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Roadmap of Internationalization

Development and Implementation of an Entry
Strategy for the Portuguese Beachwear Company
Miitik

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Abstract

Miitik, a premium beachwear Start-up, seeks international growth to increase sales. Currently, the company mainly operates on the Portuguese market, but already gained some international experience by sporadically exporting to customers in Luxembourg and the United Kingdom. However, the Start-up is lacking a strategic approach in order to target international markets. Bearing this in mind, the company would like to find out about potential countries and is interested in a detailed entry strategy to overcome challenges small companies face in the process of internationalization.

The thesis provides a deep study of relevant measures for the formulation of an entry strategy. Analyzing macro-economical factors helped to assess the potential of the chosen market Germany. The literature on internationalization suggests a four-step approach to develop an entry strategy. Based on the findings and the capabilities of the company, direct exports were selected as the most suitable entry mode. Further recommendations regarding the creation of brand awareness and distribution channels were drawn.

Keywords: Internationalization, Start-up, Entry strategy, Entry mode, country selection

Resumo

Miitik é uma marca premium de fatos de banho que procura alcançar o mercado internacional para aumentar as suas vendas.

Actualmente, a empresa opera no mercado Português embora já tenha ganho alguma experiência internacional ao vender para clientes no Luxemburgo e no Reino Unido. Contudo, a Start-up não apresenta uma estratégia para chegar aos mercados internacionais. Desta forma, a empresa pretende saber quais os potenciais países e qual a estratégia de entrada no mercado para ultrapassar os desafios que pequenas empresas enfrentam no processo de internacionalização.

Esta dissertação apresenta um estudo pormenorizado relativamente às melhores medidas para formular uma estratégia de entrada no mercado. A análise aos factores da envolvente macro-económica permitiu avaliar o potencial do mercado escolhido, o mercado alemão. A literatura relativa à internacionalização sugere quatro passos para desenvolver uma estratégia de entrada. Tendo em conta o estudo realizado e as capacidades da empresa, exportação é a melhor abordagem à entrada no mercado. Ainda são consideradas recomendações relativas à estratégia de notoriedade e percepção da marca e aos canais de distribuição.

Palavras-chave: Internacionalização, Start-up, Estratégia de Entrada no Mercado, Modos de Entrada , Seleção de Mercados

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List of Abbreviations

Acronym	Description
B2B	Business to Business
B2C	Business to Customer
BMI	Body Mass Index
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
INV	International New Venture
JV	Joint Venture
MNE	Multinational Enterprise
POS	Point-of-Sale
SME	Small and Medium sized Enterprise
UK	United Kingdom
VAT	Value Added Tax
VC	Venture Capitalist
WOS	Wholly Owned Subsidy
WTP	Willingness to Pay

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1 Introduction

1.1 Context

Over the past decades companies started to expand their spectrum of operations from strictly domestic to multinational. Scholars began to research this phenomenon called Internationalization and define it as the “process of increasing involvement in international operations” (Welch and Luostarinen 1988). Since Globalization is on its rise, more and more companies started engaging in an international context – international trade, foreign direct investment and Multinational Enterprises are just a few outcomes. Through Globalization the world is becoming homogenous, meaning people consume more similar products, cultures are converging, resulted by diminishing communication barriers. For the business world those changes affected their business practices and led to many new opportunities. Companies are able to operate on a worldwide market, to reach billions of customers, to source foreign products and to produce overseas to reduce cost. Essentially, every single step of a company value chain could be performed in a different location. Traditionally, mainly big enterprises made the step onto the international stage becoming Global Players. The reason behind it is that the process requires certain amounts of resources and capabilities that come along with a moderate to high risk of failure. Hence, the prevailing conditions hindered smaller firms from taking the step to expand internationally. Nowadays, there are several ways for small and medium-sized companies and start-ups to break the rules and internationalize from inception. Companies of that particular type, so called “born globals”, benefited from the fast technological advance. The technological time age introduced new opportunities for smaller firms to cross borders via cyberspace entry. Through the Internet companies can introduce, market and establish a brand through the corporate website, Social Media platforms and blogs. Furthermore, hybrid business concepts like franchising, licensing or joint ventures opened up alternative internationalization paths with lower risk and lower cost for small firms. The choice of entry mode and the selection of potential foreign markets are the most critical decision the management has to take. An internationalization strategy cannot be derived from standardized pattern, which means that each firm needs to work out its own way.

This thesis will give to academy a practical example of how a Start-up, in this specific case Miitik, can set up an individualized entry strategy in order to overcome the challenges of the internationalization process.

1.2 Miitik

Miitik is a small beachwear company founded in 2013 by the three founders Inês Jacinto Costa, Inês Teles Grillo and Maria João Tavares. It is based in Parede, between Lisbon and Cascais and the showroom, which was inaugurated in 2017, is located in Carcavelos. The start-up's products belong to the premium segment and are divided into the lines of business – MIITIK Beachwear, MIITIK Kids and MIITIK Easywear. This year they launched MIITIK Sportswear to complement their portfolio. The three entrepreneurs are still the motor of the business, since they contracted only one part-time employee. They take care of all the business activities, from designing the collections to the marketing and sales. The only exception is the manufacturing process, which is outsourced. Suppliers of fabrics are located in the north of Portugal, close to the factories where the fabrics get stamped with Miitik's prints and then stitched to the final product.

Due to the sell of almost all their production volume, it is continuously growing – 1250 pieces in 2016 and 2500 pieces in 2017 show a 100% increase in production. The strongest business line is MIITIK Swimwear, which accounts to around 70% of last years manufacturing volume. The sales show similar trends with 100% growth from year to year. The company expects the revenues to grow from 100,000€ in 2016 to 200,000€ in this year. Most of the sales are domestic, but the company also receives orders from Great Britain and Luxemburg. The sales were generated through four channels:

- Street markets, fairs with 48%
- Resellers with 26%
- Showroom with 18%
- Online with 11%.

Miitik generate their competitive advantage through the high quality of their products. It starts with the selection of the material up to the very detailed stitching process. At the same time, their colorful prints and innovative shapes are differentiating them from competition. Most of their competitors design their pieces to aim at young women from 17-25, whereas Miitik targets mainly female Millennials, who could potentially be young mothers. Their shapes are

special and let women feel comfortable with their body by covering sensitive parts of the body that might have birth stretches, without compromising style and fashion.

1.3 Problem Statement

The economic crisis had a strong impact on the Portuguese market and its economy is only slowly rehabilitating. The Gross Domestic Product (GDP) per capita with 19,222 US-\$ (The World Bank 2015b) is underneath the European average, which makes it tough for Miitik to sell premium beachwear only domestically. Furthermore, the Start-up faces vast competition on the Portuguese market. More than six direct competitors and many big retailers fight for market share of the beachwear industry. Therefore, the company wants to seek international markets to guarantee their business survival. The expansion plans only concern the Miitik Beachwear branch for now, since it is the core business and main revenue source.

1.4 Research Questions

R1: Which market should Miitik enter?

R2: What is a suitable entry strategy?

R3: How can Miitik implement the entry strategy?

1.5 Structure of Present Thesis

This thesis comprises four chapters that will evolve from a theoretical to a practical perspective. The first part provides a scientific insight into the internationalization process, its challenges for small firms and the necessary steps of entry strategies. Secondly, the applied methodology will be explained, in order to show how relevant information was collected. The third and main part of the thesis covers the findings and results of the consulting project. This part is followed by the conclusion and limitations part of the present dissertation.

2 Literature Review

The literature review elaborates on the definitions and frameworks of the concepts presented in this thesis in the following three steps: The first part provides a detailed explanation of Internationalization theories and their evolution over time. The second part will focus on the challenges, Small and Medium-Sized Enterprises (SMEs) and especially Start-up's face in the internationalization process. Lastly, the major ex-ante strategic decisions of internationalization and their importance in regard to overcome the challenges will be outlined in the third part of this chapter.

2.1 Internationalization Theories

2.1.1 The Uppsala Model

The scholars Jan Johanson and Jan-Erik Vahlne developed the Uppsala model at the University of Uppsala in Sweden in 1977. The essence of this model is that internationalization is a dynamic process of learning. Companies gather market-specific and experiential knowledge, by an initial commitment of resources in a foreign market. The accumulated market and experiential insights that are present at the time influence the decision of next steps, like the entry mode or the country-market selection, as well as changes in current internationalization strategies (Johanson and Vahlne 1977). Furthermore, companies would choose more close countries in regard to the psychic distance, which we be explained more detailed later in this chapter. The following graphic describes the Uppsala model as a subsequent cycle. Market knowledge influences commitment decisions. Then the current business activities are expanded by the new market commitment. Through the intensified commitment, companies collect further market knowledge and the process continues.

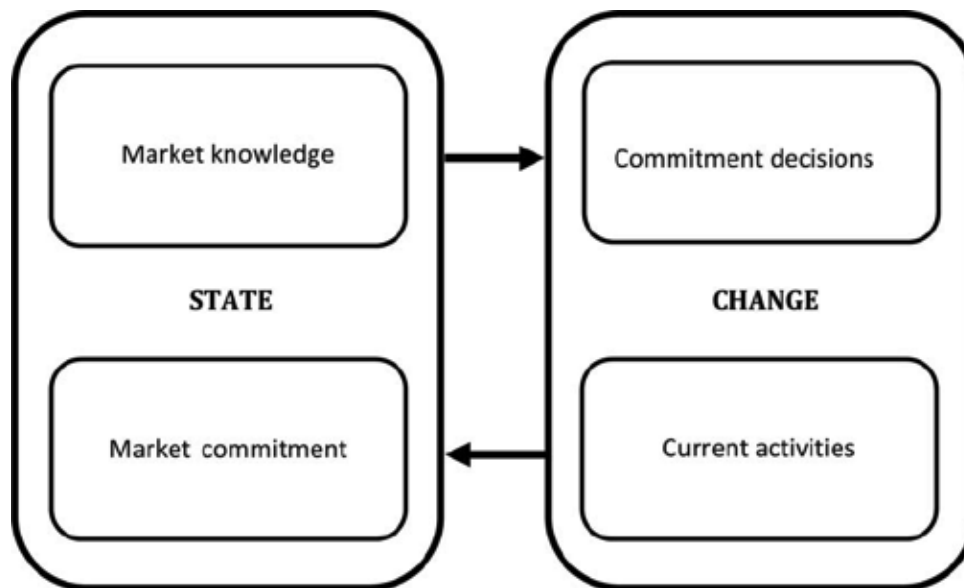


Figure 1 – Subsequent cycle of Uppsala model

Source: Johanson & Vahlne, 2006)

Through continuous market commitment firms gain the ability to recognize business opportunities in foreign markets. International experience also helps businesses to lower the risk of choosing the wrong country-market and entry mode and to optimize the cost of deepening their involvement (Johanson and Vahlne 2006). Some scholars argue that the model has its limitations and describe it as deterministic (Reid 1981). Others state that it oversimplifies a complex process and excludes entry modes that are less risky and financially intensive as Franchising, Licensing and Joint Ventures (Melin 1992; Sharma and Erramilli 2004). The learning model of internationalization also ignores the fact that the psychic distance between countries decreases as the world becomes more homogeneous since the age of Globalization (Sullivan and Bauerschmidt 1990).

2.1.2 Stage Models

Stage models depict internationalization, as a slow stage-by-stage process a firm must go through in order to successfully operate internationally. The stages reflect increasing degrees of commitments. The first stage to international engagement is ad hoc exporting to figure out if there is a foreign demand for their products/services (Li, Li, and Dalgic 2004). The next step is deals with intermediaries that would take care of the distribution and sales in the foreign country. Moreover, companies can engage in Franchising, Licensing or Joint Ventures to intensify their foreign commitment with comparably low risk. Growing sales and demand

could then lead to the establishment of a wholly owned subsidiary (Malhotra and Hinings 2010). Some scholars point out the limitations of the stages models, as it ignores the possibility of acquisition as an internationalization path. In addition to that, more and more companies skip certain stages of the traditional path especially companies of young age enter the international stage right after their birth. This phenomenon aroused worldwide attention and researchers started more and more questioning the traditional models of internationalization, especially the Uppsala model (Zahra 2005; Autio 2005). It shapes the modern, accelerated internationalization process - the theory of International New Ventures (INV).

2.1.3 International New Ventures

An INV is defined as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt and McDougall 1994). Scholars argue that internationalization traditionally focused on large, mature corporations, whereas the concept of INVs studies mainly Start-Ups and SMEs and their ability to internationalize by breaking the traditional rules of the slow, step-by-step process. Smaller companies gained importance since the rise of the technological age, because they provide continuous innovation in the fast-moving environment. Furthermore, the increasing number of entrepreneurs with international experience also helped Start-ups & SMEs to establish themselves worldwide at young age. Another reason why firms do not internationalize incrementally is Globalization, which resulted in a more homogeneous world and the liberalization of markets (S. K. Chetty and Stangl 2010). Companies that follow this new accelerated internationalization approach are often called “born globals”, “instant internationals” or “born internationals” (Freeman and Cavusgil 2007). Irrespective of their size and resources, INVs found other ways to build the assets and capabilities by,

- Cooperating with internationally operating firms,
- Learning from others,
- Acquiring resources abroad,
- Forming entrepreneurial team with international competences.

Following a proactive internationalization strategy and making use of partnerships and hybrid structures like Joint Venture (JV), licensing, franchising helps INVs to lower their relatively high risk in the process (Rialp et al. 2005; Zahra, Sapienza, and Davidsson 2006). Moreover,

not only do they learn from their own activities like the Uppsala model suggests, but they also gain knowledge from other firm's failure or success and in the last case they show mimetic behavior in order to reduce the level of uncertainty before entering a new market. By acquiring resources abroad, companies have access to knowledge, possible partners and in the case of an acquisition of a whole company they instantly have an established reputation in the market. The role of the entrepreneurial team and especially the international experience play a major role in the internationalization process of SMEs and Start-ups, because in contrast to Multinational Enterprises (MNEs), their knowledge is not embedded in the organization yet (Peng and Meyer 2011). A key benefit of the personal and international experience of entrepreneurs is established networks and/or the local knowledge that can help building and expanding networks (Filatotchev et al. 2009). The importance of networks led scholars to develop another theory of internationalization – the network model.

2.1.4 The Network Internationalization Model

The network approach is based on the Uppsala model and enlarges it by analyzing the relevance of networks in the internationalization process. In the context of the present thesis networks can be divided into formal and informal interpersonal networks. Formal networks can be relationships with stakeholders like suppliers, distributors, Venture Capitalists (VCs), consultants, trade associations (Das and Teng 1997). They are based on formalized rules and agreements. On the other hand informal networks rely on mutual trust between the actors that are mostly of family and friends. Both networks often overlap and both formal and informal relationships can evolve over time in both directions (Agndal and Chetty 2007).

In particular, networks give smaller firms and entrepreneurs the opportunity to make use of resources they do not own and in this way leverage their resource deficiencies (S. Chetty and Blankenburg Holm 2000). Companies can access information about potential customers, suppliers or competitors through the networks (Fernhaber, Gilbert, and McDougall 2008; Ojala and Arto 2009). In addition to that, the relationships a company has can help in the decision-making process of country-market selection and entry mode (K. Meyer and Skak 2002; Oehme and Bort 2015). The identification of potential international business opportunities and the gain of credibility in the new market are further advantages of networks (Chen 2003; Loane and Bell 2006). Scholars have proven that firms within a network strengthens each others' internationalization processes and the networks expertise grows when new members join and existing members gain more international experience (Peng and Meyer 2011).

The network approach shows some strategies that help SMEs and Start-ups succeed on the international stage, but it is not a universal recipe to international success. Therefore, the next chapter seeks to provide a deep understanding of several challenges these firms face during their process of internationalization.

2.2 Challenges for Small Firms in the Internationalization process

SMEs and Start-ups seek growth, as it is a key necessity in order to sustain the business (Golovko and Valentini 2011). If a firm cannot generate any competitive advantage in its home country, the step of internationalization is a common strategy to evolve the business. As seen in the theory, nowadays, small firms have the chance to expand internationally, even in the very initial stage. Formulating and implementing an internationalization strategy carries several operational and structural challenges (Korsakiene 2015). Those threats are particularly higher for smaller companies than for MNEs (Hutchinson, Quinn, and Alexander 2005). The lack of resources is the main disadvantage SMEs and Start-ups have in the process. Deficiency of human resources, managerial skill and international experience are examples of missing organizational resources (Crick 2007; Knight 2000; OECD 2009). In addition, small firms often face a shortage of financial resources for internationalization purposes, due to the difficulty for such a company to find external investors, because of the higher risk of failure (Kay, Holz, and Kranzusch 2014). Furthermore, limited market information poses a challenge on SMEs and Start-ups. Lacking knowledge about possible customers, suppliers or competitors, foreign legal systems and distribution channels is a typical factor of uncertainty (Rundh 2007; Anderson, Boocock, and Graham 2001; European Commission 2011). Without such a knowledge companies struggle to identify business opportunities in a foreign context. In the previous chapter, the writer of this thesis mentioned the importance of networks for SMEs and Start-ups. Such a firm has generally limited access to networks in foreign markets. It mainly depends on the international experience of the managers - if it is low, then the company has difficulties to establish and make use of the network (Oviatt and McDougall 1994). Product adaption poses a higher risk on smaller firms rather than on MNEs. The associated cost of changing the product, according to the local requirements and demand, is relatively higher for SMEs and Start-ups than for multinationals. In contrast to smaller firms, MNEs can serve multiple markets with similar requirements at the same time (Fliess and Busquets 2006; Smith, Gregoire, and Lu 2006). In the following chapter, the author of this thesis explains an analytical framework to analyze how companies can best

enter foreign countries according to the needs and resources of the internationalizing business.

2.3 Roadmap of Internationalization

There is no single right way to internationalize successfully. The entry strategy is a formulated plan that states the internationalization process from the first stage of market selection until the actual entry of the market. Four key strategic decisions are included in such a strategy. Firstly, the firm needs to define their strategic objectives of operating on an international stage. Secondly, the selection of a target market that shows high potential in regard to political, economic, social, technological, environmental, legal and geographical dimensions. Thirdly, the time of entry is another important strategic decision. Companies can be the first to enter the market or follow already existing competitors. Both scenarios have advantages and disadvantages that have to be evaluated ex-ante. Lastly, a firm needs to choose an entry mode. Such a crucial decision is based on its needs and resources that have to match the opportunities and constraints of the specific foreign market. Entry strategies are not necessarily manifested, they can change with increasing knowledge and experience (Agndal and Chetty 2007).

2.3.1 Strategic objectives

There are four distinct strategic objectives that drive a firm's decision towards internationalization. The most common objective of companies is seeking new markets. It grants access to new customers in countries that show strong demand in the product or service the firm offers (K. E. Meyer, Wright, and Pruthi 2009). Additionally, some companies try to seek natural resources in certain locations. This is an important motive for firms of the primary and secondary sector. The access to rare resources can be combined with manufacturing activities in order to optimize transportation costs and time of transport (Peng and Meyer 2011). Furthermore, striving for efficiency represents another main goal of internationalization. Firms try to decrease their costs by identifying the most efficient locations taking into account a combination of low-cost factors and scale economies (K. E. Meyer, Wright, and Pruthi 2009; Dunning and Lundan 2009). Moreover, companies target locations, which are known for their extremely innovative environment in order to gain access to new ideas, technologies and highly skilled professionals. For example the Silicon Valley is known for its technological innovations, hence many tech-companies settle there to profit

from its environment. This specific location-based decision leads to the next key strategic decision that has to be made before moving internationally – where to enter?

2.3.2 Where to enter?

The decision of the target market can be based on an institutional framework that consists of formal and informal factors (Peng, Wang, and Jiang 2008). The framework provides a deep understanding of the foreign market, but not all companies follow this approach. The personal and professional network of the decision-maker can also influence the choice of the country (Coviello & A-M Martin, 1999). Formal institutions are laws, regulations and rules set by the government and they include economic factors of the country. Informal institutions are described by cultural norms and values, religion and language.

Strategic Objective	Location-specific Advantage
Natural Resource Seeking	<ul style="list-style-type: none"> - Quality and cost of natural resources - Geographical distance to manufacturing
Market Seeking	<ul style="list-style-type: none"> - Geographical distance to home country - Strong market demand - High Willingness to Pay (WTP) & Purchasing Power (PPP)
Efficiency Seeking	<ul style="list-style-type: none"> - Existence of low-cost labor force & suppliers - Proximity to clients & suppliers
Innovation Seeking	<ul style="list-style-type: none"> - Innovative firms and industry - Specialized Universities - Start-up incubators

Table 1 – Strategic goals of Internationalization

(Source: Peng & Meyer, 2011)

Generally, companies expand primarily to countries that are psychically close to their home country. This means that the company can understand the foreign environment due to the similar culture or the same language - hence it is easier to operate in such an environment (Johanson, Vahlne, and Johanson 2009). There are also location-specific advantages that

relate to the strategic objectives of a firm. The previous table provides a detailed view of the location-specific factors. Using the analytical framework of formal and informal institutions as well as the location-specific factors give companies a good overview of potential strong markets. In the next step firms need to decide on the time of entry.

2.3.3 When to enter?

The timing of internationalization is influenced by several factors. On the one hand, companies start to internationalize when the demand of the home market becomes saturated, therefore an entry into a foreign market can signify the access of strong demand for the product or service. Furthermore, high competition can also urge companies to move internationally. On the other hand, firms need to check the competitive surrounding of the new potential market, in order to estimate their competitive advantage. Besides being a first-mover, a company can likewise generate advantages as a late-mover (Luo and Peng 1998). As a first-mover, firms may gain advantages through proprietary leadership and the pre-emption of scarce resources (Lieberman and Montgomery 1988). Furthermore, building relationship and connections with key stakeholders in the new environment may help them to learn about the market and exploit economies of scale. Established relationships are advantageous in order to establish entry barriers for potential entrants by forming exclusive partnerships with suppliers and clients (Dowell and Swaminathan 2006). Entering a foreign market as a late-entrant can offer some advantages as well. Firms may free ride on the pioneering investments of the first-mover. For example, if the first-mover introduced a completely new product to a market, the education of the customer was a crucial investment that the late entrant may benefit from (Fuentelsaz, Gomez, and Polo 2002). At the same time, the follower is less uncertain about the market and can learn from the first-mover's difficulties and failures. As soon as the company decided on the market and analyzed its environment in-depth, the entry mode must be chosen in regard to the capability and willingness to commit resources.

2.3.4 How to enter?

In the first step, firms need to define whether to pursue equity and non-equity modes of entry. The difference between the two is the commitment of resources to the foreign market and the degree of control. The following graphs show the most considerable entry modes ranked regarding associated risk, investment volume, ownership, control and management effort respectively.

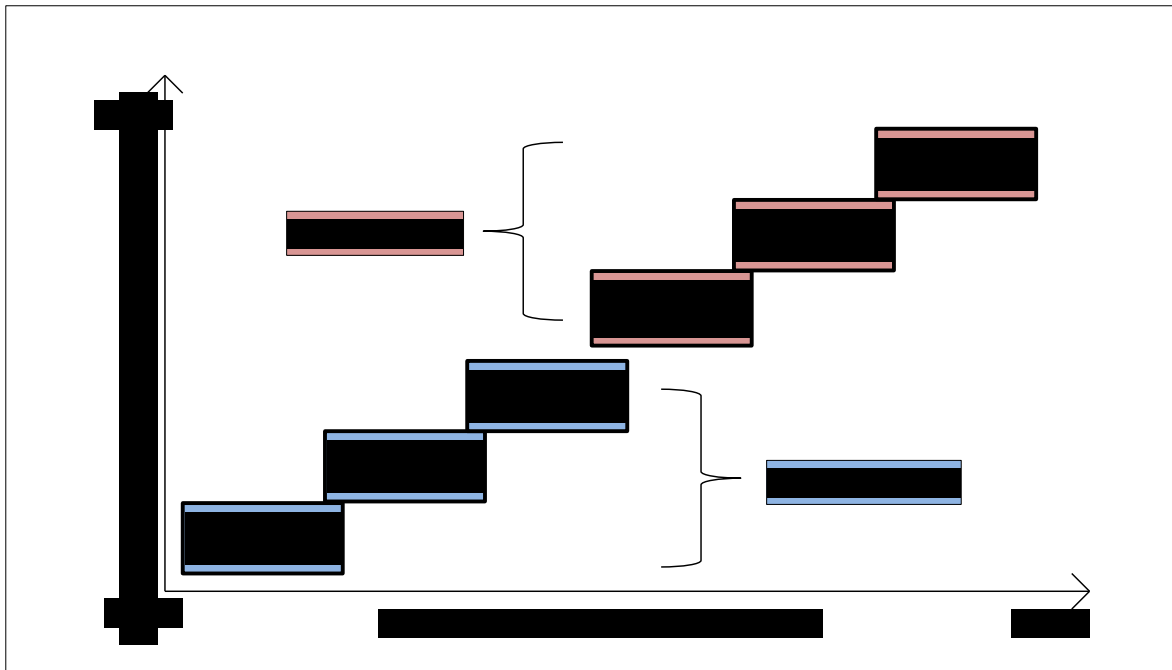


Figure 2 – Entry Modes of Internationalization

(Source: based on Meissner & Gerber, 1980)

This thesis has its focus on SMEs and Start-ups hence the non-equity modes are analyzed in depth. Smaller companies mostly do not have the resources to engage in Foreign Direct Investment (FDI). The most common options are Export, Licensing and Franchising (Peng and Meyer 2011).

The first step of international operation is exporting which is the process of selling products or services produced in one country to foreign markets. There are two types of exporting – direct and indirect. Direct exports are common practice when the volumes of are small. A firm treats foreign orders like domestic ones and sells on the new market through a sales representative or importing distributors. Sales representatives can help companies to quickly access a foreign market and use established networks to increase sales and recognition (Solberg and Nes 2002). Another advantage is that companies can get good feedback from the market, if the sales representative communicates it. Therefore they get a small commission on the sales. Importing distributors buy the product on their own responsibility and resell them on the foreign market to wholesalers or retailers.

Indirect exports are made through domestic export intermediaries. Their task is to take care of choosing the overseas trade partners and presenting the product on the foreign market. Advantages of exporting are little risk and commitment of financial resources. Furthermore, the fast access to new markets and the low market involvement are time saving factors. The

disadvantages are that the firm has almost no control over the appearance of their product or service on the new market and that through the low commitment they may not access much information about the foreign environment (Wu et al. 2007).

Licensing allows a firm, the licensee, to manufacture and sell the product of a company, the licensor, for a limited amount of time. In return the licensor gets royalty payments that are usually certain percentages of the licensee's sales. Little risk and financial investment of the licensor, as well as a fast market expansion are the main benefits of licensing (Fosfuri 2006). The licensee introduces the brand to a new market and paves the way for the licensor for future investments in the market after the licensing contract is over. On the other hand, the licensor loses control over the production and marketing of the licensee and there is a possibility that the licensee can ruin the reputation of the licensor (Arora and Fosfuri 2000). In addition, the licensee may become a competitor in some markets, if it is not covered in the contractual agreement.

In franchising, a foreign partner, the franchisee, pay fees and royalties to the proprietor, the franchisor, in order to operate under the franchisor's name in foreign markets. It helps the franchisor to expand quickly. In contrast to licensing, franchising agreements tend to be longer and the franchisor supplies the franchisee with the equipment, managerial practices, employee training, so that the franchisee can imitate the franchisor's operations. The risks are that the internationalizing company has a higher financial commitment than in licensing deals. Moreover, the franchisee may take advantage of acquired knowledge and become a competitor in the future (Peng and Meyer 2011). The franchisee is responsible for the image of the proprietor, which leads to high monitoring and performance evaluating efforts.

3 Methodology

In order to address these questions research was conducted. This chapter describes the structure of the research and explains tools and methodology used for the data collection. The sources of data were both primary and secondary.

3.1 Primary Data

The primary research was conducted in two different ways. Firstly, regular meetings with the client were a continuous source of information. The client described the problematic and expectations of the project and the author of the thesis accessed data about Miitik's business

practices, their current state and their capabilities. Both the client and the consultant defined the scope of the present thesis that is to focus on one market in specific and to provide an entry strategy. In one of the first meetings, Miitik suggested that the focus should be on countries on the southern side of the globe. The goal was to reduce business seasonality. After an extensive discussion with the client, the scope of which market to analyze was adjusted – hence the new target market should be in Europe, given that as a Micro-Corporation it would be risky and hard to deal with several collections simultaneously. Comparing countries on the basis of relevant economic, social and geographical factors, the author of this thesis could identify potential strong markets. The choice of country was not only based on the various factors, but also on Miitik's earlier thoughts about expanding to Germany, given the proximity and economic power of the population.

Furthermore, the author conducted interviews with ten persons of the defined target group. The interviews were held on Skype and some in Germany. The interviewer followed a script of questions, but motivated the interviewees to give answers that go beyond the question. The intention was to get a personal and honest impression of the interviewees' thoughts about Miitik and its products, about their beachwear shopping behavior and their concerns when buying beachwear online and offline. The script of the questions can be found in Appendix 5. The interviews helped the author of the thesis not only to find out about the opinion of Miitik, but also identified important insights about the German swimwear industry and the consumer behavior that influenced the entry strategy.

3.2 Secondary Data

For the secondary research reputable online databases were screened to find scientific articles. Search engines like Business source complete and Google scholar gave the author access to information about Internationalization, challenges of SMEs and Start-ups in the internationalization process and common foreign market entry strategies. Relevant information for the strategic analysis of the German market was collected from articles in national magazines and newspapers. Another source for country-specific data were the international databanks of the Worldbank and OECD. As a framework, the PESTEL analysis was used to analyze the potential of the German market. It includes six factors: political, economic, social, technological, environmental and legal. These factors generally are considered to be beyond the direct influence of an individual company. It enables the company to understand how each factor and the relationship among the factors affect

organizational performance and show market trends and opportunities. Furthermore, the author collected critical information about Miitik and its competitors on the company websites and lookbooks. The competitors were clustered in different strategic groups in order to show the favorable conditions of an entry of the German market. Moreover, the competitor analysis provided some successful examples of internationalization that could be adopted for Miitik's entry strategy.

R1: Which market should Miitik enter?

R2: Which entry strategy should Miitik choose?

R3: How can Miitik market the brand in Germany?

4 Findings and Results

Every company follows a different approach and is driven by different objectives regarding their endeavor of internationalization. The following entry strategy is customized for a possible market entry of Miitik in Germany. The whole process of defining the objective of internationalization, choosing the potential country, selecting a suitable entry mode and implementing the entry strategy will be analysed.

4.1 Choice of target market

In the first meeting the client mentioned its preferences regarding the selection of target markets. The objective is an expansion of their customer base by targeting new foreign markets. The purpose of seeking new markets is the main factor of rapid company growth. Initially, they were interested in possible markets in the southern hemisphere, but at the same time they expressed the potential for an expansion on the European market. Since beachwear has seasonal sales periods, here in Portugal from April until August, southern countries would add a second summer period to the business year. Between the first and second meeting, research about the company itself and the potential markets was conducted, which led to the decision that it was too early for Miitik to move to long-distance overseas markets. Furthermore, the potential markets on the southern hemisphere, namely Australia, New Zealand, Brasil and South Africa are already swamped with beachwear brands, so it would not make sense to choose a highly competitive market as the first destination of internationalization. Other regions below the equator were the rest of Africa and the South-

East Asia, which due to their religion and taste would not be a potential market for Miitik's beachwear anyway. In addition to that, Miitik is still a small company that does not have the organizational capabilities, financial and human resources yet to design, produce and sell two collections per year. Moreover, the transportation costs would drastically lower their margins, because the products are made in Portugal so need to be shipped around the world and Miitik produces in a low volume, which does not give any opportunity to leverage the transportation costs.

In one of the following meetings, the client and the consultants agreed on focusing European countries as potential markets. Miitik revealed that Germany, the United Kingdom were countries of their particular interest, because they are the most distant culturally and this consulting project could effectively add value by concentrating on these markets. Together with France, Spain and Italy they form the five biggest markets for beachwear and they amount to 70% of the whole European beachwear market (Fashion Network 2012). Germany is one of the largest countries in Europe regarding population and has around seven million persons that fit into Miitik's target group (OECD 2012). This fact combined with the high Gross National Income (GNI) per capita and the growing trend in premium/luxury brand consumption shows the strong potential of the German market (The World Bank 2015c). At the same time, there is a lack of competitors in this specific segment of beachwear. The following chapter provides a deep analysis of the German market.

4.2 Market Assessment

This part seeks to provide a profound understanding of the macroeconomic environment Miitik would face on the German beachwear market. The market assessment comprises political, economic, socio-cultural, technological, environmental and legal factors that will help to see the big picture of possible influences.

Germany provides a safe **political** surrounding that favors a possible entry of foreign companies. The environment can be assessed using different indicators. The political stability and absence of violence and terrorism is ranked by 0.7 on the Worldbank interval from -2.5 to 2.5 (The World Bank 2016). This is one of the highest values in Europe and shows that no major political turbulence are expected in the long run. The control of corruption also stresses the stable environment – with 1.8 of the Worldbank interval it outstands in the European comparison. Furthermore, the rule of law is ranked 1.8 within the same interval and indicates that the laws of a country govern the behavior of organizations and individuals of society to a

high extent, which is important for companies in the business context. Trade agreements also play an important role in the political influence of the German market. As a member of the European Union (EU), free trade agreements exist between Portugal and Germany. The EU erased political differences in trade and reduced the bureaucracy regarding customs, import taxes and import documentation (Ghemawat 2001). This trade agreement is favorable for the distribution of Miitik's products on the German market.

Analyzing the **economic** factors of Germany show the strong potential as a potential destination for internationalization. The GDP is 3,365 billion US-dollars in 2016 with a GDP per capita of 49,055 US-dollars (OECD 2016; The World Bank 2015b). It is ranked among the highest in Europe and it is expected to grow by 1.7% in the upcoming year. In order to get a more precise idea about the economic situation of German citizens, the Purchasing Power can help to show the relative income considering the different values of currencies and cost of living and amounted to 43,787 dollars (The World Bank 2015c). The unemployment rate is another measure that was taken into account, in particular the female unemployment that was 3.9% in 2016. Furthermore, the OECD measures the FDI restrictiveness of a country on a scale from 0 to 1, meaning that a country is open or close respectively towards FDI (OECD 2014). The beachwear industry in Germany belongs to the five strongest in Europe regarding the sales volume. With 336 million euros in market size in 2011 and expected growth rate between 2010 and 2016 of 5.97%, the writer of the thesis estimated the German market size to amount to 424 million euros in 2016 (Fashion Network 2012). Considering that female products aggregate to 70% of the whole beachwear industry, Miitik's relevant market totals 296.8 million euros in 2016. Women in Germany spent 741€ on cloths last year, although the author could not find any data about the spending patterns in beachwear specifically (European Environment Agency 2014). The interviews demonstrated a tendency that women buy one to two bikinis per year with an average price of 60€ per beachwear item. Women are motivated to buy new beachwear for three reasons. Firstly, they desire a new bikini or swimsuit when going on holiday and secondly, because the old ones show signs of usage and thirdly, they want to wear something different from last year.

GDP	GDP Growth	PPP	Target Group	Market Size (<u>Beachwear</u>)
3,36 <u>bn</u> US\$	1.72%	43,787 \$	7.2 <u>million</u>	424 <u>million</u> €

Table 2 – Key Indicators for German Market Assessment

(Source: The World Bank; OECD; Fashion Network)

Moving on to the **socio-cultural** factors, Germany has 81.4 million inhabitants with a growth rate of 0.5% (The World Bank 2015a). Miitik’s target group are women from 25-35 that are represented by 7.2 million women. It is more than half of the Portuguese population and almost ten times the size of the target group on the Portuguese market (OECD 2012). The body mass index (BMI) is 26.2, which signifies a moderate level of obesity (IndexMundi 2013). This fact can be of high relevance for the company, since they produce beachwear for women that are very sensible about their bodies. The interviewees mentioned Miitik’s design favors women with slight obesity, due to the wide shapes of the products that cover these critical parts of the body. Furthermore, Germans like to spend their holidays in warm countries with beaches. Within the top travel destinations there are Spain, Italy, Turkey, Greece, Croatia and France that are at the same time the most popular summer holiday destinations in Europe. Germany is the country in Europe with the highest number of total holidays booked. 68.7 million long holidays that are vacations for more than five days were booked in 2016 (DRV 2016). This information is relevant for the decision to internationalize to Germany, because the interviews revealed that women often buy beachwear for the special purpose of holidays. Hence, the potential of the German market is present, even though Germany is not known for its beach culture and might not be associated to beachwear. In addition to that, a survey of the organization Education First (EF) states that Germans possess a high proficiency in English language, ranked at the ninth position in a worldwide comparison with the score of 61.58 and females have on average a higher score of 63.45 (Education First 2016). This shows that English can be used to address potential German clients and business partners, even though; German is expected to be the language to communicate to potential clients in the long run.

Technological factors also affect the German market and have an impact on Miitik’s choice of entry destination. E-commerce is experiencing significant growth in Germany.

In 2017 the total revenue through Business to Customer (B2C) e-commerce is expected to increase to 48.7 billion Euros (Statista 2016a).

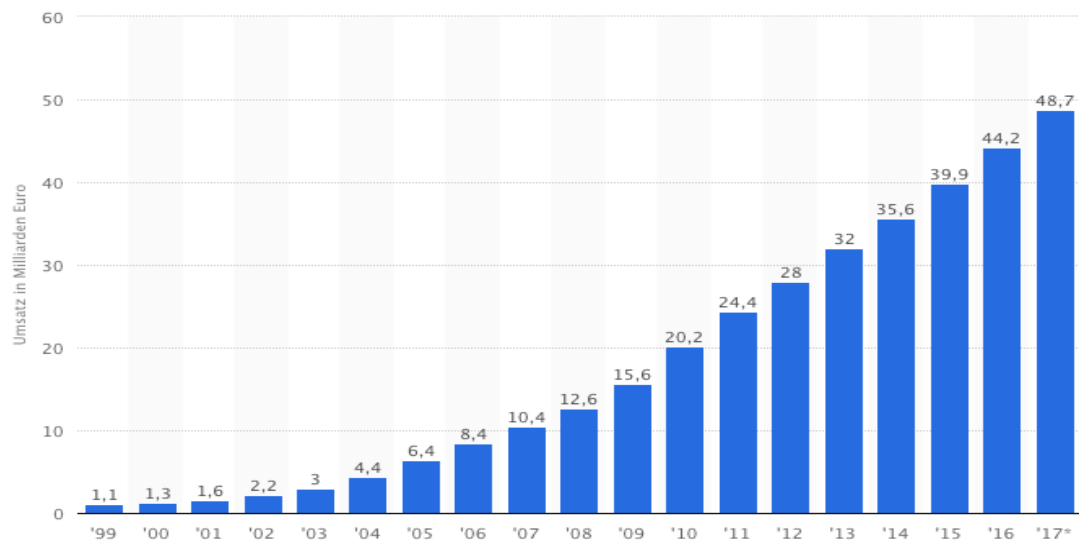


Figure 3 – E-commerce Sales in Germany from 1999 to 2017

(Source: Statista & bevh, 2016)

Online retailing is booming and especially online luxury fashion retailing indicates growth rates of 12% (McKinsey & Company 2015). In addition, 42% of the German population prefers to shop online (bevh 2015). The share of online fashion retailing of the total online sales amounts to 36.6%. As a medium for online shopping 34% of the Germans use mobile devices. In 2016 49 million people, who represent 60 % of the whole population, own a mobile device and smartphone (Statista, 2016). The main group of mobile device users is Millennials that mainly belong to Miiitik’s target group (Retail Research Organization, 2016). The substantial growth of online retailing is partly caused by the trend of brand digitalization and the use of social media for retailing purposes. Even luxury brands are following the movement that traditionally opposes the idea of luxury brand retailing, which aimed to limit the accessibility towards customers. Usually brands use their own social media profiles on Facebook, Instagram, Twitter, YouTube and Snapchat to promote and sell their products. Brand ambassadors that encourage their followers to buy certain products via online channels by using promotion codes to get discounts support this trend. The concept of brand ambassadors will be analyzed in the entry mode implementation part.

The **environmental** factors are a weak point of the market assessment. Germany is not the typical country known for its sunny days and beaches. Although there are only half as many accumulated sunny days per year than in Portugal, 66 sunny days compared to 116, Germany has a coastline of 2,400 kilometers compared to Portugal’s 1,800 kilometers. In these coastal

areas 3.2 million people live and in the summer months it is a popular holiday destination. Furthermore, Germany has plenty of lakes and rivers that are also used by people for recreational purposes, namely the “Chiemsee”, “Bodensee” in the south, the river Rhine and the river Spree in the north.

From a legal perspective, Germany is a favorable destination for Miitik’s internationalization. Trade agreements between members of the EU were mentioned before in the political part. If Miitik exports their products to Germany, they have to pay the value added taxes (VAT) in one of the countries. The VAT regulations are covered on the EU level under the Directive 2006/112/EC (European Commission 2017). The same rules apply to a Business to Business (B2B) trade partnership. Moreover, there are rules regarding the e-commerce, namely the seller has to give the buyer the right of revocation within the first two weeks, when the buyer receives the good. It is important to offer a convenient return policy and free shipping in case of a return. Most online shops handle it this way and the interviewees also mentioned its importance. Furthermore, it is legally required to be certified by a trusted shop organization. They make sure the customer’s privacy is protected and at the same time give credibility to the company. Moving on from the assessment of the German market, the next chapter will analyze Miitik’s main competitors.

4.3 Competitor analysis

This chapter seeks to provide a good overview about the competitors on the German bikini market. It was not possible for the author of the thesis to find data about the market size and share of competing firms. Therefore, collected data of the interviews and extensive online research were the basis of the strategic competitor analysis. The competitors then were ranked in strategic groups regarding relevant differentiating factors. The competitor analysis gave the author an overview of the brands that operate on the German market and helped to identify trends and preferences of customers when buying beachwear. The strategic group analysis groups companies of the same industry according to criteria that can clearly differentiate their strategies. Using different criteria that result in different groupings helps to give an in-depth analysis of the industry and competitors. It is a helpful tool to gain detailed insights to marginal unviable strategies, unexplored positioning by competitors, strategic moves by competitors and it identifies key success factors of each strategic group. Companies should use that tool to get a particularly clear image about unexplored opportunities in markets and the feasibility to enter a new market.

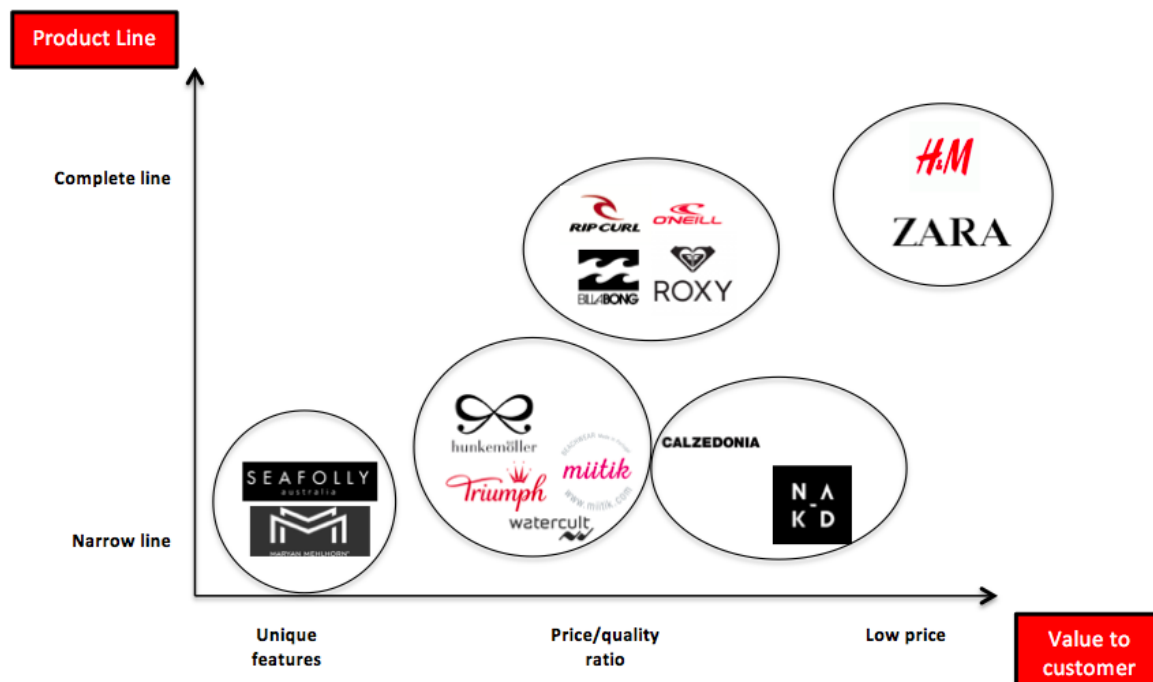


Figure 4 – Strategic groups ranked by product line and value to customer

(Source: own figure)

The interviewees mentioned most of the brands in the previous graphic. Additionally, further research was conducted to identify some other relevant player on the market. The value to the customer is represented on the x-axis is defined by a ratio of price and quality and unique features of the brand's products. On the y-axis the product line ranges from narrow to complete to show the level of specialization of the respective company. In the top right corner there are the two big retailers H&M and Zara. They both have a complete business line and charge low prices for their beachwear. A bikini ranges from 10 to 30 euros and 25 to 45 euros at H&M and Zara respectively. Swimsuits cost between 25 and 40 euros at H&M and 30 to 45 euros at Zara. Both companies form a strategic group, since they follow a mass-market approach and produce their products at low cost. Calzedonia and NA KD offer similar prices, but they are not as established as the other two multinationals. In contrast to that they are mainly specialized in beachwear for women. The specialty about NA KD is that they solely operate through an online store.

The strategic group of Ripcurl, Roxy, Oneill and Billabong represents the sportiest beachwear on the market. The interviews indicated that they have strong relevance on the German market, since many interviewees mentioned these brands as very known. Apart from bikinis they produce further surf-inspired fashion. Their target group is younger girls, so they are no

direct competitors of Miitik. The bottom left strategic group consists of two brands that are located purely in the luxury market. Seafolly and Maryan Mehlhorn offer bikinis from 120 to 250 euros, swimsuits from 130 to 200 euros and beachwear like cover ups from 129 to 260 euros. Both companies produce high quality beachwear products and they pay utmost attention to details. Although they are placed in the same strategic group, Maryan Mehlhorn addresses a more sophisticated and mature target audience, while Seafolly creates beachwear for teenagers and women in their early twenties. Miitik faces diverse competition in their premium beachwear category. Hunkemöller and Triumph are very known brands in Germany, particularly for their bodywear and lingerie. Both brands added beachwear to their portfolio and have campaign with famous models, for example Hunkemöller works with the model Doutzen Kroes. Their designs and shapes come closest to Miitik's products. In terms of pricing, both brands have similar prices in comparison to Miitik. An extensive price analysis can be found in Appendix 3 and 4. Watercult is a German brand that shows many parallels to Miitik and expresses identical values like focus on craftsmanship, quality of the fabric and design and prints of the product. In terms of the style factor and the flashiness of the products, what the author called "fashionability" there are big variations between the brands on the market.

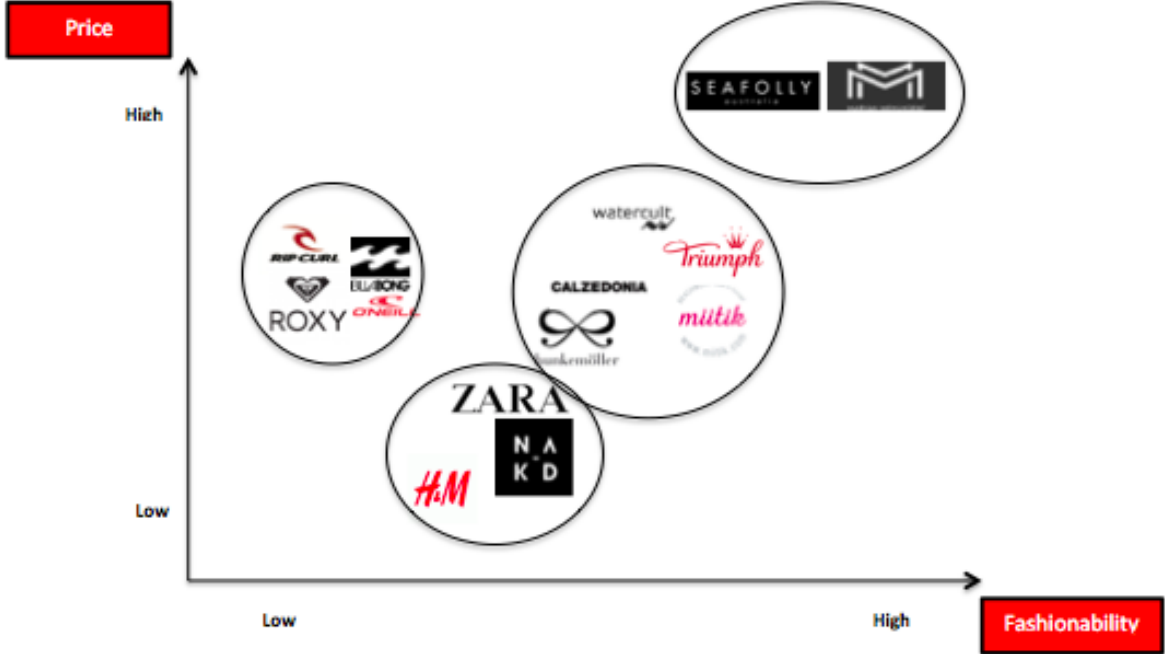


Figure 5 – Strategic groups ranked by price and fashionability

(Source: own figure)

Beachwear in Germany is basic regarding design patterns in the low price category. Many brands like H&M or NA KD offer mostly monochrome products. Brands with more colorful designs are Seafolly, Calzedonia, Triumph, Watercult and Miitik. The customers that buy products of these brands want to stand out. Besides the conspicuous color, the products have an extraordinary shape that is not comparable to other competitors on the market. The strategic group of Miitik and the more luxurious group with Seafolly are the most fashionable on the market. The differentiating factor is definitely mainly based on the design and prints. It is obvious that the more stylish the products are the higher is the price. The majority of beachwear brands have a more simple design, but women's shopping behavior shows that rarity and uniqueness are important aspects for German females. The interviews indicated similar results, most of the interviewees did not know any brands that show parallels to Miitik's products and they perceived the brand exceptional in a positive way. Triumph and Watercult are the most similar companies, even though they differ in size and product range. Triumph is famous for their female bodywear products and has established distribution channels. The company has its own stores, but also sells in various department stores. Watercult on the other side is a younger firm and only sells through department stores, sport stores and boutiques for female fashion, lingerie and swimwear in specific. It could serve as an example for a possible implementation strategy, which the following chapter will elaborate on.

4.4 Choice of Entry Mode

This part will focus on short-term strategies of an expansion to the German market. A long-term perspective will be discussed later on by giving a future outlook in case of a successful implementation of the short-term strategy.

Then main objective is to establish B2B relationships rather than following a B2C approach. The selection of a suitable entry mode was based on different factors. The author of the thesis identified non-equity entry modes as the best solution, since Miitik is still a young and small Start-up. Firstly, the Start-up has limited internal capabilities – with only four employees it would be too complex to follow an equity mode, because targeting an additional market increases the transfer and coordination of internal resources. Secondly, an equity mode would not be feasible in the short run, because of Miitik's limited financial resources. The risk would be too high for the small company; hence direct exporting shows the best fit as an entry mode. The relatively close distance to Germany, the time of transportation as well as the cost

of transportation favors the selection of this entry mode. In terms of the production volume, treating foreign orders like domestic orders makes sense in the present state of the company. This year's volume is set to 2500 pieces, with the possibility to double the production spontaneously, if there is sufficient demand. Furthermore, Miitik does not have an established network in Germany; therefore direct exports through an intermediary are a good solution to gain access to connections and relationships in the local market. The middleman can be a sales representative or an import distributor taking care of Marketing and Sales activities in Germany. Contracting such an agent would help the management to learn about the German market, especially about customers' tastes and shopping behavior, but also support to create brand awareness on the new market. It allows the company to quickly enter the market and scale the business, if the intermediary's network is spread through on the most relevant regions in Germany.

In addition to the direct exports, Miitik can establish online channels to further increase brand awareness and give customers the opportunity to look at the products online and even buy it through this channel. Social Media presence seems crucial in order to strength both of the mentioned processes. Direct exports and online channels have a low resource commitment to the market, meaning that the financial investment and the organizational efforts are relatively low, so the Start-up only faces a containable risk. Moreover, the fact that Portugal and Germany are both members of the EU brings along many political and legal advantages for exporting. The implementation of this entry mode contains multiple aspects that will be explained in the following chapter.

4.5 Implementation of Entry Strategy

Before implementing an entry strategy a company should assess whether it is the right time to enter or not. In this case, the implementation can start as soon as Miitik decides to do so. The low density of competitors in their segment is the main reason to internationalize. The Start-up clearly offers a differentiated product considering style and design. At the same time, it is obvious that some competitors try to produce more "fashionable" products, due to a shift in demand towards more exclusive and unique beachwear. Furthermore, Miitik can adopt distribution strategies of competitors in order to efficiently enter the new market.

One of the main reasons why direct export was recommended as the most suitable entry mode is, because of network benefits that can be generated through a sales representative or import distributor. Most of the times intermediaries have a broad network of department stores,

fashion houses and other multi-brand stores. Theoretically, those Points-of-Sale (POS) can be contacted directly by Miitik, but this process would take more time and it is a big challenge, because the brand has no awareness and credibility yet on the German market. In order to find a possible distributor or sales agent, the company can visit trade fairs to network and get to know potential partners. There are some international and domestic events that could be of Miitik's interest. The "Interfilere" is an international sourcing event for lingerie and swimwear that takes place twice per year. Precise dates and contacts can be found in Appendix 7. It focuses on the European-based view on production, which fits to the Start-ups production process. Another international trade fair is "Mare di Moda" that concentrates more on beachwear. It takes place in Cannes, a historical place for the popularity of the bikini, and is known for the creation of relevant business contacts. In Germany, there are two main trade fairs taking place every year. The "Supreme Body & Beach" is located in Munich and is the biggest event for lingerie and beachwear. "Wäsche und Mehr" takes place in Dortmund and also represents a good way to expand the network and at the same time learn about the trends of the market.

The Start-up has the opportunity to focus on different types of stores regarding the distribution; since beachwear can be associated with purely fashion, sport and female bodywear. Hence, in this case it is possible to distribute the products through general fashion stores, sport stores and as well stores for female body wear and lingerie.

There are many department stores that are based throughout the biggest cities in Germany. The most popular is the KaDeWe group that is based in Berlin and has two other stores in Munich and Hamburg under the names, Oberpollinger and Alsterhaus respectively. The historical department store features the worlds leading premium and luxury brands. Its store in Berlin is the second largest department store in Europe and it attracts 40,000 to 50,000 visitors per day. More basic department stores are Galeria Kaufhof and Karstadt that have around 100 department stores each in Germany. Both of the stores have a higher reach and traffic than the KaDeWe group and the offered brands range from low cost to premium. Customers can find not only cloths in both of stores, but also sport sections. Galeria Kaufhof and Kartstadt could be possible distribution partners, because of their broad network. The fashion houses Breuninger and Peek&Cloppenburg focus on premium and luxury fashion for men and women. Both companies are more focused in specific regions of Germany. Breuninger has eleven stores in the southern part and Peek&Cloppenburg owns 67 stores, mostly in the western part. Another potential store is the Galerie Lafayette in Berlin. It belongs to a French company and features international luxury brands. By hosting fashion

shows the store informs its customers about latest fashion trends and sponsors innovative and young fashion. The store has a fashion laboratory that shows every six months the collections of different designers. It is a good platform for international designers to present and sell their pieces. Another similar approach has the mall Bikini Berlin. It is the first concept mall worldwide and it has the possibility for small brands to show and sell their cloths in so-called Pop-up boxes that can be rented up to one year. The criteria for a potential placement are that the brand has to be innovative in design, high quality and medium to upper price range. Furthermore, Miitik could try to get in touch with sports stores, as they also sell beachwear next to the typical sports cloths. The main stores in Germany and Sportcheck with 20 stores and 500 brands throughout Germany and Sportarena, which belonged to the Kaufhof group until last year when both companies were purchased by a Canadian investor. The company Watercult is sold in many of the mentioned POS. Additionally to the big department stores, Watercult addressed small, local boutiques for female fashion and lingerie.



Figure 6 – Example of Pop-up Box in Bikini Berlin concept mall

(Source: Bikini Berlin 2017)

The brand managed to be sold in several online wholesale channels. The most popular in Germany are Zalando, Amazon, About You, MyTheresa and Stylefruits. This could be a potential way for Miitik to increase brand awareness on the market. Zalando for example has 16 million active users and offers a variety of products. A good feature of the online shop is

that a potential customer can classify what style of beachwear they like. It ranges from Statement, which are very fashionable products, to classic, beach&surf and performance. At the same time, Miitik should create an online shop in English or German language, so that potential customers can directly go to the website and find more products and order them.

Other suitable POS are Gyms and Health Clubs that focus strongly on women. Some of the gyms sell sportswear and also swimwear, so it represents a good opportunity for Miitik. The fitness industry in Germany is experiencing times of huge growth. 47% of the total members of gyms are women, which amounts to 8.85 million in 2016 (Statista 2016b). There is a tendency in Germany towards so-called boutique gyms that are premium and luxury gyms offering a mixed concept with gym, wellness area and gourmet restaurants. A good example is Holmes Place that is present in Düsseldorf, Berlin, Hamburg, Cologne and in Portugal as well. If Miitik could manage it to contract Holmes Place Portugal as a reseller of their beachwear, it could be an opportunity to enter the German market in this way. Another suitable example is the gym called Elements. It is present in Munich, Frankfurt and Stuttgart and it additionally offers childcare. This is of importance, because it aims at the same target group than Miitik, which are young mothers. These little aspects differentiate premium and luxury gyms from regular ones. Miitik is following a similar strategy that focuses more on a premium market than a mass market. Furthermore, there are two successful female premium gyms on the German market, namely Mrs Sporty and Fitness First. They are located in the major cities and together account to 250 fitness studios. In addition to conventional fashion stores, gyms represent a lucrative opportunity for Miitik not only to sell its products, but mainly to increase brand awareness directly at touching points with their target group. #





Gym	Location	Advantage	Strategic Fit
Holmes Place	Dusseldorf, Berlin, Munich, Cologne	Also in Portugal, Body and Mind studio	
Elements	Munich, Frankfurt, Stuttgart	Childcare, Pool	
Mrs Sporty	All major Cities	Women only, high scope	
Aspria	Hamburg, Berlin	Health Assessment, Childcare	

Table 3 – Strategic Fit of Gyms for Partnerships

(Source: company websites)

There are more opportunities for Miiitik to increase brand awareness. Social Media plays an important role for brand marketing in Germany. Lifestyle and fashion bloggers act as brand ambassadors and promote products on their Social Media channels, reaching out to millions of customers. It can be seen as a personalized marketing tool that manages to mainly address a specific target group. Bloggers operate in different ways, there are the traditional bloggers, video bloggers called Vloggers, Social Media bloggers and magazines that feature blogs within their content. The most famous traditional blogs are “This is Jane Wayne” that is a partner of the magazine Vogue, “Journelles” and “FashionHippieLoves”. These blogs focus on topics all around fashion, design, beauty and travel. They inform their readers about new trends in the fashion industry, upcoming events and the also feature new brands. Due to Social Media, traditional advertising tools and channels decreased in importance. A study of the market research company GfK of 50,000 Twitter users with active fashion interest participated in this study found out that the real influence of bloggers lays in the relationship and interaction with their followers and not just the number of followers. The influence of bloggers in Germany is twice as relevant as retailers itself. A list of the most influential bloggers can be found in the appendix.

Fashion magazines are also a good way to increase brand awareness. There are a high number of these magazines in Germany; hence the author filtered the ones of interest to Miiitik. Next to the premium and well-known magazines Cosmopolitan, Elle, Glamour, Vogue and Sports Illustrated there are several less known magazines that can be a good medium to place

advertisements. Grazia is a magazine that targets women between 25 and 45 years and covers the topics fashion, beauty and celebrities. It is not as famous as Cosmopolitan, Vogue and others; hence it could be potential way for advertisement. Fitness magazines are also of interest to Miitik, because the fitness industry and beachwear industry are complementary. Since the company launched a sportswear collection it even represents a better fit. The magazine Glamour organizes the “Glamour Fashion Week” twice a year, where brands can show their collections and even less well-known brands have the chance to participate. Besides that, there are further fashion events in Germany, namely the Vogue Fashion Night in Berlin and Düsseldorf and the Berlin Fashion Week. Especially the Berlin Fashion Week gives newcomers the opportunity to present their collection in front of a huge audience and to expand their network. The network expansion is crucial in the early stage of internationalization. Fashion trade fairs are prone for networking in order to find valuable contacts for further international expansion.

5 Conclusion

All in all, Germany represents a good opportunity for Miitik to make the first step onto the international stage. Firstly, taking into account that the company is still very small and lacks internal capabilities and financial resources. It makes total sense for the Start-up to first expand to close European countries. The sales volume of Beachwear of the strongest five countries, namely Germany, United Kingdom, Spain, Italy and France, shows that Internationalization does not need to be geographically far. Since the firm was initially interested in targeting the German market and it might sound paradox, because it is not known for its beach culture, a deep macro-economical assessment was needed to justify the decision to enter. Especially, the economic and socio-cultural factors make Germany seem to be a high potential market. In terms of the competition, Miitik would face far less direct competitors than in Portugal. The demand is mainly served by big brands like H&M, Calzedonia and Zara. Nevertheless, there is a trend towards more unique brands, because the consumer behavior changes. Women want to separate themselves from each other by buying more niche brands. Furthermore, the luxury industry shows moderate growth patterns, which strengthens the decision to expand to Germany. The premium beachwear brand has the opportunity to enter at the right time, as a new demand is rising.

The decision of choosing a non-equity mode for the first international expansion was based on the limited internal capabilities, financial resources and the associated risk that comes with a FDI. Therefore, searching for partners, like a sales representative or export distributor is the most logical step. Such a partnership would help Miitik to establish a network in the foreign market and it would accelerate the internationalization process immensely. Another possibility could be a proactive approach of finding distribution partners, like department stores, sport stores and specialized stores, like lingerie boutiques. A virtual entry could complement the physical expansion. Especially shopping beachwear products is very physical for most women, even though e-commerce sales are increasing in Germany, also in the fashion industry. This is why a sole virtual entry would not make sense at this point, particularly because the brand awareness is non-existent in Germany. In order to increase the awareness, Miitik can use Social Media channels, by contacting bloggers to promote their products like brand ambassadors or through articles in traditional blogs.

5.1 Future Outlook

In order to intensify the resource commitment for international expansion, Miitik has to make sure to learn as much of their overseas actions as possible. The gained knowledge and experience can help the company to further expand. If Miitik successfully establishes itself on the German market, expanding to other European countries could be a good short and medium term strategy. Furthermore, the Micro-Enterprise could partner up with a domestic brand, like Headji, a Portuguese company for accessories that complement beachwear. Both companies already collaborate in a collection of beach-bags and hats. This collaboration could be a starting point of a Joint Venture. Turning around the perspective, it could be possible to find a German company that wants to expand to Portugal, so that both Miitik and the other brand could share their physical domestic distribution channel with each other.

In the long run it would make sense for the company to sell on the southern part of the globe, only if the company grows, so that the internal capabilities can match the expansion plans. In addition, the firm needs to grow financially as well, because the further a company expands the higher are the associated costs. If they see a high demand in the countries south of the equator, a shift of production could be useful in order to reduce transportation cost and operation time.

5.2 Limitations

Every analysis has its limitations. In the present thesis, the author had difficulties to find exact numbers about the beachwear industry in Germany. Especially, identifying the market shares of the competitors was impossible without having access to expensive business reports. Furthermore, the interviews are not representative, because they only gave the author a good overview about the unknown beachwear industry in Germany. The author had to be careful with drawing conclusion out of the interviews. Furthermore, the recommendations have no guarantee for success, they are based on what relevant literature suggests. In order to identify statistically representative trends, a bigger sample has to be collected and analyzed.

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7 Appendixes

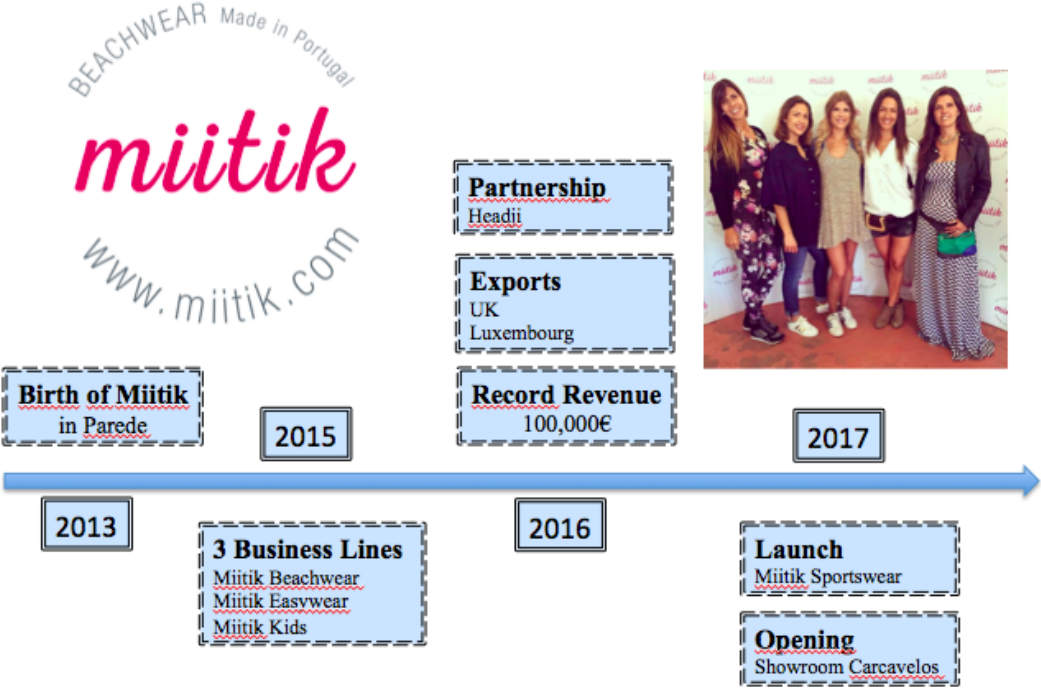
Appendix 1: Consulting Project Plan

(Source: own table)

STAGE	ACTION	GOAL	TYPE OF ACTION	TIME
Identification				
(1) Meeting the Client	<input type="checkbox"/> Introductory Meeting <input type="checkbox"/> Problem description meeting	<input type="checkbox"/> Understand the type of client, the business model <input type="checkbox"/> Defining the client needs <input type="checkbox"/> Defining the scope of the thesis	Introductory	Middle of February
Disaggregation				
(2) Preparing Miiitik's Internationalization process	<input type="checkbox"/> Online Research – internationalization strategy, countries, industry, competitors, etc. <input type="checkbox"/> In-depth interviews with women from target group (Skype or in Germany) <input type="checkbox"/> Analyzing the German market with strategic tools	<input type="checkbox"/> Research on company & environment <input type="checkbox"/> Understand Miiitik's value chain <input type="checkbox"/> Understand the swimwear industry in Germany <input type="checkbox"/> Get a impression of what members of the target group think about Miiitik <input type="checkbox"/> Identify potential	Primary Research Secondary Research	March (4 weeks)
Validation				
(3) Aggregating all data and defining Miiitik's Strategy	<input type="checkbox"/> Collecting and aggregating all the information from the diagnosis stage <input type="checkbox"/> Defining the entry strategy <ul style="list-style-type: none"> <input type="checkbox"/> General guidelines <input type="checkbox"/> Consider limitations & time frame 	<input type="checkbox"/> Justify why selection of German market <input type="checkbox"/> Select the most suitable entry mode <input type="checkbox"/> Find ways to market the brand in Germany <input type="checkbox"/> Look out to the future, show potential strong markets for further expansion	Entry-Strategy Definition	April (4 weeks)
Recommendation				
(4) Arranging the client pitch	<input type="checkbox"/> Preparing the presentation for the client & finishing the thesis <input type="checkbox"/> Rehearsing and getting second opinions <input type="checkbox"/> Executing the pitch	<input type="checkbox"/> Organising the data, ideas and message <input type="checkbox"/> Ensuring the presentation is cohesive <input type="checkbox"/> The project proposal; convince the client	Delivering the project resolution	End of May

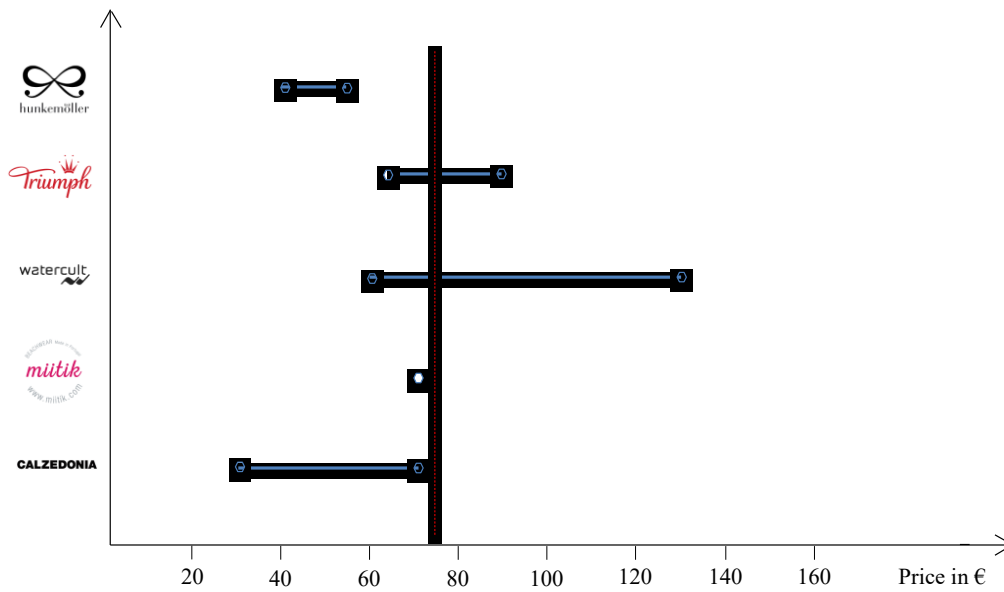
Appendix 2: Company timeline

(Source: own figure)



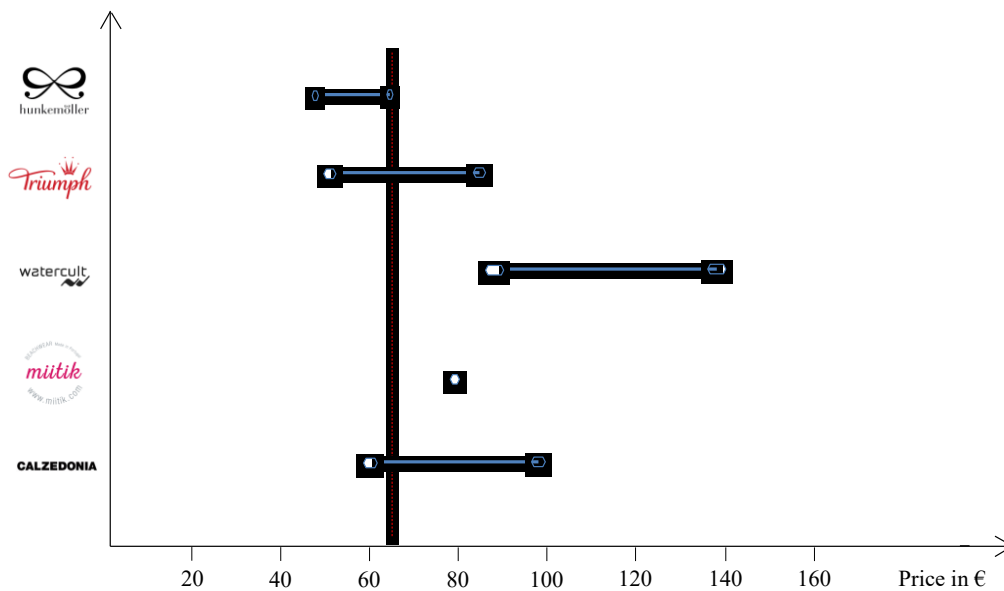
Appendix 3: Price Analysis Bikinis

(Source: own figure; average price is red line = 67.8€)



Appendix 4: Price Analysis Swimsuits

(Source: own figure; average price is red line = 74.5€)





Appendix 5: Interview questions

Phase 1	What kind of swimwear products do you normally use? (bikini, bathing suit etc.)
	What comes first to your mind when thinking about bikinis?
	How much do you value "bikinis" compared to other clothes? (Scale 1-10; 1=low 10=high)
	Please mention the names of bikini brands that come to your mind
Phase 2	Which brands do you usually use/buy? Why?
	What aspects influence your decision to buy a bikini?
Phase 3	Where do you normally buy bikinis?
	How often on average do you buy a bikini per year?
	What would be a reason to switch brands?
Phase 4	Which characteristics are most important for you when choosing a bikini?
	Do you usually buy one bikini or more at the same time?
	What is the maximum you would spend on a bikini?
	PLEASE TAKE A LOOK AT THE WEBSITE OF THIS BIKINI BRAND.
	http://www.miitik.com/categoria-produto/beachwear-khyara-ss2017/
Phase 5	What do you associate with the bikinis/pictures on the website?
	Are they similar to any existing brand?
	What do you think is special about the bikinis?
	Would you categorize these bikini in the premium/luxury segment? Why?
	What do you consider as the main differences between Miitik's beachwear and known brands in Germany?
Phase 6	Have you ever heard about the brand Miitik?
	What do you associate with the country Portugal?
	What do you associate with products from Portugal?
	Do you think the brand could have success on the German market? Why/why not?
	Would you buy a Miitik bikini?

Appendix 6: Recommended Trade Fairs

(Source: own figure)

Trade Fair	Interfilière	MarediModa	Supreme Beach & Body	Wäsche und Mehr
Topic	Lingerie & Beachwear	Beachwear	Lingerie & Beachwear	Lingerie & Beachwear
Date	08. – 10.07 2017	07. – 09. 11.2017	23. – 25.07 2017	05. – 07.08 2017
Location	Paris, France	Cannes, France	Munich, Germany	Dortmund, Germany
Cycle	Biannual	Annual	Biannual	Biannual
Audience	Professional	Professional	Professional	Professional
Number of Visitors	12,000	2,700	2,500	1,236
Number of Exhibitors	253	100	130	129
Contact	croux@eurovet.fr	info@maredimoda.com	info@munichfashioncompany.de	info@hvplus.de
Strategic Fit				

Appendix 7: Relevant Fashion Blogs in Germany







(Source: Fashionbi, 2015)

BLOGS TOP 10 GERMANY (DE)

- **MashaSedgwick**: Followers on Facebook: **46.337** Twitter: 1.959 Instagram: 31.713
- **FashionHippieLoves**: Followers on Facebook: 36.592 Twitter: 6.458 Instagram: **914.936**
- **(Now Inactive) LesMads**: Previous Followers on Facebook: 30.474 Twitter: **12.700** Instagram: 3.113
- **Journelles**: Followers on Facebook: 24.689 Twitter: 4.144 Instagram: 34.811
- **ThisIsJaneWayne**: Followers on Facebook: 24.231 Twitter: 4.051 Instagram: 6.573
- **StyleRanking**: Followers on Facebook: 20.946 Twitter: 4.215 Instagram: 1.490
- **Bekleidet**: Followers on Facebook: 13.578 Twitter: 3.780 Instagram: 25.545
- **ModePilot**: Followers on Facebook: 11.111 Twitter: 2.754 Instagram: 1.148
- **FashionPuppe**: Followers on Facebook: 10.891 Twitter: 13.700 Instagram: 22.403

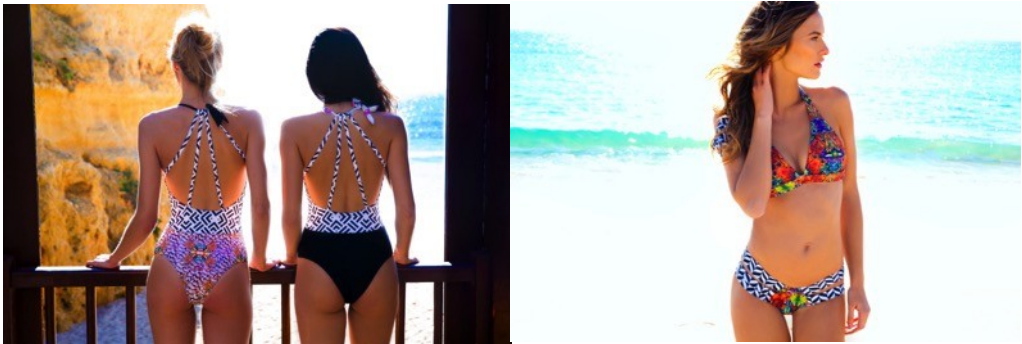
Appendix 8: Popular German Bloggers

(Source: GfK Insights 2015)

Name of Blogger	Strategic Fit			
<u>Fafine</u>		13,510	35,800	14,200
<u>daaruum</u>		202,800	351,000	212,000
<u>Funnypilgrim</u>		89,741	100,000	33,200
<u>Beautypeachiii</u>		413,885	417,000	153,000
Josie Loves		10,637	25,600	4,333
<u>Zuckermädchen</u>		13,446	45,500	2,945
<u>Masha Sedgwick</u>		46,337	31,713	1,959

Appendix 8: Mitiqs Beachwear products

(Source: (Mitiq 2017))



Appendix 10: Mitiq Kids

(Source: (Mitiq 2017))



Appendix 11: Miitik Sportswear
(Source: (Miitik 2017))



Appendix 12: Miitik X Headji Partnership
(Source: (Miitik 2017))



Appendix 13: Miitik Easywear
(Source: (Miitik 2017))

