessory.

In 2015, the brand *LO* exported more than 90% of its production to countries such as Spain, Russia, Netherlands, Belgium, France, Germany, Dubai, USA, Canada, Angola, Nigeria, Brazil, Mongolia and China. The presence in these markets can be through multi-brand shops, department stores or more recently through the online store of the brand. The company worked continuously on expanding to new markets particularly on markets where the consumption and demand of luxury products was high.

The remaining 10% of the production is to supply the national market through department stores, such as El Corte Ingles, where the brand has its Shop-in-Shop concept and, most importantly, to supply the first flagship store of the brand opened in 2014 and located in the most luxurious avenue in Lisbon - Avenida da Liberdade[6].

3.2|From production to be worn by a Princess – *LO* Business model

A - Designing the collection

Before starting to design a new collection, Onofre often takes a vacation trip to get some inspiration and to have his mind prepared to start from zero again. Since a very young age, he was used to work in the family business in order to earn some money and it helped him to understand the business from scratch and more importantly to know by experience all the processes evolved in shoe production[7].

The beginning of a new collection for the brand is always something very complex and where several processes are occurring in parallel. Prior to everything, Onofre always analyzes which models were best sellers in the previous collection and which models were poor in terms of sales. By analyzing the sales figures in terms of models, *LO* is trying to avoid that mistakes done in the last collection are repeated in the new collection and ensuring that elements (shapes, materials, colors etc.) from best seller's models are taking into consideration when designing the new

[6] See Exhibit 12,13,14
[7] See exhibit 11

collection. Parallel to the internal sales analysis, a special attention is taken regarding the trends in the four most important markets – Italy, Spain, Russia and America.

With the presence on the markets along the years, the brand absorbed the differences of tastes from each market. The market experience is vital when planning a collection because commercially the brand can approach each market with the correct product assortment:

"Usually the Spanish market demands that the shoe heels are lower when compared to other markets" Luís Onofre

The other critical point associated with the success of the collections are the visits done by Luís Onofre and his team to the trend fairs where they can observe the upcoming trends in terms of materials, shapes other factors and that will influence directly the new collection.

The network developed with suppliers is crucial for the brand. By having access to the best suppliers in the world regarding materials enables the brand to compete with other top players in the luxury market.

"*In terms of shoes most of the things are already invented. Where we consider to be differentiated is in the type of materials we use and how we apply them. We have access to the best suppliers in the world and we have access to the last novelties from their side."* Luís Onofre

Lastly, after all this mix of processes, the creative DNA of the brand by the hand of LO is placed in each pair of Luis Onofre shoes.

B – Collecting Orders, granting payment and beginning with production

Once the collection is done the commercial part of the business takes part. Onofre and his team begin to present the new collection in the most important international shoe fairs and to some of the existing clients that do not attend the fairs. At this stage the brand's main objective is to collect orders and to discuss commercial conditions. As the brand is present in markets that differ hugely in terms of political, social and economic conditions, different commercial conditions are applied to clients. Clients that are not covered by insurance always pay up-front and clients that are covered must pay 30% when placing the order.

Once the clients have fulfilled the commercial conditions the factory begins to produce.

C- Marketing and distribution strategy

After the first failed experience to launch the brand in 1993, Onofre learned the hard way that creating a brand and developing a coherent strategy was something that would require a lot of work. Even though he could follow the "easy" path and do what many Portuguese footwear manufacturers do, which is to simply take care of the production for an international brand, LO had the dream to see his brand famous worldwide.

Onofre strongly believed that the excellence in production and design associated with a good distribution and marketing strategy would be the route to success.

One of the most important and successful marketing strategies was the product placement in women that represented the values of the brand in the most different areas from music and entertainment to royalty and politics. The brand was having clients from Letizia Ortiz or Michele Obama to Paris Hilton and it has created an incredible positive impact in the brand awareness worldwide[8].

Additionally, the distribution channels were chosen carefully to guarantee that the brand would only be present in shops that were positioned in the luxury segment.

In 2014, with the launch of the first flagship store in Lisbon, the brand took a step further regarding distribution and it has also contributed to increase exponentially the brand visibility towards final customers.

3.4|Internationalization

In 1999, the brand takes the first step towards internationalization and performs its first presentation of the line *Luis Onofre* in Madrid (ModaCalzado) and Barcelona (Fashion Café). Due to geographical and cultural proximity, Spain was the first logical country to where the brand should expand. Two years later and together with other Portuguese brands *Luis Onofre* is presented in Paris in the Portuguese Fashion show - Printempts. Another important step for the brand expansion in the international market was the beginning in 2003 in a regular presence in MICAM fair – an International footwear exhibition in Milan. The regular presences in the most important footwear fairs is crucial as it enables the brand to be closer to its clients and to be visible for

[8] See Exhibit 17

potential new clients[9]. Additionally, it also contributes to develop business network and observe the trends followed by competitors and other players in the industry.

Another important year for the brand's internationalization was 2009 where as a result of technical development and the production of several collections and accessories, leather goods and footwear, partnerships were developed with brands such as H&M, Jimmy Choo, Marni, Anna dello Russo, MMMargiela and Isabel Marant.

The first online store of the brand was launched in 2010 with exclusive sales for Portugal, Spain and Netherlands. Six years later, in 2016, the online store was promoting sales all over the world[10].

3.5|The challenges of going international and going online

Along the years, the internationalization of the firm has brought many challenges. By being a Portuguese company, the firm felt the consequences of the bad decisions taken in the past concerning the industry in Portugal and many were the international clients that showed no interest in having a Portuguese brand in their store. In the USA, the firsts years of the firm were very tough mainly because the prestige of the Portuguese manufacturers was damaged, while Italian brands and manufacturers had a dominant position in the market. Another problem felt by the brand, when approaching new clients, relied on the lack of other renowned Portuguese footwear brands to prove the quality of Portuguese brands. This lack of Portuguese fashion brands that are recognized worldwide, not only in the footwear industry but also in other industries concerning fashion, has been problematic for many new brands that are starting their internationalization process, because there is no benchmark and clients are reluctant to take the risk, *Luis Onofre* was no exception.

In order to fight the lack of knowledge concerning the premium quality of Portuguese brands, many market visits were done by Onofre so clients could look and feel by themselves the products. More and more Portuguese brands are following Onofre's example and going towards the client because there is confidence in the quality of their products and their brands. Onofre believe that Portuguese footwear products have the same quality as any Italian product and, once Portuguese brands start to become stronger worldwide, the business will consequently grow. To achieve the international recognition Onofre's ambition is to open his own mono-brand shop internationally

[9] See Exhibit 16

[10] See Exhibit 15

although there are many risks associated with this kind of operation such as the high level of investment and the fact that all the risk in terms of stock is on the side of the brand. When analyzing the strengths and weaknesses of having a mono-brand shop versus being present in a multi-brand shop Onofre always find issues. For instance, in a multi-brand shop the brand has a minimum sales turnover to be achieved however the risk of the stock is on the side of the multi-brand/department store. On the other side, in the multi-brand shop Onofre cannot get full attention to his products since the brand is directly competing with other brands in the shop. As an advantage of having increasingly more mono-brand shops, Onofre sees a chance in not depending on third parties to sell its products but instead he could be focused only on producing for his mono-brands shops in similarity with what some of his Italian direct competitors are doing - e.g. Giuseppe Zanotti[11]. Onofre could stand many hours discussing the approach of mono-brand shops versus his presence on multi-brand shops that he would still not find the perfect approach.

Another big challenge handled by Onofre was the Russian crisis in 2014, when strong restrictions to importation affected the brand sales in that country. During this crisis, the brand had 3 big trucks with stock waiting to be unloaded which happened only months later. This had huge impact in terms of sales since most of the clients did not order the next collection, as their previous collection had arrived late to the shops. By that time the brand had around 70 clients and two years later, in 2016, the number of clients were reduced to 3.

In the African countries, the firm also needed to adapt due to the political and social instability in some countries, such as Angola, where there were problems regarding payments. Some of these African countries from time to time face currency devaluation and restrictions in transfering payments in foreign currency, which makes business a lot more difficult and the process even slower.

Regarding communication there are also many questions being raised by Onofre since everything is changing constantly and investment in brand communication is getting increasingly expensive. Just a few years ago, the brand was keen on approaching bloggers to promote the brand but along the time their influence on consumers got reduced and were replaced by ‘instagrammers’. Additionally, communicating in the traditional channels such as fashion magazines is becoming more difficult as fashion consumers are going to online media instead of the traditional and off-

[11] See Exhibit 18

line media. Regarding communication, there is another issue in Onofre's mind: how can we approach the markets that behave differently?

Even though the online shop is one of the most interesting investments made by the firm, there are a lot of problems, costs and constrains associated with it. When a client in the other side of the world makes a purchase of an Onofre's pair of shoes, the production immediately receives the order, starts the production and afterwards it is shipped to the client. The problem arrives when, since each shoe has a specific design, the shoe does not appropriately fit the client foot. When this type of situation occurs, the client can send back the product and it will be replaced by new pair of a different size. All this process of multiple shipments and producing a pair of shoes that does not fit a client has costs for the firm and is associated with inefficiency and bad experience for the brand. Many international luxury brands have experienced the online shop and have recently decided to finalize it (brands such as Louis Vuitton, Prada and Gucci).

As seen, many are the challenges faced by the firm and many others will occur on the following years as the industry is constantly changing and renewing itself. The question for Onofre is not only where to go but also when to go and how to go.

3.6|Diversification

Since the beginning of the brand some experiences were done by Onofre in terms of product diversification. Just few years ago, the brand launched a kid's shoes line that would match the mother's shoe and, even though it had a positive impact concerning the brand image among the clients, in terms of profits it was not so good.

The most successful product diversification done by *Luis Onofre* were the leather accessories such as woman bags which are the perfect complement for the shoes and for that reason the brand has developed a strong bag collection. In the beginning the leather accessories were produced in Portugal but as the brand wanted to achieve the same level of quality of the shoes the production has shifted to Spain where there is more expertise in terms of leather accessories production. To match the bag with the shoes in some cases the materials used in the shoes are also used in the bag.

The brand in 2017 is going to launch a men's collection for the second time. Due to production problems[12], the first time the brand had a collection for men it did not work well.This option for

[12] http://diariodigital.sapo.pt/news.asp?id_news=840590

re-launching is due to the increasing demand felt by Onofre in his Lisbon shop. This collection for men will also be in the high segment however Onofre's expectations are not very high because men behavior towards buying shoes is completely different from woman – "*Men only buy during sale season and they are not so keen on buying novelties such as woman do*" Luís Onofre

Onofre has had other request to diversify the brand by creating, for example, sunglasses. However, due to time constrains, he chose to focus on what he know how to do best – shoes- instead of spreading his energy on other things.

In the future, the brand might have other products in the portfolio but, for the moment, woman shoes, accessories and handbags and lately shoes for men will be the core products.

Exhibits

Exhibit 1: Top 10 footwear consumer's quantity, in APPICCAPS' World footwear industry Yearbook 2012

	Country	Pairs (millions)	World Share
1	China	2 761	15.9%
2	USA	2 248	12.9%
3	India	2 202	12.7%
4	Brazil	740	4.3%
5	Japan	697	4.0%
6	Indonesia	526	3.0%
7	Germany	429	2.5%
8	France	424	2.4%
9	United Kingdom	372	2.1%
10	Italy	336	1.9%

Exhibit 2: Top 10 footwear exporters, In APPICAPS' Worldfootwear industry Yearbook 2015

#	COUNTRY	USD (MILLIONS)	WORLD SHARE
1	China	51 194	40.3%
2	Vietnam	15 041	11.8%
3	Italy	9 595	7.6%
4	Belgium	5 415	4.3%
5	Germany	4 691	3.7%
6	Indonesia	3 972	3.1%
7	Hong Kong	3 578	2,8%
8	Spain	3 270	2.6%
9	France	3 149	2.5%
10	Netherlands	2 801	2.2%
11	India	2 465	1.9%
12	United Kingdom	2 191	1.7%
13	Portugal	2 069	1.6%
14	Cambodia	1 363	1.1%
15	United States	1 194	0.9%

Exhibit 3: Average export price worldwide in APPICCAPS' World footwear industry Yearbook 2015

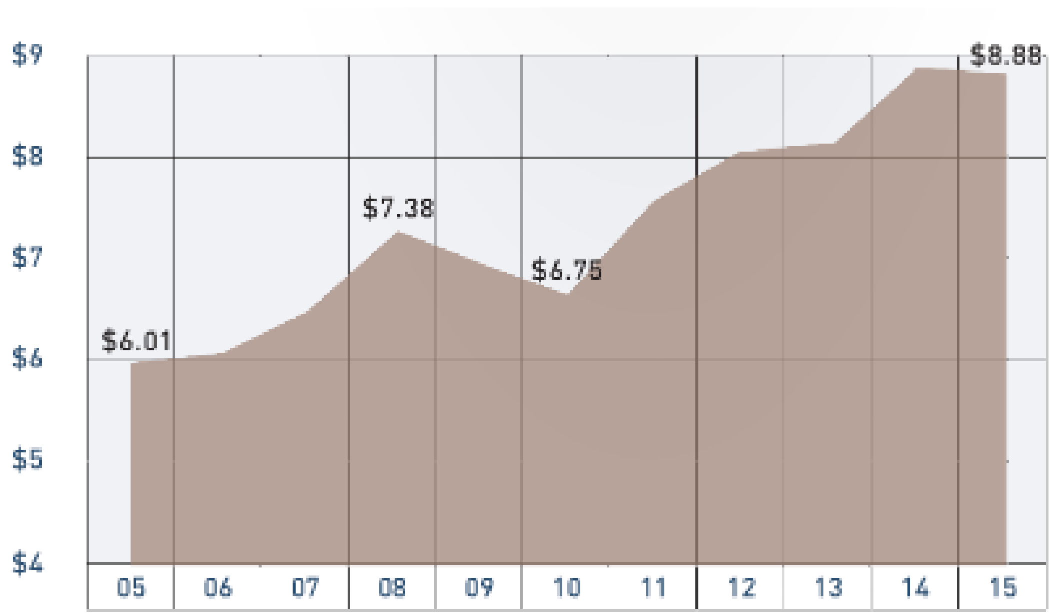


Exhibit 4: Average export price per continent, in APPICCAPS' World footwear industry Yearbook 2012

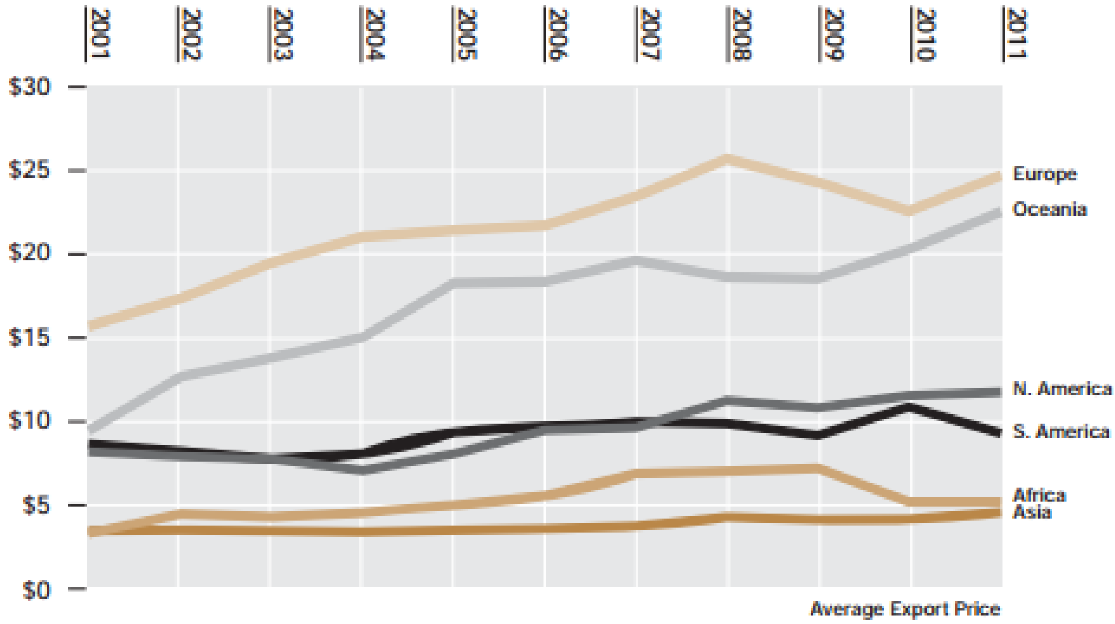


Exhibit 5: Average export price among the Top 15 world exporters in APPICCAPS' World footwear industry Yearbook 2015

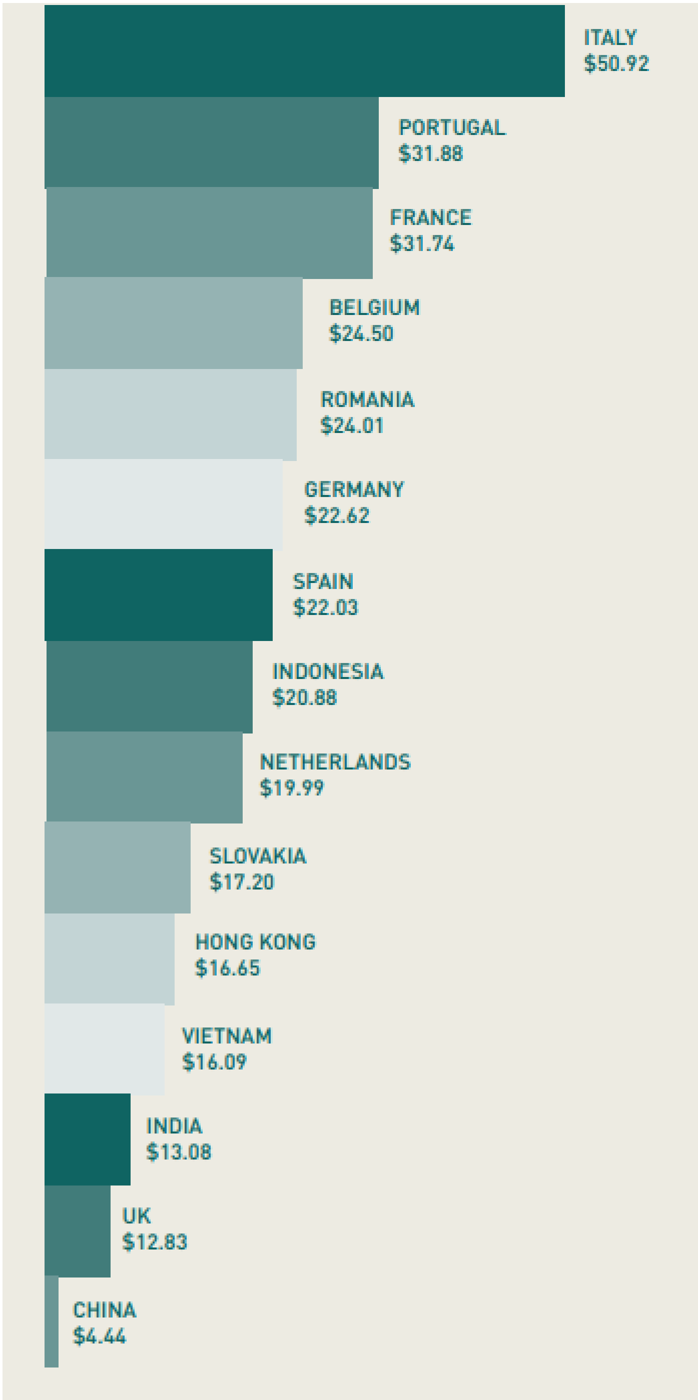


Exhibit 6: Portuguese Footwear Industry Trend, in *APICCAPS Statistical Study 2015*

	1974	1984	1994	2004	2006	2008	2010	2011	2012	2013	2014**
Industry | Indústria											
Companies | Empresas											
number | número	673	971	1 635	1 432	1 448	1 407	1 245	1 324	1 322	1 339	1 430
Employment | Emprego											
number | número	15 299	30 850	59 099	40 255	36 221	35 398	32 132	34 509	34 624	36 889	37 781
Production | Produção*											
thousand pairs | milhares de pares	15 000	48 000	108 866	84 897	71 643	69 101	62 012	69 491	75 178	73 935	75 198
Gross Production Value | Valor bruto de produção*											
thousand Euros | milhares de Euros	12 330	318 891	1 620 001	1 471 214	1 338 555	1 397 617	1 283 475	1 511 085	1 823 989	1 797 236	1 884 283
Foreign Trade | Comércio Externo											
Exports | Exportações											
thousand pairs | milhares de pares	5 200	31 100	89 368	75 159	63 784	64 651	68 671	78 226	70 635	74 500	76 913
thousand Euros | milhares de Euros	3 093	164 060	1 283 867	1 273 252	1 166 116	1 290 991	1 296 919	1 541 626	1 600 458	1 734 527	1 845 568
Imports | Importações											
thousand pairs | milhares de pares	2 800	200	15 005	33 154	41 209	50 900	65 647	63 535	47 244	51 005	53 795
thousand Euros | milhares de Euros	324	738	97 087	271 126	318 277	431 662	425 270	467 035	403 499	422 161	449 137
Trade Balance | Balança Comercial											
thousand pairs | milhares de pares	2 400	30 900	74 362	42 005	22 575	13 751	3 023	14 691	22 391	23 496	23 118
thousand Euros | milhares de Euros	2 769	163 321	1 186 781	1 002 126	847 838	859 329	871 650	1 074 592	1 196 959	1 312 365	1 396 431
Apparent Consumption* | Consumo Aparente*											
thousand pairs | milhares de pares	12 600	17 100	34 503	42 892	49 069	55 350	58 989	54 801	51 787	50 439	52 080
thousand Euros | milhares de Euros	9 561	155 570	433 220	469 088	490 716	538 288	436 127	461 572	637 643	496 162	503 840
Coverage rate (value) | Taxa de Cobertura (valor)	955%	22224%	1322%	470%	366%	299%	305%	330%	397%	411%	411%
Share of Imports in Apparent Consumption (value) Peso das Importações no Consumo Aparente (valor)	3,4%	0,5%	22,4%	57,8%	64,9%	80,2%	97,5%	101,2%	63,3%	85,1%	89,3%
Share of Exports in Production (value) Taxa de Exportação (valor)	25,1%	51,4%	79,3%	86,5%	87,1%	92,4%	101,0%	102,0%	87,7%	96,5%	97,9%

Exhibit 7: Portuguese Value added per employee and value added at factor cost % of manufacturing in *APICCAPS Statistical Study 2015*

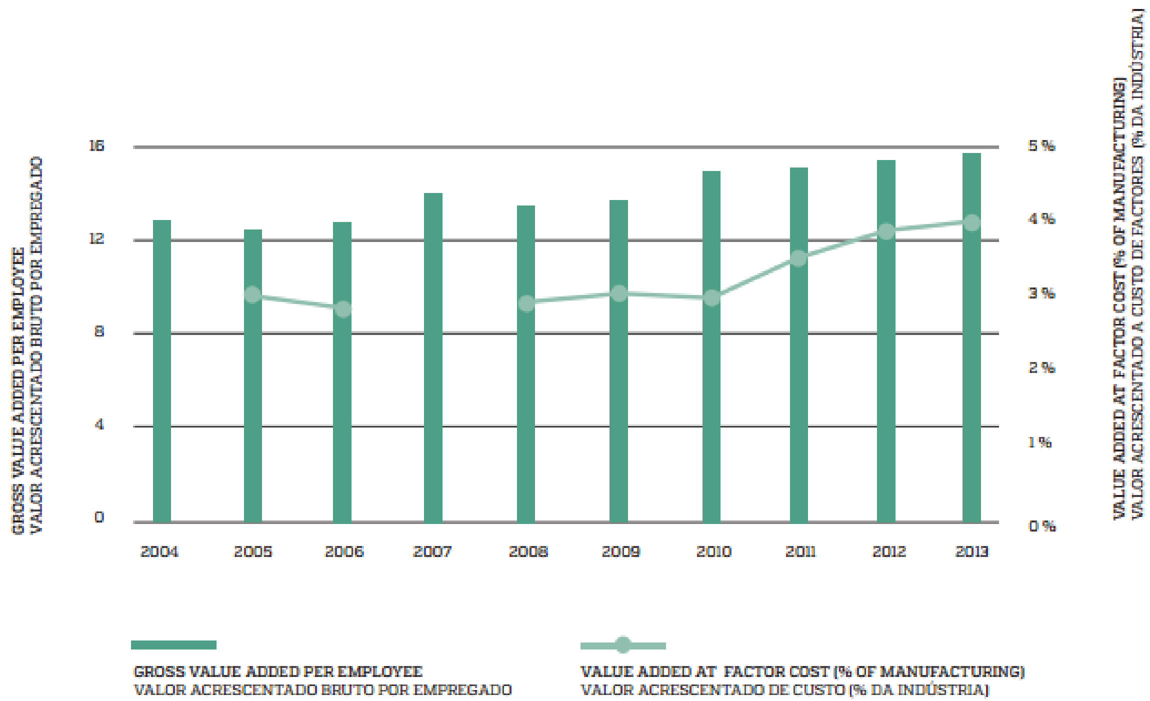


Exhibit 8: Portuguese footwear Exports and Imports evolution (Value and Quantiy) in APPICAPS' Worldfootwear industry Yearbook 2015

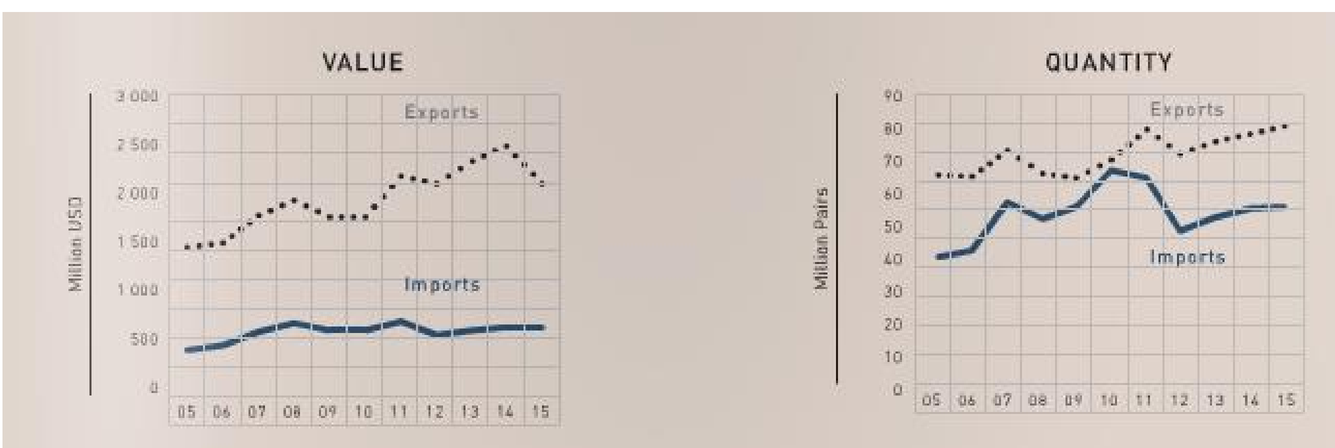


Exhibit 9:2015 Portuguese footwear Top 5 export countries in in APPICAPS' Worldfootwear industry Yearbook 2015

EXPORT MARKETS	Million USD	Value Share	Million Pairs	Quantity Share
France	454	22%	16	20%
Germany	381	18%	13	17%
Netherlands	297	14%	10	13%
Spain	209	10%	14	17%
U. Kingdom	148	7%	6	7%

	LAST 5 YEARS VARIATION		Million USD
↗	Germany	21%	+65
↗	USA	370%	+59
↗	Netherlands	19%	+47
↗	Denmark	55%	+33
↗	Spain	9%	+18

Exhibit 10: Portuguese Footwear production (in Millions of Pairs and Millions of Euros), in APICCAPS Strategic Plan 2007-2013

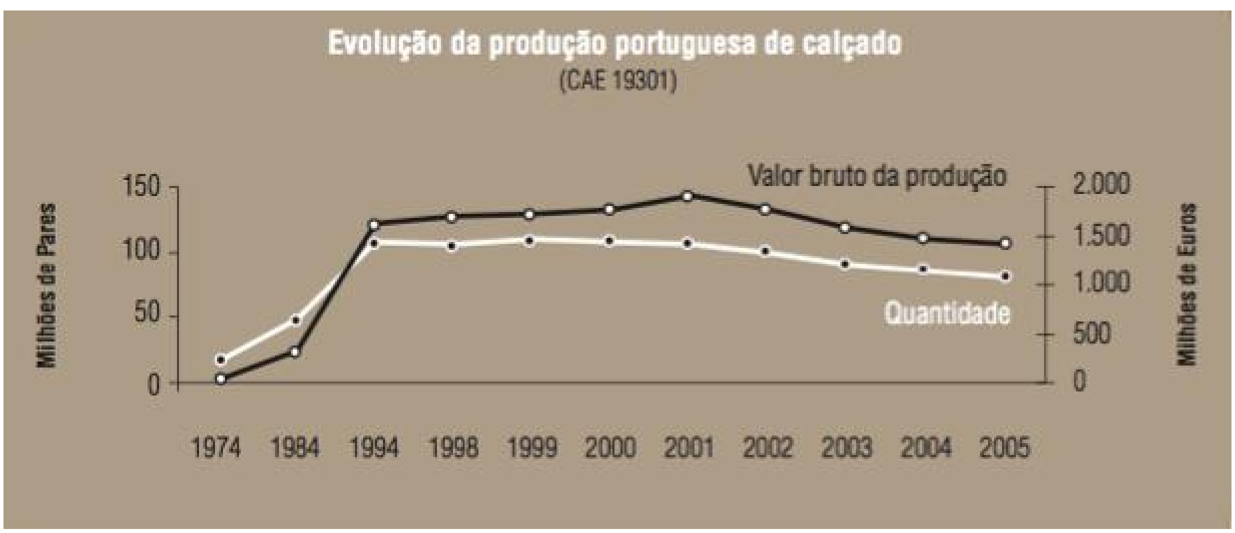


Exhibit 11: Luis Onofre process

A pen, a paper and Luís Onofre perseverance pursuing the perfect shoe

Selecting and sourcing exclusive materials.

World-Class machinery

High skilled human force

Exhibit 12: Luis Onofre Shop – Avenida da Liberdade

Exhibit 13: Luis Onofre Shop -Avenida da Liberdade

Exhibit 14: Luis Onofre Shop in Shop – El Corte Ingles Lisboa

Exhibit 15: Luis Onofre Online shop

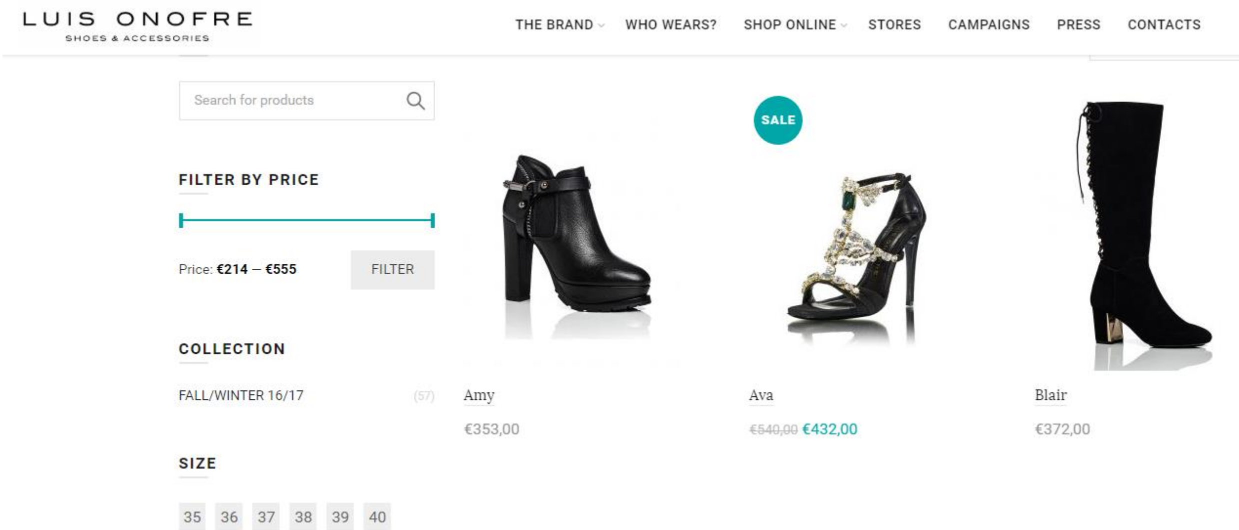
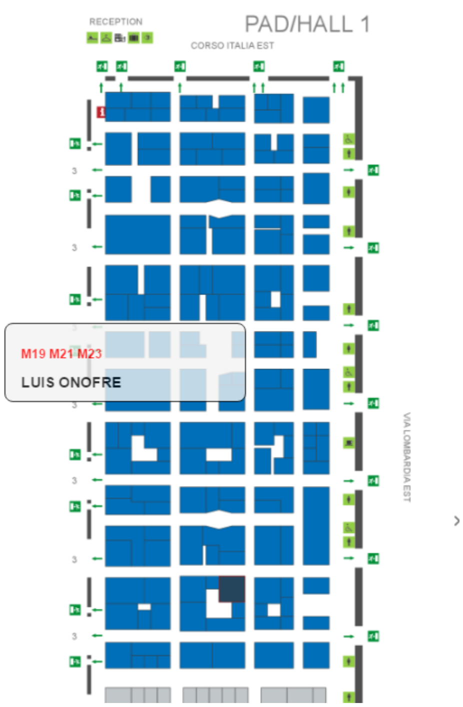


Exhibit 16: Luis Onofre Stand Location at MICAM



Exhitib 17: International stars wearing Luis Onofre

Daniela Ruah wears Luís Onofre

Sara Sampaio wears Luís Onofre

Paris Hilton wears Luís Onofre

Exhibit 18: Giuseppe Zanotti Boutique Shanghai

Exhibit 19: Company Turnover

Company	Turnover		
	2015	**2014**	**2013**
Luis Onofre -Internacional	5.502.384,73 €	8.740.074,93 €	3.642.338,37 €
Conceição Rosa Pereira & Ca Lda	2.324.124,46 €	2.915.218,24	2.891.579,28 €
Total	**7.826.509,19 €**	**8.740.074,93 €**	**6.533.917,65 €**

Source : www.racius.com

III –Literature Review

Internationalization strategy

The internationalization strategy relates to how a company approaches the business outside its country of origin, considering all the variables related to the countries where there is the willingness to expand. These variables can be specific needs from clients of a certain region, social and economic politics of a country among many others.

There are several ways to enter into new country and therefore start the internationalization process and one of the most common processes is through exportation, which is considered a non FDI (foreign direct investment) way of entry. Before starting to export, the company should consider if all the benefits related with this strategy are higher than the risks associated. The benefits from exportation to the company can be increase in sales, economies of scale on production, market development and it is a less risky way to enter in a new market when compared to foreign direct investment[13]. Risks associated with exportation can be related with increase of operational costs associated with logistic operations, after-sale service, legal procedures and bureaucracy and the lack of knowledge of the needs of the foreign market[14].

Porter Diamond

According to Michael Porter, the international competitive advantage that an industry of a certain country can have, can be explained by certain national factors or characteristics that the country has. A nation competitiveness will depend on the capacity of its industry not only to innovate but also to upgrade itself.[15]

[13] Cardeal.N - Pensamento Estratégico, Fev 2015, page 240
[14] Kotabe M.& Czinkota,M.R. -State government promotion of manufacturing exports: a gap analysis. Journal of International Business studies.1992
[15] Porter,M.1990. The competitive advantage of Nations.Harvard Business Review,March-April 1990 issue

The international competitiveness of an industry of a country lies on four broad attributes, attributes that individually and as a system constitutes the diamond of national advantage[16]. The attributes are:

1-**Factor Conditions** – The nation's position in factors of production, such as skilled labor or infrastructure, necessary to compete in a given industry.

2-**Demand Conditions** – The nature of home-market demand for the industry's products or services.

3-**Related and Supporting industries** -The presence or absence in the nation of supplier industries and other related industries that are internationally competitive.

4-**Firm Strategy, Structure, and Rivalry** -The conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry.

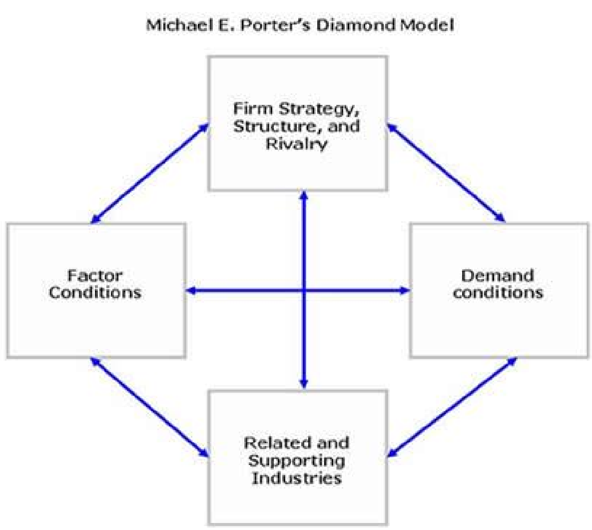


FIGURE 1 SOURCE: PORTER 1990. THE COMPETITIVE ADVANTAGE OF NATIONS, P. 127.

A good interaction between the 4 points of the diamond allows an industry to achieve international competitive success. In a general way, the four elements should be favorable for an industry to become competitive from the international point of view[17].

[16] Porter,M.1990. The competitive advantage of Nations.Harvard Business Review,March-April 1990 issue
[17] Daniels,J.D & Radenaugh,L.H. 1995 – International business -Environments and Operations

Porter's Five Forces

In 1979 Michael Porter published his article "How Competitive Forces Shape Strategy" and the explanation on the five forces that determine the long-run profitability of any industry has influenced not only the academics but also the business managers. According to M.Porter the important thing is not who's the biggest but who's making more profit.

The five forces that govern the profit structure of an industry are:

1- The threat of new entrants
2- The threat of substitute products
3- The bargaining power of buyers
4- The bargaining power of suppliers
5- The industry rivalry

These five forces define every industry structure and therefore they shape every company's future. Business managers that understand them and learn how to react to them will be better prepared and will be able to create more competitive strategies to increase profit[18].

Ansoff matrix

The Ansoff's model allows to identify four strategic options to develop a business[19]:

Market Penetration - The strategy of market penetration consists on a company exploring its current products on the markets that are already been served by the company. It often consists on increasing the sales volume and conquering market share.

Market Development – The strategy of market development consists on using the current product portfolio from the company and approaching new markets segments. The new market segments can be new geographic markets.

Product Development -The strategy of product development simply consists on the development of new products to serve the existing markets from the company.

---

[18] Porter.M The Five Competitive Forces that shape strategy .Harvard Business Review, January 2008 issue
[19] Ansoff, I. (1987). Corporate Strategy. London: Penguin books.

Diversification-The diversification strategy can be seen as the combination of the strategies Product development and Market development as it consists into reach new markets with new products from the company

It is possible for a firm to apply more than one of the strategies simultaneously.

		Product	
		Existing	**New**
Market	**Existing**	Market penetration	Product Development
	New	Market development	Diversification

FIGURE 2 SOURCE: JOHNSON,G.,SCHOLES,K & WHITTINGTON,R. 2008.EXPLORING CORPORATE STRATEGY,LONDON,PAGE 341

Corporate Strategies – Diversification

According to Igor Ansoff a diversification strategy occurs when a company develops new products to serve new markets.

When companies decide strategically to develop a diversification strategy, it can happen that there is a need to create new business units or even to use different resources. For instance, there could be the need have new factories or different kind of human force in the company to develop successfully new products to reach new markets[20].

In certain contexts, when developing a diversification strategy, the company can obtain synergies between the businesses as presented in the matrix bellow[21]. The synergies occur from different areas such as[22]:

---

[20] Cardeal.N - Pensamento Estratégico ,Fev 2015 ,page 256
[21] Cardeal.N- Pensamento Estratégico ,Fev 2015 ,page 255
[22] Cardeal.N - Pensamento Estratégico ,Fev 2015 ,page 257,258

Operations – When it is possible for example to use the production facilities or human resources already existent in the company to develop the new products. From the bargaining power perspective, there could be an increase of power to negotiate with suppliers due to the increase in productions for instance.

R&D and Technology -When there is the use of the same technological base used on the firm for the development of the new products. In this case the projects of research and development done by the firm will serve both business.

Commercial and marketing – When for example there is the possibility to share the same distribution channels or the same sales force. Also, can occur when the bargaining power of the firm increases towards the negotiation with distributors or with marketing channels (such as advertisement agencies for instance).

Management – It is common that companies with diversification strategies share the same supporting structure.

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="2">Current Industry</th><th colspan="2">New Industry</th></tr>
<tr><th>Current segments</th><th>New segments</th><th>Same segments or channels</th><th>New segments or channels</th></tr>
<tr><td rowspan="2">Current industry</td><td>Current range of products</td><td>Market penetration</td><td>Market extension</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>New range of products</td><td>Product extension</td><td>Semi-Diversification</td></tr>
<tr><td rowspan="2">New Industry</td><td>New products (related)</td><td colspan="3">Diversification with commercial and technological synergies</td><td>Diversification with technological synergies</td></tr>
<tr><td>New products (non related)</td><td colspan="3">Diversification with commercial synergies</td><td>Non related diversification</td></tr>
</table>

FIGURE 3 SOURCE: CARDEAL N,2014 PENSAMENTO ESTRATÉGICO, PAGE 255

The VRIO Model

According to the Resource-Based View[23] companies competitive advantage is based on valuable, rare, inimitable resources and organization (VRIO) [24]. If a company has the capacity to exploit their valuable resources, which are rare and inimitable, the company can be in the presence of a competitive advantage and consequently can obtain an economic value higher than its marginal competitor25.

Per the VRIO model, a resource is considered to be valuable if it allows the company to explore opportunities or to reduce the impact of potential threats. In the same model, a resource is considered to be rare if it is not available or can be controlled by other competitors. Resources or capacities that are both valuable and rare can assure to the company a temporary competitive advantage. As for the resources or capacities that are inimitable, it's importance on the company strategy relates to the fact that, if the sources are valuable and rare but can be easily replicated, competitors will copy them and therefore the source of competitive advantage will be loss. Resources that are a result of historic evolution of a company or that are protected by patents for example are less likely to be replicated. Finally, if a company possesses resources that are valuable, rare and inimitable the organizational structure of the firm should make sure that the competitive advantage is sustained for if possible. The lack of organizational structure can jeopardize the use of the resources or the company will not take the full advantage of the

---

[23] Barney,J.B 1991.Firm resources and sustained competitive advantage. Journal of Management 17,99-120

[24] Barney JB (1997). Gaining and Sustaining Competitive Advantage. Addison-Wesley: Reading, MA.

[25] Cardeal.N - Pensamento Estratégico, Fev 2015, page 140,141.

resources that are valuable, rare and inimitable.[26] Competitive advantage stems from the way firms operate and interrelate their strategic and non-strategic resources.[27]

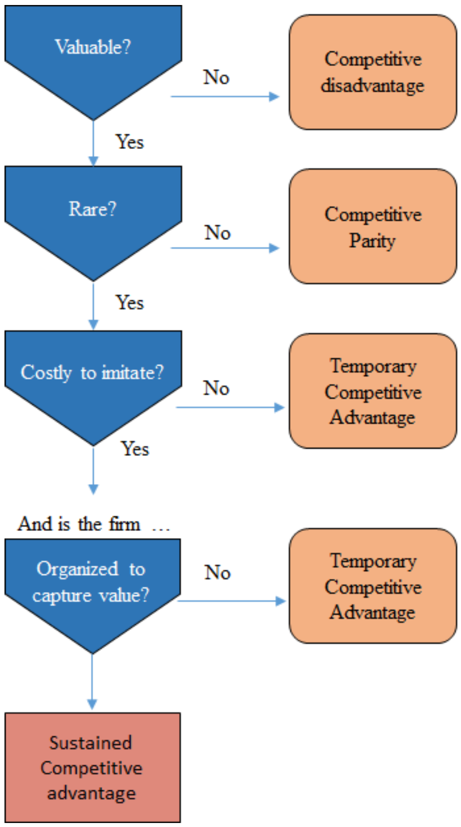


FIGURE 4 SOURCE: ADOPTED FROM ROTHAERMEL, F. T. (2013). STRATEGIC MANAGEMENT: CONCEPTS AND CASES. NEW YORK: MCGRAW-HILL', PAGE.91

[26] Cardeal.N - Pensamento Estratégico, Fev 2015, page 142,143.
[27] Pan SL, Tan BCC, Huang J, Poulsen B (2007). The development paths of non-strategic capabilities. Eur. Manag. J. 25(5):344-358.

III –Sugested Assigment Questions

1. **Analyze the attractiveness of the portuguese footwear industry and define the industry segment in wich Luis Onofre International is positioned**

To analyze the attractiveness of the industry the Porter's Five Forces model will be used.

The segment where Luis Onofre Internacional is positioned is the one of companies producing shoes for luxury international brands:

<u>Potential of New entries</u>: There are some barriers to the entry of new players in the industry since it involves high initial investment not only in production facilities but also in R&D and in human force. Additionally, there is the need of expertise and know how that is earned with many years of experience. Finally, the reputation in the business is an important factor and companies must make high investments in marketing and commercial actions. Considering these barriers to the entry of new players the risk of new entries in the industry can be considered as medium-low .

<u>Pressure for substitutes:</u> There is no direct substitute for shoes, but as the company is operating in the luxury segment we can consider non-luxury shoes as substitute. Taking this in consideration the pressure for substitutes can be considered as high.

<u>Bargaining power of buyers</u>: In the footwear industry, due to a high number of competitors in the market, consumers are considered to have high bargaining power since they can easily change their tastes and switch between products. In the specific case of the high luxury segment the bargaining power buyers is low since consumers purchase products in small amounts and the seller's product are very differentiated from each other. Overall and considering the market segment where Luis Onofre Internacioanl is implanted the bargaining power of buyers is medium low.

Bargaining power of suppliers: As the components provided to the footwear industry are not very specific and there is a high number of suppliers in the market the level of competition is high. Additionally, in the footwear industry the components per se do not have many value, the added value is only in the final product. Overall it is possible to state that the bargaining power of suppliers is medium low.

Competitive Rivalry: In the luxury segments of the footwear industry there are several competitors many of which are Italian and French companies that are strong in terms of quality of production, design and have strong brands. Even though these companies can have similar strategies there is some differentiation between them which results as low competition on price. Overall the competitive rivalry of the segment can be assessed as medium low.

To conclude the segment of companies producing shoes for international brands attractiveness can be considered moderate

2. Analyze Conceição Rosa Pereira & Ca Lda strategic decision to expand the product portfolio with the intruduction of leather acessories using the Ansoff's Matrix

When the company decided to expand the product portfolio the leather acessories ,more specifically the bags, were the obvious choice since most woman are keen to acquire acessories that match whit the pair of shoes they are wearing.

The management wanted to enter in a new segment of the industry -accessories market- with e new product Luis Onofre bags, which per Ansoff's Matrix is a diversification growth strategy.

When analyzing this diversification in terms of corporative strategy we can classify it as a diversification with commercial and technological synergies since the new market and the distribution of the new product have a lot of resemblance with the footwear industry (base industry) and additionally some of the knowledge and technology used in the footwear industry can be applied in the accessories industry.

There were also some other synergies such as operational synergies were the resulted from increased bargaining power with suppliers since both products (shoes and leather goods) were buying the same type of materials. Another operational synergy arrived from the fact that all the Research & Development made in the company would serve both businesses.

In conclusion, this strategic decision could be qualified as a diversification with commercial and technological synergies applying the Cardeal's Diversification Context Matrix[28].

3. **Using the VRIO Model , analyze the Conceição Rosa Pereira & Ca Lda resources exposed in the case.**

According to the case the company Conceição Rosa Pereira & Ca Lda the main resources that allow them to develop a solid strategy are:

Human resources – The fact that Luís Onofre is a renown shoe designer with many years of experience enables the firm to maintain the high standards concerning not only the design of the brand Luis Onofre collections but also the design of the production for the private labels when requested. Also, as Luís Onofre is in the business for more than a decade it has enable him to know the best suppliers and to know the best distribution channels to the products of the brand. Additionally, the company has in the structure several shoe technicians that can put in practice the shoe designs of Luis Onofre.

Physical resources - the company location in Travanca, close to the shoes and leather materials production district, allows them to be close to the Portuguese shoe cluster and have access to key resources for the business.

Technological resources -the company possesses machinery that allows them to produce with some specificities considered to be very useful in the luxury shoe production.

Organizational resources - company relations and industry awareness. The first relates to the relationships the brand has been developing over the last 17 years with key suppliers

[28] Cardeal.N- Pensamento Estratégico ,Fev 2015 ,page 255

and the relationships it has been developing with key luxury retailers worldwide. Another organizational resource relates to the structure of the enterprise as the fact that both companies (Conceição Rosa Pereira & Ca Lda and Luis Onofre Internacional) are linked enables the firm to generate business opportunities and to have less risk concentrated in a single business.

Using the VRIO framework the company resources can be tested:

Resource					Competitive implication
	Valuable	Rare	Inimitable	Explored by the organization	
Management team competencies	yes	no	-	yes	Competitive parity
Management team experience	yes	yes	yes	yes	Sustainable competitive advantage
Design team know-how	yes	no	-	yes	Competitive parity
Cluster relationship	yes	no	-	yes	Competitive parity
Network (with suppliers and retailers)	yes	no	-	yes	Competitive parity
Industry brand awareness	yes	yes	no	yes	Temporary competitive advantage
Distribution Network	yes	yes	no	yes	Temporary competitive advantage

Using the VRIO framework, resources were tested to the four elements that compose it: Valuable , Rare,Inimitable and if they are explored by the organization.

All the resources tested were considered to be valuable since they empowered the company to overcome future threats and to find new opportunities.

Regarding the resources that are considered to be rare only the management team experience and the industry brand awareness as well as the distribution network are capable of enable the firm to have a temporary or sustainable competitive advantage since these are resources that cannot be acquired for instance.

Considering the inimitable resources the design could be considered as inimitable as it is originated by the designer Luis Onofre articulation with his entire organization. Same arguments for the management team experience but as these resources are not rare they only contribute for the firm to have competitive parity

The cluster relationship is considered to be valuable as it enables the firm to be linked to the shoe cluster and consequently to have access to the developments made in the industry and also to be promoted together with the remaining companies of the cluster in international fairs or instance.

Finally, the distribution network is considered to be valuable and rare because it was developed by Luís Onofre with partners that are difficult to connect such as royal families and it allows the firm to approach some complicated markets with a solid partner. This distribution network is a possible source of temporary competitive advantage.

The analysis concludes that only one of the resources is providing the company with a sustainable competitive advantage: Management team experience. The industry brand awareness and the distribution Network provides the company with temporary competitive advantage.

4. **Describe the strategic decision behind Luis Onofre internationalization as well as the risks and benefits associated with this strategy**

The main reason why Luis Onofre decided to go international was the market growth potential. The fact that the local market (Portugal) did not had critical mass to absorb a high-end luxury brand such as Luis Onofre was the reason behind the expansion to international markets. After being many years in the industry Luís Onofre had the opportunity to meet some key players in local markets which also have allowed the brand do expand in a smoother way.

The process of expansion to foreign markets was initially trough the presence in multi-brand shops or department stores which from the strategical point of view was seen a less riskier strategy since the investment is shared between 2 parts (Luis Onofre company and the Multi-Brand Shop/Dept. Store). Later, the brand launched the website which was selling to all markets allowing end clients to buy from their home country.

Regarding the benefits associated with the international expansion through the mentioned strategy, was the increase in sales, increase in brand awareness and the opportunity to do market development in a less riskier way when compared to direct foreign investment with a mono-brand shop for instance.

As for the risks associated with the international expansion are lack of control on the brand versus having a mono-brand shop, high logistic costs associated with after-sales and operational process and markets unpredictability.

Overall the strategic decision could be evaluated as the correct way assuming all the benefits and risks implicit of the process.

5. **Based on case describe the strategical relevance for the portuguese shoe industry to have brands such as Luis Onofre in the market**

When the Portuguese shoe industry is analyzed on the case it is possible to understand that prior to the salary increase in the country, the industry was performing well based on mass production and low cost. By that time almost no value was created from the Portuguese manufactures, they were simply following guidelines from foreign private labels and executing them. When the labor costs increased in Portugal and consumers started to be more demanding in terms of design tastes for instances the Portuguese footwear industry suffered and many were the companies that went bankrupt.

If we analyze the company Conceição Rosa Pereira & Cª, Lda we observe that since the beginning the firm was offering a more qualitative product to the clients even if with a higher price. Moreover, in 1999 the company created the brand Luis Onofre which revealed to be a bold and accretive strategical move. With the creation of the brand the company started not only to produce their own shoes but they created a new firm Luis Onofre Internacional that could produce for private labels. Both business are complementary and private labels feel more confidence when requesting Luis Onofre Internacional to produce their shoes because they observe the quality and know-how of the Luis Onofre shoes.

On the case, it is possible to learn that to be more competitive in the long run Portuguese manufactures must create more value to brands and no staying strictly to the production of the shoes, otherwise they have the permanent risk of brans switching their production suppliers to other countries.

Another reason to why having a renowned brand such as Luis Onofre is extremely important to the industry is related to the contact with foreign retailers that always request a Portuguese benchmark brand to understand the level of know-how of the industry. Having a Portuguese brand that have as final client members from royal families or international stars is a great advantage to the industry since it catalogues Portuguese brands as being capable to compete with the best brands in the world.

Finally, if more brands are created the industry will rely less on international private labels than they rely nowadays. To have their own brand enables them to diversify the business risk.

6. **Based on case and using the Porter Diamond model describe the evolution of Portugal international competitiveness in the footwear industry**

Since the considered golden age of the shoe industry (60's-80's) to the situation in 2016 there were changes that have contributed to the increase of Portugal's international competitiveness in the shoes industry such as:

Factor Conditions (input): Between the 60's-80's the growth of the Portuguese footwear industry was based on the high availability and low wages of the labor force. This price competitiveness was lost by the time Portugal entered the EU the wages started to increase and the Asian countries started to compete on price. The industry had to change to become competitive again and thanks to the new technology used in production associated with an increase of the creative capacity the industry started to rise again and became one of the most competitive in the European context.

Firm strategy, structure, and rivalry: Companies from the industry before were not focused on strategies to upgrade their products and to deliver something more than just production. Additionally, companies were not focusing on creating their own brands in order to add value to their products. Regarding the rivalry among Portuguese companies there is no mention in the case.

Demand conditions: Consumers were less sophisticated in terms of taste for design and they have evolved and become more demanding. This evolution in the taste and sophistication of consumers has positively affected the Portuguese footwear companies to become more efficient and innovative and consequently more competitive in the international context.

Related and supporting industries: Thanks to the development of clusters associations such as APPICAPS the industry has benefited from the linkage with leather suppliers, machinery suppliers and to the relations between companies and local Universities that contributed with R&D developments. This developments and linkage has contributed not only with the R&D developments but also to the implementation of new and innovative solutions for the industry and to strength the presence of the industry suppliers in the international market .

We can conclude that the Portuguese footwear industry has evolved positively since the 60’s and even though there were some step backs on the competitiveness of the industry, mainly due to the increase of labor costs and price competition of Asia, the Portuguese footwear industry had the capacity to reinvent itself and thanks to the conditions presented in the Porter Diamond model the industry is now one of the most competitive in the international context.

IV –Conclusion

The worked developed during the elaboration of this thesis was an opportunity for me to comprehend how an independent Portuguese company in the luxury industry behaves and more importantly what tools the company uses to compete in the international market.

During the process of writing the thesis I had the opportunity to interview personally Mr. Luís Onofre and to read and listen to many other interviews from him and it was important to learn that even though there were many adversities along the way the belief in his company and brand was strong enough to fight back the adversities.

I had also the opportunity to learn that when small companies work together (the case of the cluster) they can become more competitive in the international market than if they would work individually. Associations such as APPICAPS are truly important and should always be supported.

Along the way I had some problems to have contact to the company since Mr. Luis Onofre was traveling abroad and I only had the opportunity to interview him once. There were some questions that I would have liked to explore but due to the scheduling conflicts it was not possible,

Lastly by applying some of the theoretical tools in the case study it became clear that when applying these tools in a practical case they become more understandable and of great relevance for the professional life.

VI -Bibliography

Ansoff, I. (1987). Corporate Strategy. London: Penguin books.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17,pp. 99-120.

Barney, J. B. (1997). Gaining and Sustaining Competitive Advantage. Addison-Wesley: Reading, MA.

Cardeal, N. (2015) Pensamento Estratégico. Antecipar as ondas do futuro. Lisboa: Universidade Católica Editora

Daniels,J.D & Radenaugh,L.H. (1995) International business -Environments and Operations

Johnson,G.Scholes,K & Whittington,R.(2008).Eploring Corportate Strategy, London

Kotabe M.& Czinkota,M.R (1992) State government promotion of manufacturing exports: a gap analysis. Journal of International Business studies.

Pan SL, Tan BCC, Huang J, Poulsen B (2007). The development paths of non-strategic capabilities. Eur. Manag. J. 25(5):344-358.

Porter,M.(1990) The competitive advantage of Nations.Harvard Business Review,March-April

Rothaermel, F. T. (2013). Strategic management: Concepts and cases. New York: McGraw-Hill', page.91

http://www.apiccaps.pt/

businessoffashion.com/articles/intelligence/made-portugal-rise

http://diariodigital.sapo.pt/news.asp?id_news=840590

https://luisonofre.com

www.racius.com