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CONNECT TO SUCCESS CONSULTING PROGRAM

LILIANA ALVES JEWELRY DESIGN
Business Plan and Internationalization Strategy

ANA GRUDEN, # 2193
MARIA RITA ROOKE MAGALHÃES BRITO E FARO, # 2299
AFONSO BAPTISTA PINTO LEAL, # 2117

A Project carried out on the Master in Management Program, under the supervision of:

Carlos Alves Marques

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Abstract

This Work Project includes a business plan and an internationalization strategy for a Portuguese jewelry designer Liliana Alves. The purpose of the business plan is to evaluate the current situation of the company in the Portuguese market and find ways to improve it, while the internationalization strategy aims to increase revenues by expanding the operations abroad. The main suggestions comprise of unifying the inconsistent distribution strategy, taking advantage of time-reducing production processes, and increasing the margins through lowering fixed costs. Furthermore, current and potential internationalization locations are analyzed and entry strategies suggested.

Keywords: Jewelry Design, Business Plan; Internationalization

Disclaimer: The content of this Work Project has been compiled to the best of our knowledge. We do not assume responsibility for the completeness or accuracy of the information provided by the client.

Glossary

AORP – *Associação de Ourivesaria e Relojaria de Portugal*

AICEP – *Agência para o Investimento e Comércio Externo de Portugal*

AIRO – *Associação Industrial da Região do Oeste*

ANJE – *Associação Nacional de Jovens Empresários*

APIO – *Associação Portuguesa da Indústria de Ourivesaria*

BRICS – *Brazil, Russia, India, China and South Africa*

CBI – *Centre for the Promotion of Imports from developing countries*

CEO – *Chief Executive Officer*

CHF – *Swiss Franc*

CINDOR – *Centro de Formação Profissional de Ourivesaria e Relojoaria*

ENI – *Empresário em Nome Individual*

EU – *European Union*

GDP – *Gross Domestic Product*

IMF – *International Monetary Fund*

IRC – *Imposto Sobre o Rendimento das Pessoas Coletivas (Corporate Income Tax)*

IRS – *Imposto Sobre o Rendimento das Pessoas Singulares (Personal Income Tax)*

PALOP – *Países Africanos de Língua Oficial Portuguesa (Portuguese-speaking African Countries)*

SMEs – *Micro, small and medium-sized enterprises*

UK – *United Kingdom*

UNL – *Universidade Nova de Lisboa*

USA – *United States of America*

VAT – *Value Added Tax*

WTO – *World Trade Organization*

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Introduction

Liliana Alves Jewelry Design is a Portuguese micro enterprise, based in Caldas da Rainha. It employs two people on a permanent basis and has some occasional collaborators. The designer behind the company name, Liliana Alves, is the founder of the enterprise. She was born in Caldas da Rainha in 1982. She studied jewelry design at CINDOR, Gondomar, and then she decided to start her own business. After some bureaucratic difficulties, she managed to have her brand certified by the Mint of Portugal. Her inspiration comes from traditional Portuguese origins and everything that surrounds her. Liliana Alves uses gold and mainly silver, which she combines with wood, ceramic and precious stones, in order to create unique pieces. Filigree, a traditional Portuguese technique, is typical in Liliana's collections, though she developed a very particular way of working it.

The purpose of this Work Project is twofold:

- (1) to write a structured business plan that would help Liliana Alves in evaluating her current situation in the market, and
- (2) to identify potential markets for internationalization and develop entry strategies in order to grow the business.

The structure of the document is divided into three main parts: the business plan, the internationalization strategy, and conclusion and recommendations.

After a short literature review, the business plan consists of the general jewelry market analysis and more detailed overview of the Portuguese market. Next, key activities of the company are analyzed, followed by the marketing plan and an overlook of the financials.

The internationalization strategy focuses first on the methodology of finding internationalization markets through the analysis of key variables and the process of determining which countries to consider. This is followed by the analysis of current importing countries and the evaluation of the current distribution channels. Next, new internationalization markets are suggested. Finally, entry strategies for the chosen markets are recommended.

The conclusion and recommendations section aims to summarize the key issues of the business and potential solutions, and recommends new ways to expand the business.

Literature review

SMEs

The European Commission (Eurostat 2003) defines the category of micro, small and medium-sized enterprises as ‘made up of enterprises that employ fewer than 250 people and have an annual turnover of less than € 50 million or an annual balance sheet total less than € 43 million’. Within this category, a small enterprise is defined as ‘an enterprise employing less than 50 people and whose annual turnover is less than € 10 million’; and a micro enterprise ‘employs less than 10 people and its annual turnover does not exceed € 2 million’.

Internationalization

While there is no consensus on the definition of internationalization, Westhead et al. (in Susman 2007, 281) have described it as the process of increasing involvement in international markets, while Calof and Beamish (1995, 116) called it the process of adapting firms operations (strategy, structure, resources) to international environments.

Entry strategies for SMEs

The most common entry modes SMEs use to expand their business activities abroad are exporting, turnkey projects, licensing, franchising, joint ventures and wholly owned subsidiaries. Literature on international business suggests that the most common internationalization activity for SMEs is exporting. It tends to serve as a platform for further expansion and is the first step in internationalization strategy because of the lack of resources and market knowledge (Masum and Fernandez 2008, 9).

Turnkey projects are the kind of projects where two firms put up a plant or equipment – one firm has the resources but lacks the technological knowledge so the other firm ('the contractor') manages the project for the foreign client. Turnkey projects are common in certain industries, such as construction, metal, pharmaceuticals etc. (Masum and Fernandez 2008, 9).

Licensing refers to an agreement where a firm allows a foreign partner the right to use certain intellectual property for a specified period of time in exchange for royalties or other compensation (Cavusgil et al. 2012, 68).

Franchising is more long-term than licensing and refers to an agreement where a firm grants another the right to use an entire business system in exchange for fees, royalties, or other forms of compensation (Cavusgil et al. 2012, 68).

Joint ventures are entities formed by two or more independent firms working together. If there are two firms involved, the venture tends to be 50/50, although other combinations are also possible and are determined in the contract. These ventures can be just a project or long-term partnerships (Masum and Fernandez 2008, 10).

Wholly owned subsidiaries are entities where the firm owns 100% of the stock. Companies can either set up a new operation in the country (also known as Greenfield investment) or buy an already established firm and promote its products through there (Masum and Fernandez 2008, 10).

BUSINESS PLAN

Market analysis

Global jewelry industry and segmentation

The jewelry industry at a glance

Jewelry products are traditionally connected with the cult of beauty and appearance. Jewelry's value chain is fairly simple, always starting from exploration and production of precious metals (gold, silver, platinum etc.) and in many cases, gemstones and other raw materials (glass, plastic etc.). These activities are mostly dominated by large international groups, such as De Beers, Barrick Gold Corporation, and Goldcorp Inc., among others. The next step in the value chain – jewelry production – also counts with some major players. These include Tiffany & Co., Chopard, Cartier and Mikimoto. Alongside these well-known brands, each country has various smaller jewelry manufacturers, whether of final products or individual components. Finally, the link to the market is represented by wholesalers, importers and retailers. In most cases, there are a great number of national and local players. In recent years that has been changing with the appearance of relevant international chains, such as Pandora, Swarovski, Cadenzza and Signet (Sigma Team Consulting 2014, 6–7). In practical terms, when we talk about the jewelry industry, the line between activities related to jewelry is blurred; ex. there are plenty of manufacturers

that are involved in retail activities and the other way around (Sigma Team Consulting 2014, 7).

The global trend of consumption of luxury products - that by definition include jewelry as a category - has been largely unaffected by the world's economic crisis. The sales of luxury products have risen over 10% in recent 3 years and a recent McKinsey study about the future of jewelry industry forecasts growth of global sales to 5 - 6% yearly, which would total over € 250 billion in 2020 (Euromonitor International 2014, 28; McKinsey & Company 2015, 36–8). There are some important trends identified by McKinsey that can play a major role in the jewelry industry in the future. Firstly, branded jewelry that now accounts only for 20% of the overall jewelry sales worldwide is expected to grow to 30 – 40% until 2020, led by non-jewelry brands introducing jewelry collections (Hermès, Dior, and Louis Vuitton). This might cause problems for small jewelry designers with limited marketing power as they might not be able to compete with the major players. Other identified trends include internationalization and consolidation, a reconfigured channel landscape with the growth of online sales, 'hybrid' consumption and fast fashion (McKinsey & Company 2015a, 36).

Jewelry market segmentation

The jewelry market is extremely fragmented and can be only roughly categorized according to the metal and precious stones used in its production. Here we used the segmentation developed by CBI, a Netherlands-based agency commissioned by the Dutch Ministry of Foreign Affairs. We can segment the jewelry market into two big categories: real jewelry and costume jewelry. Within real jewelry we have to distinguish between two different types: first, fine jewelry which is characterized by the use of gold, platinum, other precious metals and precious stones and sells at prices ranging from 400€ up to

thousands of euros; and second, bridge jewelry which consists of gold and silver metals and lower priced gemstones, and sells at prices ranging from 100€ up to 400€ – the companies operating in this category are mostly SMEs. Costume jewelry uses non-precious or semi-precious materials and gemstones and sells at the prices up to 100€. However, as various retailers tend to trade down jewelry made of gold or diamond, the boundaries between fine, bridge and costume jewelry have become unclear. Expectations for the future are for the segmentation to be based on the price and brand positioning instead of the materials used. And with the retailers cutting down the price of the products, the price in the future will be determined by product uniqueness, unusual design and jeweler's craftsmanship (CBI Market Information Database 2014, 4–6).

Country environment analysis

Jewelry in Portugal

The jewelry industry in Portugal is a mature sector with great tradition in the Portuguese economy. In the period from 2009 to 2014, the total market size has been growing each year despite the economic crisis, with the exception of 2012. Overall, from 2009 to 2014, the market grew for 22% (figure 1 in appendix).

In 2014, the total size of the jewelry and related articles market was estimated at 605 million euros. Close to 5000 enterprises are active in the sector, of which the majority are SMEs. The north of Portugal leads the statistics with 44% of the enterprises concentrated there, followed by Lisbon with 24% and central Portugal with 21% (Sigma Team Consulting 2014, 10). The difference among regions is even bigger in the industrial sector. Over 82% of jewelry-manufacturing enterprises in the country are concentrated in the north of Portugal, of which around 73% are in area of Porto. The latest available data

shows that close to 25% of these enterprises are involved in international activities, while the quantity of national production puts Portugal in 7th place in European terms, behind Italy, France, Germany, Great Britain and Greece (Portugalglobal 2013, 13–5).

In terms of relative importance of various activities that make up the value chain of jewelry making in Portugal, the majority of enterprises, jobs, turnover and value added are concentrated in retail. The second most profitable set of activities is connected to jewelry manufacturing, while jewelry repair is of minor significance (Sigma Team Consulting 2014, 7).

Economic context

Portugal exited the EU/IMF bailout program in 2014 after managing to cut its deficit and restore modest growth. It continues to be affected by high levels of private and public debt, weak bank profitability, limited access of corporations to credit and high levels of unemployment (Euromonitor International 2015a, 2). Its disposable income and expenditure levels per household contracted by 10.8% in real terms during the period 2009–2014 as the consequence of economic recession and budget consolidation programs (Euromonitor International 2015b, 5). The corporate tax rate is 21% as of January 2015 and as such below EU average of 22.25% (KPMG 2015). Some important reforms were also approved in recent years; such as a program to cut red tape which made Portugal one of the easiest countries in the world to set up a business. Furthermore, there are plans to reduce the corporate tax rate to 17% until 2018 (Euromonitor International 2015a, 6).

Demographic context

Portugal's population in 2014 was 10.4 million. The average salary was 984 € which puts Portugal into 18th position within the EU and below the average (Euromonitor

International 2014, 1). The age group 31-56 was the one with the highest concentration of total gross income. This is due to the high annual gross income of people in this age group and of the large number of people; 44.5% of all the persons aged 15+ belong to this category. In general, people in this age group have a steady job, are starting or already have families, and are homeowners, although the economic crisis has added the trends of unemployment and the possibility of emigration as characteristic for this category as well (Euromonitor International 2014, 10).

Competitors

The jewelry sector in Portugal consists mostly of SMEs, which means that to be noticed, jewelry designers have developed strong brand identities and visible points of difference to be able to attract consumers. To make the competitors analysis of Liliana Alves easier, the focus was put to members of AORP, the Portuguese jewelry association which helps enterprises with information, participation in national and international jewelry fairs, and offers legal and institutional support. There are 72 jewelry designers registered in AORP. Big jewelry chains, such as Pandora and Swarovski are not defined as competitors because the volume of their production does not serve the need for owning unique pieces.

Jewelry pieces that serve the same need as Liliana Alves pieces are therefore unique design pieces. Based on this criteria, some of the competitors were identified. Visual materials of all of these competitors can be found in appendix (II). The first is Inês Telles Jewelry, a Lisbon-based brand created in 2009. The materials used are mostly precious metals, the pieces are unique and the brand is internationalized as of 2010; besides Portugal, it is present in multi-brand jewelry stores and galleries in Belgium, Brazil, Denmark, England, France, Spain, Switzerland and USA. The prices in Portugal vary

from 36€ to 74€ for a pair of earrings, and from 150€ on for necklaces. The brand was also featured in British Vogue in the 2014 October edition.

The next competitor identified is Liliana Guerreiro. Her brand is well established in Portugal and abroad and has focused on the technique of filigree since 2004. She has won numerous awards for her work and in 2010, she was invited to participate in the Destination Portugal exhibition in the Museum of Modern Art in New York. The prices range from 110€ to over 2000€ for individual pieces.

Another competitor is Lia Gonçalves whose price range is lower than that of Liliana Alves, but her pieces are unique and the material used is mostly silver. The prices go up to 170€ for a necklace and the brand is present in Portugal and Spain.

Finally, Filigrana D’Viana is the newest of all competitors, formed in 2013. The brand aims to promote the traditional filigree of Viana do Castelo and uses precious metals. While the design is similar to that of Liliana Alves, the models itself are more traditional and the brand is promoted purely through social networks while the official website is still in the making. The prices range from 70€ to 450€.

Customers

Design jewelry belongs to a niche market with extremely defined characteristics and very particular needs. According to Liliana Alves, her customers are working high-middle class women with high purchasing power, they can be described as sophisticated, attentive to details, want to stand out, and are appreciative of Portuguese design and quality. They are characterized as tastemakers and risk-takers that appreciate unique products and individualism. These above mentioned characteristics make the customer segmentation focused on demographics: women in the wide age group between 31 and

56 as this is the group that has the highest annual gross income in Portugal; and psychographic tendencies: higher social status, individualism in terms of style choices, and the importance of uniqueness and versatility.

Porter's five forces analysis of the real jewelry industry

Michael E. Porter's model of five forces identifies and analyzes 5 competitive forces that shape every industry: internal rivalry, entry, substitute and complementary products, supplier power and buyer power. While criticized, the model is still widely used to highlight the strengths and weaknesses of the industry and assess its attractiveness and profitability.

As the jewelry market is highly segmented, this Porter's five forces analysis excludes costume jewelry and focuses on the bridge and lower segments of fine jewelry market. This is done for the purpose of getting a clearer picture of the market where Liliana Alves Design Jewelry operates.

Competitive rivalry: HIGH

The bridge and fine jewelry industry is very varied and full of SMEs and some major players. There are a few big players in each country, but they tend to have low overall market shares. The jewelry market is therefore highly fragmented and particularly the bridge jewelry category consists of SMEs, of which the majority have strong brand identities and build on the uniqueness of their pieces. There are over 5000 active enterprises only in Portugal, each one trying to separate itself from the crowd by trying to do something different, whether it is design or price wise.

Threat of new entrants: MODERATE

As the market is made mostly of SMEs and there are no players that would dominate the industry, there are virtually no economies of scale. There are, however, specific skills required to successfully operate in the jewelry industry. For jewelry designers that means good knowledge of specific techniques, such as the filigree. In addition, there are moderate-to-big investments required in terms of machinery and materials. As the majority of the required skill-set can be obtained, the threat of new entrants is classified as moderate.

Threat of substitutes: HIGH

The price range and design of jewelry pieces belong to the luxury category and are not essential goods, so there are essentially no switching costs and there are many substitutes for consumers wishing to own design jewelry or any other luxurious good. Substitutes can come from other jewelry designers that offer design pieces for lower prices although lower prices can be a sign of lower quality as well. Other substitutes include watches, high fashion and similar luxury items and experiences.

Buyer power: MODERATE

Buyers in the jewelry industry are not just consumers, but also jewelry stores, museums and similar retailers. Jewelry stores have substantial power due to the high margins they take - they can vary up to 150%. Price sensitivity is low due to luxurious nature of products and while there are substitutes, brands in this sector have strong brand identities. Buyer power is therefore estimated to be moderate.

Supplier power: LOW

This category includes suppliers of precious metals and gemstones. Spot prices of precious metals are determined by the commodities markets around the world. As the demand for the metals goes up, so does the price and the other way around. Besides the actual supply and demand, the price also depends on the speculation on how the supply and demand will change in the future. The supply and demand is influenced by a variety of factors, among which the most important ones are the world economic climate (economic crisis tends to increase the price of as people turn to invest in precious metals), opening and closing of mines, government interventions, and manufacturing demand. Supplier power in the jewelry industry the way that is analyzed here is low as there are many suppliers and the prices are predetermined by the market.

SWOT

<u>Strengths</u>	<u>Opportunities</u>
<ul style="list-style-type: none">· <i>High quality</i>· <i>Handmade</i>· <i>Products' versatility</i>· <i>Unique pieces</i>· <i>Portuguese design</i>· <i>Designer's education and skills</i>· <i>National and international exposure</i>	<ul style="list-style-type: none">· <i>Growth of jewelry market</i>· <i>Internationalization</i>· <i>Promotion through AORP</i>
<u>Weaknesses</u>	<u>Threats</u>
<ul style="list-style-type: none">· <i>Limited production</i>· <i>Limited growth potential</i>· <i>Lack of business educated personnel</i>· <i>Small team</i>	<ul style="list-style-type: none">· <i>Many actors in the market</i>· <i>International chain stores</i>· <i>Threat of branded jewelry growth</i>

Liliana Alves Jewelry Design's main strengths are the quality of her pieces as she only uses silver, gold and precious stones; and the fact that her pieces are almost entirely handmade. Versatility of her pieces represents the point of difference and sets her products apart from other designers that also produce unique pieces. The focus on Portuguese design is also one of her strengths; she has mastered the art of filigree which has a long tradition in Portuguese society, and modernized it in a very unique way. Her formal education gives her an edge as she is not only an artist, but an educated professional whose education gave her the skills she can use to perfect her designs. Last but not least, her jewelry was already featured in various Portuguese magazines and internationally in British Vogue which gives her credibility as a designer and the desired exposure that can help in seeking future ventures abroad.

The weaknesses of the business are fairly straightforward and all connected with the small team that operates the business. The team consists of Liliana Alves and her father and this poses problems when the demand for her jewelry increases. Production is therefore limited, growth potential as well unless investments are made in the form of new personnel or production process. Another problem is the lack of business educated personnel that would focus purely on the business side of the enterprise which would let Liliana Alves do only the artistic part of the work. This would save time and energy but would require a major investment.

Despite these weaknesses, there are still various opportunities for Liliana Alves to explore. First, there is the growth of global jewelry market which is predicted to continue growing in the following years. The industry has proven to be unaffected by the economic crisis and that makes investing in jewelry business a profitable activity for the future. The next opportunity lies in internationalization, particularly to developed countries within Europe where jewelry is sold at higher prices than in Portugal. By internationalization, she would also avoid the Portuguese VAT which at 23% is one of the highest in Europe. Another opportunity is her connection with AORP that helps its members with information and other types of support these small businesses need.

The threats for the business lie in a big number of companies operating in the sector nationally and internationally. While there are substantial differences between the brands, this great variety makes succeeding in the jewelry business tough. Furthermore there are international chain stores that are growing their market share substantially and with branded jewelry on the rise, smaller companies might find it hard to compete due to the lack of marketing and production potential.

Key Activities

Among the many activities undertaken in the business, there are four which are considered fundamental for the results achieved by Liliana Alves Jewelry Design. These are creation, production and sales and customer services.

Creation

The first phase only requires the participation of Liliana, since she is the product designer. Although she pays close attention to seasonal trends, Liliana developed a very unique style during the past years, which is her most valuable competitive advantage. Once the designer has a clear idea of what the next collection will be, she spends one or two days getting it onto paper. These drawings include the pieces design, the measures and the materials to be used. Liliana's work is innovative in the way the material is processed. A characteristic component of her jewelry is filigree, a delicate kind of jewelry metalwork, usually of gold or silver, traditionally used in Portugal. The particularity that distinguishes a Liliana Alves' jewel is the way filigree is processed, in spiral. Hence, Liliana's design combines a traditional and a modern trend in the same piece.

Production

The production phase varies with the size and origin of the orders. Normally, the production process is held in the atelier and conducted by two people, Liliana and her father. The production chain comprises two main steps, the construction and the finishing of the piece. A regular construction process develops as follows. First, the alloy is formed by joining grain silver and copper. The silver and the copper are melted and then poured to a mold in order to obtain silver alloy bars. Once the bar is solidified and cooled, it is repeatedly passed through a special machine in order to stretch it and obtain the intended

measure for the piece. Next, the wire is cut according to the measures specified in the draft of each model, and then welded. The finishing process starts with sanding the piece, followed by a large and a thin abrasive cut, polishing, cleaning in an ultra sound machine and, for last, a needle finishing process.

This production process has a very limited capacity, more or less between 30 and 50 pieces per month, depending on the models produced. Namely, a ring takes 3 to 5 hours to be produced, whilst a necklace can take up to 7 hours to be finished. Therefore, in times of larger orders, Liliana has to rely on different means of production, either workforce or semi-industrialization. In the second situation, the main structure of the pieces is ordered to a factory that exclusively produces metal pieces by casting, Delfim e Filho Lda. As a result, the jewelry becomes no longer fully handmade, but instead, it is semi-industrialized. Liliana tries to avoid this situation because she believes her clients significantly prize the fact that the jewelry is handmade.

Quality control is also a key activity in the business. The quality of the products cannot be questionable so every single step of the production process is taken with the strictest due diligence.

Sales & Customer Service

Regarding sales to direct channels, little salesforce is applied. In this case, since Liliana Alves Jewelry Design brand does not have a physical store, customers are the ones who have the initiative of addressing Liliana in order to make a purchase either in her atelier, in national and international fairs or via internet. On the other hand, strong sales force is required to sign contracts with resellers. From establishing the first contact, to arranging meetings and finance trips in case of contracts with foreign buyers, it is Liliana who takes

the initiative and makes the investment. In either case, Liliana Alves is the only one responsible for most of the commercial tasks.

In comparison to any kind of jewelry, LA's pieces usage requires a detailed explanation. Since necklaces can be used in several different ways, Liliana creates an educational video for each one of it. The CEO also assumes all of the clerical and administrative tasks.

Key Partners

In the supportive activities of the business, such as digital marketing, graphic design, promotion, accounting, finance, Liliana can count with many partners. The website was created by Joana Mendonça, who is part of the entrepreneurship office of UNL. The photographs exposed in Liliana Alves Jewelry Design promotional means are the result of an external service provided by Edgar Libório. The model is Sílvia Duarte, who also created the graphic design of the brand. At the financial level, Liliana Alves Jewelry Design could count with the crucial support of Portugal 2020 and of a contracted accountant. For the internationalization process, the company collaborated with AICEP, AORP and ANJE.

Key Resources

Liliana Alves' business depends on a number of intangible and tangible resources. These key resources are the main assets required for Liliana to create a final jewel and are differentiated from the competitors. Liliana Alves is categorized as a product driven business, focusing all its functions on the creation and sale of a product. The jewelry has unique characteristics and there is a specific customer segment willing and eager to purchase it. This status was achieved mainly through the exploitation of the intellectual and human resources (Entrepreneurial Insights, 2015a). The first relate to Liliana's

professional training on jewelry design at CINDOR, Gondomar, the know-how on this field, her customer list and knowledge. The company has only one more worker who works mainly in the production process and is remunerated with a sales commission of 10%. Besides intellectual and human, intangible resources also include the financial, cash and lines of credit. In order to finance the initial investment on physical capital, Liliana had to resort to bank financing at Millennium BCP. This loan amounted 12 000€ and is now fully paid. In 2014, Liliana felt the need to be more present internationally. For the purpose of financing her trips and presence at fairs, she obtained a second line of credit of 7500€ to be paid in 48 months.

The tangible resources constitute the atelier, the machines and the raw materials. In particular, the latter can be silver, gold, filigree or semi-precious and precious stones. The quality of these materials impacts directly the sustainability and profitability of the company. For that reason, Liliana is extremely selective in this matter and opts for standardizing her products portfolio.

Marketing Plan

Positioning

The current positioning of Liliana Alves Jewelry Design is inconsistent. This is because the brand encompasses some aspects of luxury and art but the distribution strategy remains unselective and can as such harm the brand image. While analyzing the characteristics of the brand, this section aims to give recommendations on the positioning most adequate for what the brand is and where it wants to go.

There are some very specific characteristics connected to positioning of luxury brands. In the traditional sense of the word, luxury brands build on beauty and aesthetic excellence,

emphasize craftsmanship and the use of precious and rare materials. Luxury is always a multisensory experience and is connected to the concept of distance - the gap between how many people desire the brand and how many can afford it (Da Silveira 2015). Liliana Alves Jewelry Design matches the luxury brand requirements through high end prices and limited volumes, but has difficulties with the incoherent product distribution strategy. The products can be found either in smaller jewelry stores, in shops specialized in traditional trade or in the souvenir section of art galleries.

An alternative definition for Liliana's work is *art*. This concept often overlaps with luxury in the way they both value aesthetics, their value tends to increase over time, practical utility is of secondary importance and it is virtually impossible to get a consensus on it. Furthermore, mass production reduces the desired perception of exclusivity, aesthetic, technical superiority, distinction and singularity. Art distinguishes itself from luxury in the sense that it is no longer defined by the mastery of the artistic codes and canons of the period, but the artist's ability to escape from these (Da Silveira 2015). Contemporary jewelry is artistic by definition; it is difficult to understand it without knowing the ideas and intentions of the designer himself. Consequently, any result of the work of an artist like Liliana Alves, can be considered art.

Frame of reference

Jewelry is a form of self-expression that reflects an individual's personality. Markets that also fulfill the need for a desired personality are the perfume market, fashion clothing and spirits, among others. The desired personality is that of a strong person not being afraid of standing out from the crowd and being a tastemaker.

Target group

The main target group are women in the age group of 31-56 that belong to a higher class of society. They are business women who wear design jewelry to be different from others, are attentive to details, appreciate quality and unique pieces.

Point of difference

The major point of difference for Liliana Alves Jewelry Design is the versatility of her jewelry pieces (figure 7, appendix). Necklaces and bracelets can be combined to form a longer necklace or be worn as a belt or a brooch and that forms a unique selling proposition unlike anything else in the Portuguese jewelry market. It sets the brand apart from other jewelry designers that create design pieces and forms a basis for returning customers as new pieces can not only be worn individually but can complement the pieces the customer already owns.

Positioning statement

Liliana Alves' product is unique design jewelry made of precious metals and gemstones targeted at working high class women that stands out from the competition because it offers versatility in different ways of using the jewelry pieces.

Marketing Mix

The marketing mix is a tool used to establish a clear and effective strategy that is able to successfully market the product. There are four interconnected and interdependent variables that constitute this tool, namely product, price, place and promotion. Due to the issues identified in the positioning part, a special emphasis will be given to the difficulties with the distribution strategy.

Product

The product consists of jewelry pieces, organized in collections as can be found in figure 8 in the appendix. These can be comprised of a necklace, a bracelet, earrings, a ring and a brooch. The jewels style vary among the collections, but it always follows the same characteristic patterns that identify Liliana Alves Jewelry Design. In addition to a very unique design, the jewels are distinguished by its versatility. At this point, the product is in the introduction phase of its lifecycle. This stage is characterized by high investment and low returns. Product branding and quality level is established but Liliana Alves Jewelry Design still seeks to build product awareness and develop market for the product. This stage is fundamental for developing the product into a brand. This helps foster customer loyalty and recall and differentiate it in the market.

Price

The pricing method practiced by Liliana Alves Jewelry Design, as well as most companies in the design sector, is value-perceived pricing. Basically, companies base their price on the customer's perceived value. This includes many inputs which must be maximized in order to capture the highest price the customer is willing to pay (Kotler and Keller 2011, 398). Furthermore, when setting a pricing strategy, Liliana Alves should target customer segments with low price sensitivity. Price sensitivity decreases especially when the product is more distinctive, the buyers are less aware of substitutes or they cannot easily compare the quality of substitutes, the expenditure is a smaller part of the buyer's total income and when the product is assumed to have more quality, prestige or exclusiveness (Kotler and Keller 2011, 391).

Naturally, in addition to the value perceived by customers, other factors also affect the range of possible prices, such as the market demand, company costs and competitors'

costs and prices. Depending on the difference between the value delivered to the customer by the competitor and the firm, the price must be inflated or deflated relatively to the competitors' (Kotler and Keller 2011, 389).

	Earrings	Rings	Necklaces	Bracelets	Brooches
Liliana Alves	€ 270,00	€ 170,00	€ 545,00	€ 430,00	€ 415,00
Filigrana D'Viana	€ 149,00	-	€ 270,00	€ 130,00	-
Liliana Guerreiro	€ 396,90	€ 709,00	€ 1 250,00	€ 551,30	€ 258,50
Lia Gonçalves	€ 123,00	€ 86,00	€ 130,00	€ 100,00	-
Inês Telles	€ 54,00	€ 80,00	€ 200,00	€ 90,00	-

Table 1: Prices comparison between competitors

Based on the information available on the competitors' prices (Table 1, above) and products (see figures 2 to 5 in appendix), one can conclude that Liliana Alves Jewelry Design has an intermediate pricing strategy.

Place

Channels are the linking devices between the company and the final customer, so they play a huge role in defining the customer experience. Therefore, it is crucial that the channels selected provide the customers the opportunity to study and evaluate Liliana Alves Jewelry Design's value proposition to its full extent. The table below presents the distribution of sales among the different geographic and types of channels.

	Direct	Indirect	Total
National	39	21	60
Foreign	26	14	40
Switzerland	70	30	20
Angola	0	25	10
Others	0	25	10
Total	65	35	100

Table 2: Channels (% of total sales)

Direct channels provide between 60% and 70% of total sales, while the rest is fueled by the indirect channels, which means sales to intermediaries. The first include sales to clients who go directly to Liliana's atelier to make a purchase or to a national or international fair where the company is present. Moreover, in Switzerland, Liliana Alves has a core of loyal clients with whom she meets regularly and who function as strong brand ambassadors. Additionally, it is also possible to purchase the jewelry through the website or order it through the Facebook page. The internet channel targets a wide customer base at a very low-cost. Moreover, it is an easy and constantly available source of information for customers.

Regarding national indirect channels, Liliana Alves Jewelry Design resellers are grouped in (i) jewelry stores, (ii) art galleries and (iii) shops specialized in Portuguese design. Respectively, these are (i) *Ourivesaria Arneiro*¹ in Sintra, *Ourivesaria Alfeijoias*² in Alfeizerão, and *Ourivesaria Morais*³ in Alenquer; (ii) *Loja da Fundação de Serralves*⁴ in Porto and *Loja da Fundação Eugénio de Almeida*⁵ in Évora; (iii) *IZU Chiado*⁶ in Lisbon

¹ Website: <http://arneiro.com/>

² Website: <http://alfeijoias.pt/index.php?lang=pt&mod=home>

³ Facebook page: <https://www.facebook.com/MoraisOurivesaria1980/?fref=ts>

⁴ Website: <http://www.serralves.pt/en/>

⁵ Website: <http://www.fundacaoeugeniodealmeida.pt/>

⁶ Facebook page: <https://www.facebook.com/IzuChiado/?fref=ts>

and *Loja da Casa Verde*⁷ in Porto. The distribution strategy to foreign indirect channels follows the same logic. Liliana Alves sells to (i) *Patricarla Joalheiros*⁸ in Luanda, Angola, a jewelry store; to (ii) *Galerie Caractère*⁹ in Neuchatel, Switzerland, a gallery of design jewelry; and to (iii) *Meoclub*¹⁰ in Toronto, Canada, a store specialized in handmade and eco-friendly products. External markets are more profitable than the Portuguese market. However, these orders occur less frequently than national transactions, constituting approximately 40% of sales.

As explained above, Liliana Alves Jewelry Design distribution strategy is merely conducted through local distributors, the internet and sporadic fairs. On one hand, through retailers, the product will get to the market quicker and the investment required in infrastructure will be significantly lower. On the other hand, there will be a lower margin on the product and competing brands will probably be stocked side by side (Entrepreneurial Insights 2015b). At this point, the annual turnover and the collections diversity does not justify the investment in a physical store. As such, the company should continue selling through distributors. Liliana Alves Jewelry Design concept calls for uniqueness, exclusivity and, therefore, tailored distribution. As a result, Liliana Alves should be very selective when choosing its distributors. An in-depth analysis of foreign distribution channels will be pursued in the *Internationalization* section. Thus, the following recommendations only regard the national distribution strategy.

(i) Jewelry stores sell mainly real jewelry. This segment price range and positioning, clearly benefit Liliana Alves Jewelry Design brand image. (ii) Fundação de Serralves and

⁷ Facebook page: <https://www.facebook.com/alojadacasaverde/?fref=ts>

⁸ Facebook page: <https://www.facebook.com/PatricarlaJoalheiros>

⁹ Website: <http://www.galeriecaractere.com/>

¹⁰ Website: <http://www.meoclub.com/>

Fundação Eugénio de Almeida are well known foundations that promote culture and contemporary art of various types. Certainly, its prestige is a valuable asset for Liliana Alves brand. (iii) On the contrary, not all design stores where the brand is present are adequate. Although Liliana's work is high-end design jewelry, Loja da Casa Verde does not offer high-quality products. This store sells Portuguese cultural gifts, in general, from handmade embroidery to soaps, cork wallets and jewelry. Considering the price range and image the brand seeks, this is not the adequate product portfolio where Liliana Alves Jewelry Design should be inserted. *IZU Chiado* is a modern store located in Lisbon downtown that offers clothing and accessories from Portuguese designers. As such, Liliana Alves' jewelry properly fits the store's concept as well its product and price ranges.

Following the desired patterns of a distributor for Liliana Alves Jewelry Design, there are two retailers in Lisbon we would like to recommend.

THE – The Design & Moda (website: <http://www.thedesign.pt/>)

THE is located in Porto, Lisbon and Algarve. The concept is the result of a strong will of creating something original and creative that circumvents homogenous and mass trends. *THE* is a store that offers unique and exclusive pieces of Portuguese and foreign designers. More than a store, *THE* aims to promote the work of talented Portuguese creators.

Galeria Reverso (website: <http://www.reversodasbernardas.com/>)

Galeria Reverso offers regular exhibitions of national and foreign artists and has contemporary jewelry pieces from various designers, displayed on a permanent basis (Cohn 2013).

Promotion

Promotion of the Liliana Alves Jewelry Design brand is essentially conducted through social media, Facebook and Instagram, and the website. Global digital sales for women's luxury are expected to grow to 17 % of the total market in 2018, in relation to the current 3%. There was a strong fear regarding exclusivity and control in online shopping by luxury brands. However, these reservations were partially overcome and brands are now more comfortable selling and marketing on their own website (McKinsey & Company 2015b). This is the easiest way for Liliana Alves to get in touch with her customers and clients. It allows the business to reach out to a lot of people at almost zero cost. Through social media, customers get information about new collections, points of sale and the next fairs. This means of promotion targets both particular clients and jewelry stores. There are, however, some crucial factors that need to be improved in the digital marketing strategy of the company. First, as Liliana Alves Jewelry Design is a Portuguese brand, the website should be in Portuguese by default and the English language should be a second option. Instead, the website is majorly in English, there is no option of seeing it in Portuguese and some labels are written in German and French (figure 11, appendix).

Financial Analysis

Revenue Streams

The only source of revenue for Liliana Alves Jewelry Design is through selling jewelry pieces. Nevertheless there are two different revenue streams, the first one is the sales directly to the general public and a limited amount of companies, and the second comes from resellers that buy the pieces at discount to sell them in their own shops. Furthermore Liliana Alves' revenues come from several different countries, Portugal, Switzerland, Canada, Angola and France.

Total Revenue

The company was created in 2008 and had an income of 12 957 €. The second year of operation was until now the best year with sales of 27 026€, with the second best being 2010 with sales of 24 252€. From this period to the next there was a huge decrease, 48%, an impact of the financial crisis affecting Europe and this market through the erosion of the middle class.

The sales movements went along the economic and financial recovery of the country, increasing continuously since 2012, an outcome of the increased expansion of the company to the international markets, through Switzerland, in 2011.

For 2015 the sales volume is, as of August, 91% of the sales in 2014, making it possible to predict the continuity of Liliana Alves Jewelry Design's growth (figure 13 in appendix).

Weighted Influence on Total Revenues (By type of piece type of buyer and country)

Liliana Alves Jewelry Design sales by piece have been distributed as such: earrings 25%, rings 49%, necklaces 17%, bracelets 6% and brooches 3%.

Since 2012, the weight of the revenues coming from final customers has been close to 65%, making the average from 2012 to 2015, 65.4%. As such the percentage connected to sales to resellers is 34.6%, much smaller than the first. This indicates that the main source of income for Liliana Alves Jewelry Design is the sales to final consumers, a situation in a part justifiable by the bigger margins obtained while selling this way (figure 14 in appendix). This difference can in some extent be explained by the differences in pricing between the two different groups.

Regarding the geographic source of revenues, as of 2015 approximately 60% of total revenues come from Portugal with the remaining 40% coming from abroad, 20% from Switzerland, 10% from Angola and the remaining from other countries. Once again the prices vary by geographical location which inflates the weight of foreign over national revenues.

Expected Trends and Changes

Concerning the trends in weight of revenue sources, it is expected that the sales to resellers gain more percentage of total revenues with the maturity of the business, complying with what has happened in the last 4 years. Regarding the whereabouts of the revenues, earnings from abroad are projected to increase, following the company's goal of increasing its international presence.

Three forecasts are hereby illustrated, based on the data of previous sales and forecasts of the economic situation in Portugal and the rhythm of the company's international expansion, divided into two extreme outcomes and the most predictable one.

-Worst Case Scenario (Stagnation)

In this scenario the sales in 2015 smoothen from August to the end of the year, with sales of just 795€ for the last 4 months, meaning an increase in total sales of only 5% from 2014.

This growth value would be maintained in this scenario at a reduced 5%. The economic stability of the country, allied with the diversification of revenue streams internationally, has reduced the probability of sales volume decrease, making the worst case scenario a low increase in yearly sales, estimated at 5% (figure 15 in appendix).

-Most Predictable Scenario (Increased Sales)

With smoother sales through the end of the year, after an atypical July, the total volume of sales could reach 27 469€, which would mean an expansion of 20% from 2014. Although this growth should not be considered a constant throughout the upcoming years, with the continuous international expansion and the improvement of the general market situation, the sales could keep increasing 10% yearly on average reaching close to 45 000€ in 2020, almost double of what they were in 2014 (figure 16 in appendix).

-Best Case Scenario (Boom)

With under 2000€ in monthly sales for the remaining 4 months, the total revenue in 2015 could reach 29 758€, implying an increase of 30% from 2014.

For the upcoming years, an exaggerated improvement of the global Portuguese economic situation simultaneous to the increased presence of Liliana Alves Jewelry Design in foreign markets, could entail a huge boom in total income generated. An average of 15% yearly growth in income is an estimate of the possible growth under this scenario, reaching revenue of 59 854€ in the year of 2020 (figure 17 in appendix).

Price Variations between different products

This analysis is based on the prices charged to the final costumer in Portugal as stated in the company's website. The pieces taken into consideration are from all collections except the 'Minimalist' collection whose prices are significantly lower than the average prices charged.

The computation of the final base prices are a result of the raw materials used, silver and semi-precious jewels, to which the cost of labor is added (approximately 10€ per hour

spent), and a profit margin of 50% adjusted to the price charged by competitors. This price is the one charged to resellers to which a 100% bonus is added for final consumers as can be seen further ahead.

The rings are the cheapest product sold with an average price of 163.57€, followed by the earrings and brooches which cost 246.92€ and 396.67€, respectively. Necklaces and bracelets are the most expensive of the product offerings, with an average price of 560 € and 400 € (figure 18 in appendix).

Pricing Variations between sources of revenue

Taking the price for Portuguese jewelries and other resellers as basis, the price practiced in both Canada and Switzerland has a 50% increase to the one practiced internally, in France just 30%. To be noted that when selling for foreign resellers there is no need to add VAT. This pricing diversity in international terms is justified by the differences in the disposable income and the prices being charged for competing products as by the increased costs of transportation.

As the consumer changes from intermediate to final the price increases. The price charged to the general public in Portugal is double the price charged to the national resellers, before VAT, close to the price resellers charge for the same products, moreover being this the general rule applied. For the private buyers in Switzerland the price sees an increase of 150%, with addition of the VAT. The price charged to retailers is reduced because of the number of items sold (generally more than 10) and the necessary sharing of revenues.

All computations are based in Euros, as such disregarding currency exchange rates. Example of different computations for a base price of 235€ can be seen in figure 19 in appendix.

Cost Structure

Fixed Costs

-Set-Up Costs

The initial investment in machinery to enable the production process was 9000€. This money was acquired by soliciting a loan to Banco Espirito Santo and the Municipality of Caldas da Rainha.

-Working Space

For the working space, consisting of two small rooms, around 32 square meters combined, a rent has to be paid to AIRO. The rent consisted of monthly payments of 134€ in 2009 and 2010, increasing to 136.1€ from 2011 to 2013, with some occasional monthly variations. On 2014 the average monthly rate was 126.88€, entailing a total cost with rent of 1522.59€ for this period.

As of August 2015 the total expenditure with rents was 9121.01€.

-Electricity

The electricity charged is computed based on usage, but variation is extremely low mostly because the greatest amount of the energy is used disregarding the quantities produced, as such it can be considered a fixed cost. The average monthly expenditure amounts to 24€.

-Phone and Internet

The use of a telephone is required to contact various partners and collaborators in the company's day to day activities (namely suppliers, current and potential sellers), moreover adding the cost of international calls to foreign clients. From 2009 to 2015 the company has spent 7561.40€ in phone bills, translating into an average of 93.35€ monthly, with high variations between different months, influenced by business trips, but relatively stable around 1000€ yearly.

Other method used to reach clients and other partners, mainly at an international level, is online, either via email or phone-like online apps, such as Skype. The internet is also used for marketing purposes. As such a monthly payment has to be paid to the provider.

Until 2010 the providing company was Vodafone and the amount paid monthly was 40.55€, making the value paid for this service close to 1000 € in 2009 and 2010 combined. From this point onwards the internet became a part of the rent package in which the company had to pay 7.75€ monthly and from 2012 onward it became completely free of charge.

-Other Costs

The company paid, from 2009 to 2011, for a work accident insurance, 136.83€ yearly, and an additional one related to contents inside the atelier (machines and jewels), in 2010 and 2011, of 77.90€ yearly. As of today the only insurance paid is a life insurance directly associated with the on loan taken in 2014, which started to be 10.35€ monthly and has continuously decreased to 3.68€.

In order to obtain higher visibility and higher support mainly for international endeavors, in 2010 the company joined APRIO, a Portuguese Jewelry Association, for which it paid a quota of 15€ during the first 3 months of 2010.

Soon after, the company decided to leave this association, and in 2014 joined a different one, AORP, for which it pays 8.08€ monthly.

Variable Costs

-Raw Materials

The manufacture of Liliana Alves Jewelry Design's jewelry pieces requires the usage of silver as the main raw material with some special collections also requiring gold or semi-precious jewels.

The average amount of silver required for the construction of each type of piece, earrings, rings, necklaces, bracelets and brooches, was computed through a sample taken from the collection of pieces taken to multiple trips to meet clients in Switzerland.

Silver prices vary through time, as such so do the variable costs associated with this raw material. The company uses 925‰ quality of silver and considering the average price from 2009 until today (0.48€ per gram), the cost of silver for each different type of product is:

	Cost of Silver (Average)				
	Earrings	Rings	Necklaces	Bracelets	Brooches
Cost	2.87	5.16	14.12	5.71	5.97

With prices as of 19 October 2015 (0.42€ per gram), the cost of silver for each different type of product is:

Cost of Silver (October 2015)					
	Earrings	Rings	Necklaces	Bracelets	Brooches
Cost	2.51	4.51	12.33	4.98	5.21

The gold used in the special pieces of jewelry is given by the clients in the form of old pieces and transformed by the company, and as such is not considered an incremental cost.

Finally regarding the usage of semi-precious jewels, 30% of all the pieces use them, increasing their variable cost but also the value of these pieces. The most expensive jewels used are made of quartz and cost 27.6€ and 17.3€, but 50% of the jewels used cost less than 1.5€ and only 9% cost more than 5€, with the average price being approximately 2.5€.

For the calculus of the total expenditure with raw materials a simulation of the pieces sold each was made based on the yearly total revenues. This amount was then divided by the weight of different type of pieces sold. As such the total expenditures with silver were: 440.05€ in 2008, 917.86€ in 2009, 823.65€ in 2010, 426.53€ in 2011, 671.00€ in 2012, 724.71€ in 2013 and 781.83 in 2014. This amounts to a total of 4785.62€. Adding the cost of semi-precious jewels, which was 576.69€, this makes total expenditures on raw materials 5362.31€.

Taxes

-VAT

Every jewelry piece sold by Liliana Alves Jewelry Design requires the deduction of 23% over the price paid by the customer, corresponding to the VAT. The payment of this tax corresponds to total cost of 4236.63€ on average since 2009, and of 4536.26€ in the year of 2014 alone, taking into consideration the percentage of sales not susceptible to this tax.

-Social Security

The company is required to pay monthly for Social Security, up until the end of 2014 it has already paid a grand amount of 10 056€, which correlates to an average monthly payment of 144€. In 2014 the value paid to the State as part of social security was 126€ monthly.

-IRS and IRC

As an ENI, the company has no requirement to pay IRC, furthermore the amount of revenues declared yearly absolves the company of paying IRS.

Financial Costs

-BES and Caldas da Rainha City Council

As referred previously, for the initial purchase of machinery to enable and speed the production process a loan was taken, in the amount of 12 000€, from Banco Espirito Santo and the City Council, benefiting the company of special condition thanks to this partnership.

The loan was been paid between April 2009 and March 2015 in the Total amount of 18 923€ (12 960€ to BES and 5963€ to the City Council).

-Millennium BCP

On August 2014 a new loan was taken, 7500€, in order to completely finalize the previous loan (2500€) and to increase the cash in hand required to increase the international presence, payment of travel expenses and participation fees in fairs (5000€).

This loan will be paid back to Millennium BCP through 48 monthly payments of 189€, expiring in July 2018.

Most Expensive Key Activities

The prices hereby demonstrated are a yearly average between 2009 and 2014, portraying only the complete years of operation, a resume can be seen in figure 20 in appendix.

-Creation

The costs associated with the design of new collection is relatively low, with the only costs being a small percentage of the electricity consumed and of the rent paid, 5% of the total costs. This relates to 88.08€ spent in 2014 and 88.59€ yearly since 2009.

-Production

The acquisition of raw materials is the first step in production. Contacting the suppliers relates to a small part of the expenses with phone communications, close to 20%, which a cost of 205.47€ in 2014 and 232.55€ yearly since 2009. Additionally, the actual cost of the materials bought has to be considered. For the period of 2014, 781.83€ was spent on

silver and 94.21€ on semi-precious jewels, adding up to 876.04€ in total. The average yearly cost was 811.54€ since 2009.

Producing the jewelry occupies most of the time in the ateliers so the biggest part of the costs coming from rent and electricity are related to this activity, meaning 1 144.98€ spent in 2014 and 1151.70€ yearly since 2009.

Additional costs related to production are the initial insurance program against work accidents, which can be disregarded as it has no effect since 2011, and the costs related to the first loan taken with BES as it was used to purchase machinery required for jewelry construction. The financial costs with the first loan taken were 18 923€ (12 960€ to BES and 5963€ to Caldas da Rainha City Council), which means 3031.32€ yearly since 2009. The costs in 2014 were 4805.54€, however this loan has been finalized in 2015 with a 734.96€ expenditure.

Furthermore a new loan was taken in the end of 2014 from which 1/3 was to finalize the previous one (2500€) and as such can be related to the purchase of machinery, a total of 948.51€ was paid solely in 2014, of which 316.17€ can be attributed to the buying of machinery. Even though this loan only started in 2014, the value paid was divided by to get the average annual since 2009 to maintain the coherence with the other costs, this value was 52.7€

This is the most time consuming and costly activity, summing up since 2009 an amount of 5279.81€ was spent yearly with the production phase and in the year 2014 of 7348.20€.

-Sales and Customer Service

Finally the cost of selling the product has to be accounted for. The final cut of the rent and electricity correlate to this subject and account for 531.56€ yearly since 2009 and 528.45€ in 2014. The same happens with the telephone expenditures, with 80% accounting to communications with resellers and clients, a yearly overage of 930.19€ since 2010 and 821.88€ in 2014.

The internet is mostly used for communicating with clients, mainly internationally, and is as such associated with this section. Since 2009 the yearly expenditures with internet were on average 166.94€, to note that this expense has been renegotiated and is now part of the rent so it is 0€ since 2012.

The remaining money gotten with the loan to BCP was to be spent in expanding internationalization and increase sales, and amounts to 632.34€ in 2014. As the loan was taken only in 2014 the yearly average is severely reduced, since 2009 105.39€.

Finally the company pays a membership quota to be a part of jewelries' associations, in order to acquire visibility and support in international endeavors, being 72.72€ in 2014. and since 2009 the yearly average cost 19.62€.

The sales and customer service costs were on average 1753.70€ since 2009 and of 2055.39€ in 2014.

Most Expensive Key Resources

The key resources for Liliana Alves Jewelry Design operations were already analyzed. The costs associated with the loans taken represent a huge part of the total costs of the company. As described before, the first loan and 1/3 of the second were made to cover

the initial set up costs and the remaining 2/3 of the second to increase the available cash in hand with the intention of increasing the company's international presence. The average yearly cost related to financial commitments has been 3189.40€ making it the most expensive key resource.

The rent and electricity represent the expenses directly related to the access to a working space and as such are vital for the company. The yearly average cost has been 1771.85€ since 2009.

Phone expenses are also a considerable cost for the company, but also a compulsory one as this method of communication is the main connection with both suppliers and buyers (resellers and final customers). It amounted to a yearly average of 1162.74€.

The purchase of raw materials amounts to an average of 811.54€ yearly, making it an expensive key resource as it is the basis of the product sold.

Finally, outgoing payments to the state are also an important cost for the company, as they are required by law and extremely vast and even though they can't be considered a key resource without this expenditures the company cannot operate as such they are here included. The average amount on a yearly basis was 1676.02€ with Social Security and 23% of all sales, except for foreign resellers, is paid as VAT, an average of 4236.63€ yearly.

Profit Margin

The company's profit margins average to 36% with two main outliers identifiable. The first is the unusually high profit margin in year 2009 justified by the extremely reduced fixed costs in comparison with other periods, an outcome of the reduced financial costs

in accordance with the payment plan accorded. The second one is the year 2011, where the margin is extremely reduced due to the extremely low revenues. The profit margins from 2009 to 2014 are shown in figure 21 in appendix.

INTERNATIONALIZATION STRATEGY

The globalization of markets is turning the entire world into a global village. This inevitable phenomenon is leading to the merger of historically distinct and separate national markets into one huge marketplace. Since Liliana Alves Jewelry Design products fit users from many countries, they should be marketed according to a global scale.

A crucial step in developing a global expansion strategy is the selection of potential target markets. First, for the purpose of evaluating the countries to which Liliana Alves Jewelry Design should start exporting, we have decided to collect 8 variables, 2 industry specific and 6 macro level, that might be considered determinant in the evaluation of target markets. These are (1) gross domestic product per capita, (2) Big Mac Index, (3) geographic distance and socioeconomic relations, (4) gross domestic product annual growth rate, (5) trading across borders, (6) country risk, (7) jewelry market size and (8) consumer expenditure on jewelry.

Variables measuring competition in the jewelry markets were not included because the high fragmentation of the jewelry industry is preventing any major player from dominating the markets. This landscape similarity makes differences among countries minimal and as such the competition factor does not play a determinant role in shortlisting potential internationalization locations.

For each of the variables, the countries were given a percentage score according to their performance. The one with the best performance was given 100% and all the others were given scores of how they compare to the top performer on that specific variable. The

variables weights in the final score are based on the market potential index¹¹, but adapted to this company and sector. Based on the model of the market potential index, GDP per capita adjusted to PPP and the relative price level measured by the Big Mac Index were attributed 16,5% weight each; the variables Geographic distance and international relations and GDP growth rate weigh 21% each; and, finally, Trading across borders and Country risk weigh 12,5% each. The final score is based 40% on the industry-specific indicators (jewelry market size and consumer expenditure on jewelry) and 60% on the above-mentioned macroeconomic variables.

Based on the rankings obtained through our adapted market potential index, 15 countries with the best scores were shortlisted. Due to limited space and lack of relevant information for certain markets, countries that were chosen for the analysis are China, USA, Switzerland, Germany, France, Netherlands, and Austria, while Canada and UK deserve an analysis due to the fact that Liliana Alves already exports there.

Explanation of the variables

The first variable consists of the **GDP per capita based on purchasing power parity (PPP)**. In broad, GDP per capita is the sum of the gross value added by all resident producers divided by mid-year population, in other words, this indicator measures a country's wealth relatively to its size (The World Bank 2015). GDP per capita based on purchasing power parity is converted to international dollars using purchasing power parity rates. Knowing that each economy has a different consumer price index, GDP measured in US dollars cannot be compared cross-countries. For that reason, this indicator is measured in international dollars. This currency has the same purchasing

¹¹ Since 1996, this indicator has been calculated for 26 countries, by The Economist magazine. Its purpose is to rank with a specific country focus, the market potential of 87 identified countries.

power over GDP as the U.S. dollar has in the United States. This way, it is possible to measure the real purchasing power of the consumers in each country.

The **Big Mac Index** is based on the theory of purchasing power parity (PPP), the notion that in the long run exchange rates would move towards the rate that would equalize the prices of an identical basket of goods and services in any country (The Economist, 2015). This indicator measures the overvaluation or undervaluation of a currency, relatively to the US dollar, by comparing Big Mac prices in different countries. As such, it allows us to understand purchasing powers and, as a result, the profit margins that Liliana Alves can prospect in each country. Naturally, the Big Mac Index is only available for countries where McDonald's is present, which can seem a limitation for our study at first. However, by broadly analyzing McDonald's presence around the world (see figure 24 in appendix), one can easily confirm that the early development stage of a country is the main reason why the chain may not have a restaurant there. Obviously, Liliana Alves Jewelry Design's internationalization strategy will take into consideration the same constraint, which makes the potential limitation negligible.

The **geographic distance and socioeconomic relations** variable is created by discounting the intensity of relations and trade agreements to the physical distance from each country to Portugal. To do so the countries belonging to the Schengen space had a discount of 50%, in the European Union 40%, belonging to the PALOP 30 % and finally countries that do not belong to the WTO received a distance penalty of 100%. This variable intends to analyze the easiness of selling in the different countries, both by the financial and time cost of transport, as the cost and difficulties related to make the product available.

The **GDP annual growth rate** was also taken into consideration. The BRICS and some more emerging nations have been showing that rapid economic growth leads to the rapidly growing ranks of middle-class consumers. These, who constitute the company's target group, include almost two billion people who spend \$6.9 trillion annually (McKinsey & Company 2015c). It is clear why this group is becoming one of the most important international customer bases for companies. Furthermore, McKinsey research suggests that this consumption will rise to \$20 trillion during the next decade – about twice the current consumption level in the USA.

In figure 23 (appendix), we can observe the distribution of global consumption, 9.7 trillion dollars, among the 5.5 billion world population, divided by income segments. The latter are determined according to the annual household income¹², specified in Table 12 (appendix). Hereby, we conclude that, in developing countries¹³, the emerging middle class, constituted by 2 billion people, spends a total of 6.9 trillion dollars annually.

The **trading across borders** indicator captures the documents, time and cost required for the logistical process of exporting and importing containerized goods by seaport. However, the cost of the sea transport, tariffs and aspects related to international agreements are not taken into consideration in this variable. Evidence shows that regulatory reforms can have important positive spillover effects. Improving port efficiency not only reduces shipping times but also ultimately cuts shipping costs (The World Bank Group, 2015).

¹²Based on purchasing power adjusted exchange rate

¹³Developing countries are Argentina, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Pakistan, Peru, the Philippines, Poland, Romania, Russia, South Africa, Thailand, Turkey, Ukraine, Venezuela and Vietnam

The **country risk** assessment is based on the operational risk model of The Economist Intelligence Unit. The operational risk model considers ten separate risk criteria, which are security, political stability, government effectiveness, the legal and regulatory environment, macroeconomic risks, foreign trade and payments issues, labor markets, financial risks, tax policy, and the standard of local infrastructure. There are a total of 66 indicators examined in considering each of these criteria over a forecast horizon of two calendar years. The criteria is assessed on a scale of 0 to 100, with 0 meaning little risk to business profitability and 100 indicating high risk. None of the 180 countries earns a score of 0 or 100. This reflects the fact that no country is completely risk-free and that risks can always increase (The EIU Methodology 2013).

Finally, the two industry-specific indicators that were taken into account were jewelry market size and consumer expenditure on jewelry. **Jewelry market sizes** were taken from Euromonitor International and converted to euros through fixed exchange rates of 2014. The data measures retail value RSP in a time series. Jewelry in this respect is a kind of personal adornment usually made with various precious and semi-precious materials such as precious stones, precious metals, beads, glass, and shells. Jewelry segments are either real or costume jewelry and hair accessories are not included. **Consumer expenditure on jewelry** was measured by Euromonitor International and measures consumer expenditure on jewelry, silverware, watches and clocks, and travel goods.

Current importers

Liliana Alves Jewelry Design already exports to some European and non-European countries, namely Switzerland, Canada and Angola. In addition, the company is starting the process of exporting to the UK. Therefore, we will pursue a brief analysis of those

markets as well as the distribution strategies pursued in order to evaluate the feasibility of future exports. In particular, we will look at the current trends, the competitive and consumer landscape and the prospects for each market. Angola represents a negligible part of the company's sales which are made to a Portuguese reseller. As such, the market will not be analyzed.

1. Switzerland

The demand for real jewelry in Switzerland significantly rose in 2015, in comparison to 2014, due to the increased demand among wealthy foreign tourists, mainly Russian and Chinese. The country largely benefits from the image it has built during the past decades, the rich person's shopping paradise. In the jewelry sector, Switzerland has a strong presence of world-class luxury brands. In part, this is the reason for the affluence of the global elite and people with very high purchasing power to the country. As a consequence, real jewelry was the segment that best performed in 2015. In real jewelry, gold recorded the highest value share, followed by platinum. Rose gold, as well the traditional yellow gold, showed high popularity in 2015. In addition, combination of tones and mixes of materials were also in high demand during the year. Weak purchasing power of many consumers added to a higher demand of more affordable white metals. As a result, silver gains popularity within the segment. The metal is seen as fashion but affordable, being heavily used in modern contemporary designs. Artisan trade is gaining increasing popularity in Switzerland. Differentiation from mass production and contemporary designs are highly appreciated by Swiss consumers. This segment is characterized by its high fragmentation. Artisan trade is large but there are no strong brands, mostly small brands that carry the name of the artist as the brand name. On the contrary, costume

jewelry is on the slide, mainly due to saturation and changing shopping habits (Euromonitor International 2015g, 1).

The modern Swiss consumer tends to prefer contemporary jewelry that is sophisticated and artistic. Consumers seek strong design features that accentuate their personality and that imply a certain lifestyle. In real jewelry, trust and credibility of retailers is fundamental for consumers when buying high-priced items. Therefore, jewelry retailers were the dominant distribution channel in real jewelry in 2015. On the opposite, internet retailing is not a preferred channel for purchasing expensive jewelry thus sales through this channel remained minimal in 2015 (Euromonitor International 2015g, 2).

According to Euromonitor International (2015g, 3), Bucherer AG, a traditional Swiss jeweler, was the leading company in the sector in 2014. The jeweler enjoys iconic status and high credibility worldwide, profiting a lot from the tourist trade, in particular visitors with very high purchasing power.

Consumer landscape

In the near future, it is foreseen that the demand for real jewelry among wealthy tourists will remain a major advantage of the Swiss market. The modern Swiss consumer is extremely aware of the status consciousness and prestige, which justifies the great popularity of real jewelry in the country. Since this mindset is expect to remain very strong, Swiss consumers will continue to prefer real jewelry to costume jewelry. This trend will be emphasized by the rise of celebrity culture and the greater use of social networking (Euromonitor International 2015g, 4).

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>Highly developed jewelry market</i> • <i>High consumer purchasing power</i> • <i>Low demand for costume jewelry</i> • <i>High demand for combination of tones and materials</i> • <i>Demand for contemporary design jewelry</i> • <i>Rising popularity of silver</i> • <i>Positioning Liliana Alves as art</i> • <i>Demand for strong design features</i> 	<ul style="list-style-type: none"> • <i>Prevalence of luxury brands</i> • <i>Internet retailing not suitable for jewelry sales</i> • <i>Strong competition</i> • <i>The main consumers are tourists that are after prestigious luxury, not design</i>

Distribution strategy in the Swiss market

The jewelry market in Switzerland is large, with sales amounting 1442.3 million CHF in 2015. However, this is mainly due to the high demand of real jewelry, not only from Swiss consumers but also from wealthy tourists that are attracted to the *shopping paradise* that is Switzerland. The strong presence of world-class luxury brands in the country impedes Liliana Alves Jewelry Design to play in the high-end segment. On the other hand, artisan trade is becoming increasingly popular in Switzerland, as consumers seek differentiated products and contemporary designs. As a result, the brand should be positioned as art & design. Looking at the points of sale currently used by the firm and described in the Marketing Mix, we can conclude the company is correctly positioned. In addition, we suggest two similar retailers that we consider appropriate for Liliana Alves Jewelry Design to be present.

MUDAC - Museum of Contemporary Design and Applied Arts (website: <http://www.mudac.ch/>)

This museum, located in Lausanne, is an artistic hub created to bring together various fields of design, applied arts and contemporary art. On the lookout for new trends, it provides various offers in different formats, namely Exhibitions, permanent collections, Library and Shop.

Galerie SO (website: <http://www.galleryso.com/>)

Galerie SO is an elegant gallery with locations in Slothurn, Switzerland and in London, England. It represents leading international and established British artists and focuses on the contemporary object on the borderline between art and design. In particular, it offers jewelry exhibitions supported by utensils, objects and things for everyday use (Cohn 2013).

2. United Kingdom

In the UK, fast fashion has a significant impact on costume jewelry. Consumers are seeking fashionable costume jewelry and high street retailers, such as Topshop and Zara, which continually increase their offer. Despite the fact that the products available in the market are significantly heterogeneous; in general, they are increasingly characterized by strongly trend-led original designs. Furthermore, consumers are getting more open to various colors and shapes and keen to experiment new styles.

As reported by Euromonitor International (2015h, 1), a significant rise in economic confidence is set to foster a jewelry value increase of 1% in 2015, relatively to the

previous year. It is expected that costume jewelry will outperform real jewelry in 2015, growing 4% in value in comparison to 0.5% for real jewelry.

The prospects for the British jewelry market include a fiercer brand competition. The reason for this is mainly the development of lines of jewelry by luxury and affordable lifestyle brands. Furthermore, it is expected that consumers will value brands that are able to capture their interest through storytelling and brand engagement. Finally, social media will play a crucial role in this process. The British jewelry market is expected to stagnate in the next 5 years. Nevertheless, no growth is an improvement in comparison to the decline observed in previous years. High-end branded costume jewelry competition will contribute to the growth challenges of real jewelry. On the contrary, costume jewelry will grow at a compound annual rate of 2%. Most of the growth will be generated from designer custom jewelry. (Euromonitor International, 2015h, 3)

Consumer Landscape

Jewelry distribution channels in the UK are predominantly store-based retailing, which accounts for 95% of overall sales, but internet retailing continues to grow share. This trend is partly due to the increasing use of social media by brands in order to engage with consumers. However, in the end, it is expected that customers will keep their preferences of physically experiencing purchases of high-end products. Pandora, third largest player in the market, has been growing remarkably. Its success can be partly attributed to its quick expansion ability and appeal to diverse demographic groups. Consumers appreciate and trust national brands but they also seek distinctive designs and products offered by international brands. Last year, consumers showed special interest for more distinctive designs, leading to a strong performance of niche and boutique designers. Real jewelry

consumers in general seem to value classic designs and the type of precious stones, rather than designer and brand. Conversely, young consumer are increasingly fond of branded jewelry. (Euromonitor International, 2015h, 2)

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>Consumers are keen to experiment new styles and distinctive designs</i> • <i>Rise in economic confidence</i> • <i>Designer jewelry is on the rise</i> • <i>Growing share of internet retailing</i> • <i>Promotion through social media</i> 	<ul style="list-style-type: none"> • <i>Preference for costume jewelry</i> • <i>Real jewelry consumers value classic designs</i> • <i>Fierce brand competition</i> • <i>Predicted stagnation of the jewelry market</i>

Distribution strategy in the British market

In the UK, costume jewelry growth is outperforming real jewelry, mainly due to design jewelry increasing popularity. Consumers are becoming more open to different colors, shapes and styles. Furthermore, there is an emerging interest for distinctive designs which is contributing to the strong performance of niche and boutique designers. Moreover, as a foreign designer Liliana Alves will benefit from an advantageous position, since consumers associate international designers to modern jewelry. In addition to all the favorable arguments presented above, Liliana Alves work has already been clearly approved by the British consumers when it was featured in British Vogue, August edition 2015. Following the reported market trends and the company characteristics, Liliana Alves Jewelry Design should then target young women who appreciate modern bold designs. As the company is a small manufacturer, the best way of entering the British

market is through a local distributor. Although Liliana Alves has already started establishing contacts in London, she has not signed any contract yet. As such, we suggest the following retailers.

Galerie SO (website: <http://www.galleryso.com/>)

This Swiss gallery pointed out beforehand is also present in London. For the reasons stated in the previous section, this gallery is a strategic distributor for Liliana Alves Jewelry Design (Cohn 2013).

Jewel Street (website: <http://www.jewelstreet.com/>)

Jewel Street is an online platform that gathers new and innovative designs from the world's leading designers. The store operates only over the internet, which can be seen as a threat. However, customers' reviews communicate satisfaction and trust. The website organization gives special emphasis to the designers' names, which is a valuable advantage for Liliana Alves.

3. Canada

In 2015, the jewelry market in Canada took a significant turnaround in terms of design and styles. The reason behind this shift is the more casual and active way of life adopted by consumers. Despite this emerging lifestyle, the Canadian economy is gradually improving as well as the number of women in the workforce. As a result, younger consumers are becoming increasingly interested in purchasing jewelry, which benefitted sales in 2015. The type of jewelry that most stood out in 2015 was both costume and real customized jewelry. This trend reflects the increasing necessity of having a high element of personal design and style chosen by the consumer. Costume jewelry continues to hold

a solid position in Canada, with 71% of volume and 17% of total value sales in jewelry in 2015, as reported by Euromonitor International (2015i, 1).

Regarding distribution channels, mixed retailers take the lead with 47% share of total jewelry sales in 2015. Within this retail channel, department stores, such as Sears, Hudson and Holt Renfrew, hold the largest share, accounting for 25% of total jewelry sales. Internet retailing accounts for less than 1% of total jewelry sales in 2015, which demonstrates the consumers' reluctance to jewelry online shopping. Canadian consumers seem to look for affordable, personal luxury in jewelry, which has been a critical element for the success of well established brands in this segment, such as Pandora. However, sales declined at the lower end of the price spectrum in both real and costume jewelry in 2015 as demand shifted towards higher-quality pieces in both segments (Euromonitor International 2015i, 3)

Given the anticipated continuation of the trends towards value and unit price growth, jewelry is expected to increase at a compound annual growth rate of 4% in constant 2015 prices and 2% in volume, from 2015 to 2020. The shift expected towards higher quality products and rising average unit prices is set to support the value growth in both segments. In the same way, the retail distribution of jewelry will increasingly concentrate on high-end retailers and boutiques specialized in real jewelry. Consequently, traditional department stores are set to report declines in their shares of overall jewelry value sales in 2015 (Euromonitor International 2015i, 5, 6).

Consumer Landscape

In Canada, purchases of jewelry have traditionally been dominated by older adult buyers. However, there was recently a significant increase in the number of younger consumers

purchasing jewelry. Anticipated improvements in the economic situation in Canada in the forecast period support an expected positive growth in jewelry. In particular, the awaited economic expansion is substantiated by both the recovery of the resources sector and the increasing demand of young consumers with high earning power. On the contrary, older consumers seem to be less willing to spend money on luxury goods or any discretionary items later in life. In addition, jewelry remains very popular as a gift, as opposed to a planned purchase (Euromonitor International 2015i, 2).

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>Growth of the jewelry market</i> • <i>Economic improvements</i> • <i>Search for personal elements and style</i> • <i>Increasing focus on quality and rising average transaction values</i> 	<ul style="list-style-type: none"> • <i>Rising number of young consumers</i> • <i>More casual and active lifestyle</i> • <i>Solid position of costume jewelry</i> • <i>Consumers' reluctance to jewelry online shopping</i>

Distribution strategy in Canada

In Canada, there has been a shift towards a more casual and active way of life, allied to a growing number of younger consumers interest and able to afford jewelry. However, high-quality products are the most demanded by Canadian consumers. The dominating jewelry distribution channel is mixed retailers, namely department stores and mass merchandisers. Since design jewelry is not especially trendy in Canada, Liliana Alves Jewelry Design should position her brand as bridge jewelry, meaning affordable quality jewelry.

At the moment, Liliana Alves Jewelry Design sells at Meoclub in Toronto. This is an eco-friendly store specialized in handmade products. Looking at the product range offered at the store, we concluded Liliana Alves' work can seem misplaced. Under these circumstances, this point of sale can be inappropriate and undervalue the pieces. Furthermore, this source of revenue accounts for less than 10% of overall yearly sales, which makes us question the sustainability of this distribution channel.

Considering the country's position in the internationalization ranking, we conclude there are no valid reasons why Liliana Alves Jewelry Design should currently sell in Canada.

Potential importers

Based on the analysis of the variables mentioned in the beginning of the internationalization section, the following countries were determined as potential new expansion locations: China, USA, Germany, France, and Austria. Here we perform a short market analysis and highlight the opportunities and threats for Liliana Alves Jewelry Design in each specific market.

1. China

There is an increasing perception of jewelry as a crucial fashion item, fostered by two major forces: the rising disposable income and the pursuit of improved personal appearance. Furthermore, brand consciousness is growing, in general, which makes premium jewelry more sought after. The market trend in China, in 2015, was characterized by a significant drop to 5% growth rate of the retail jewelry market, amounting to 593.4 billion Yuan, mainly due to the economic downturn. As a result, under the negative economic circumstances, costume jewelry proved to be more appealing to consumers. During the forecast period, it is expected that jewelry in China

will recover, growing at a 7% compound annual growth rate at constant 2015 prices (Euromonitor International 2015j, 1).

Department stores and specialist retailers together represent 95% of total jewelry sales, leading distribution channels in current value terms in 2015. Thus, it is clear that Chinese consumers tend to prefer to try on pieces of jewelry in store, rather than making online purchases. In general, the jewelry market is well segmented in China. As a result, costume and real jewelry are not considered direct competitors in China. While real jewelry is majorly seen as an investment purchase, costume jewelry is driven by fashion trends (Euromonitor International 2015j, 2).

Consumer Landscape

Jewelry will be increasingly seen as an essential fashion item, since consumers are becoming more sophisticated with higher brand awareness and fashion consciousness. In addition, growth in demand will also be caused by the rising disposable income that contributes for the search of more expensive options. As result, real jewelry, rather than costume jewelry, is expected to be the major driver of growth for the overall jewelry market. Moreover, the intensified competition and homogenization will force a higher investment in product development and innovation. An emerging trend, especially among youngsters, is metal combination type products. Chinese consumers increasingly seek unique real jewelry that clearly distinguishes their personal taste. The consumers' perspective relatively to internet-based retailing, will remain the same. Since purchasing jewelry is seen as a special experience, Chinese consumers are unwilling to make a decision without trying it first (Euromonitor International 2015j, 1, 4).

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>Rising disposable income</i> • <i>Young generation economic empowerment</i> • <i>Increasing interest for fashion items</i> 	<ul style="list-style-type: none"> • <i>Preference for gold over silver</i> • <i>Costume jewelry is more popular</i> • <i>Wealthy consumers prefer respected brands over unknown designers</i> • <i>Distance</i> • <i>Logistics problem due to geographic distance</i> • <i>Size of the Chinese market poses a problem for small manufacturers</i> • <i>Cultural differences</i>

2. USA

United States of America is the second largest jewelry market in the world, with a volume of 56,408.40€ million, increasing 2% from 2013 to 2014 and consistently increasing since before 2010, real jewelry remains the biggest part of this market, with 84% of total revenues (Euromonitor International 2015e). Additionally the average household expenditure in fine jewelry alone is 408€ (Edahn Golan 2015, 3). The great market size undermines other variables, more negative as the relative distance to Portugal.

Similarly to what can be observed in other countries the US jewelry market is extremely fragmented. Most retailers are independent selling in over 23 thousand stores, as an outcome no company has more than 7% share of the market. The biggest players in the American market are Sterling, which sells in over 3 thousand locations under several brands, and Fred Meyer (Edahn Golan 2015, 14). This fragmentation allows room for new players to enter a market without dominants.

Consumers have been buying “less for more”, an increasing trend where the consumers were willing to spend more in each piece but buy less in quantity, has they look for long lasting pieces. This contributed to the increase in unit jewelry price, 4% in real jewelry and 2% in costume jewelry, in its turn contributing for the growth of the market as a whole. Nevertheless during the holiday season of 2014 this trend suffered a volte-face with consumers preferring to buy more in quantity but cheaper jewelry items. Concluding both the average expenditure and the amount of fine jewelry bought are in record levels (Edahn Golan 2015, 17).

Consumer landscape

As could be expected the higher the income of the families the more is spent in jewelry, families earning more than 150 000\$ yearly buy four times more than the average, moreover wealthier families spend an higher percentage of all their income in jewelry (1.7%). Regarding the age of the American jewelry buyers, most amount of purchases happen during the stage where marriages occurs, people between 25-35 years old, and after that between the ages of 55 and 64 years old, when families reach the peak of their earnings. Finally, the higher the education level the more money spent on jewelry, which can also be related to the higher household income. Nevertheless there is no remarkable difference between people with more than high school's degree. The consumers look mostly for diamond jewelry and loose diamonds, but 21% of total retail sales come from colored stone jewelry, fashion jewelry and gold (Edahn Golan 2015, 5–11).

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>Second biggest jewelry market</i> • <i>Second country with more consumer expenditure</i> • <i>Growth of the jewelry market</i> • <i>No predominant market players</i> • <i>Trade agreement</i> • <i>Portuguese expats</i> 	<ul style="list-style-type: none"> • <i>Distance</i> • <i>Biggest part of market focused on diamonds</i> • <i>Highly competitive market</i>

3. Germany

As reported by Euromonitor International (2015l, 1), jewelry sales in Germany grew 2% in 2015 to reach 3.9€ billion in sales, with real jewelry performing better than costume jewelry and growing at 3%. This was due to popularity of precious metals, gemstones and diamonds. German consumers expressed preference for simple design, often in pale colors, but also for bi-colored pieces. Diamonds were again highly in demand, joined by pearls that are no longer considered old-fashioned. The jewelry market is highly fragmented and there is a lot of competition. Christ Juweliere & Uhrmacher seit 1863 GmbH, a jewelry and watch multi-brand specialist retailer, was the market leader in 2014 with 6% market share. Aside from Christ, other local players focus mostly on a very exclusive clientele and their products are not affordable for the masses. Large multinational manufacturers such as Fossil, Richemont and Louis Vuitton have larger market shares than local producers.

The growth of consumer expenditure on jewelry can be attributed to various factors, among them low interest rate which made saving unprofitable so consumers preferred investing money in valuable things, such as gold and other precious metals. Furthermore,

the growth of the luxury market in general suggests that consumers overcame initial fear of uncertainty caused by the economic crisis and became more willing to buy luxury goods (Euromonitor International 2015l, 1).

Consumer landscape

The main focus of the jewelry industry is on women while men remain a much smaller consumer group. German women wear little jewelry on a daily basis, usually just a wedding ring, and tend to have a selection of various other pieces at home to combine with the outfits. Neckwear amounted to 25% of real jewelry sales in 2015, followed by earrings with 22%. Popular jewelry pieces are those that can be highly customized, are of simple design and of high quality. Elegance and a certain level of exclusivity are important as well, clearly showing the preference of German women for real over costume jewelry. Due to high emancipation in German society, the trends in jewelry have shifted to women buying jewelry for themselves rather than waiting for partners to buy it as a present (Euromonitor International 2015l, 2).

Jewelry is mostly sold through specialist retailers as consumers prefer to see the items in person and try them on before deciding on a purchase. Jewelry and watch specialist account for 75% of overall sales value with costume jewelry driving online sales. Prospects for the future include a decline in unit prices due to intensifying competition and a decline in material and production costs, a continued popularity of real jewelry over costume jewelry, and an even stronger pull towards customization. Online channels are also expected to gain significance (Euromonitor International 2015l, 4).

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>High purchasing power and emancipation of German women</i> • <i>Germany as the largest economy within EU</i> • <i>Preference for simple design and high quality jewelry</i> • <i>Growth of the jewelry market</i> • <i>No predominant market players</i> • <i>Preference for real over costume jewelry</i> 	<ul style="list-style-type: none"> • <i>Women wear little jewelry on a daily basis</i> • <i>Highly competitive market</i> • <i>Growth of branded jewelry</i>

4. France

The French jewelry market has been losing value, with sales projected to grow 2% at the end of 2015 for the first time in 5 years and reaching sales of 3.5€ billion. It is fragmented but counts with some major players. Cartier Joaillerie International SAS is the market leader with 13% market share, followed by Christian Bernard Diffusion SA with 9% and Groupe GL Paris Bijoux with 7% (Euromonitor International 2015c, 2). While the first one is present worldwide, the latter two are local players and their market share has been declining as they have difficulties maintaining loyal customers. France has a high number of multi-brand retailers and the trend goes in the direction of jewelry manufacturers trying to create its own space in the department stores to better control the distribution and protect brand image.

In 2015, costume jewelry continued to perform better than real jewelry due to the stagnating purchasing power of French consumers. Budget restrictions caused consumers to prefer silver over the more expensive gold and platinum. There were, however, some

niche products among real jewelry that performed well: pink gold and customized real jewelry purchased through online channels. Due to the appreciation of US dollar, the currency in which raw materials are negotiated, the average unit price of jewelry went up (Euromonitor International 2015c, 1).

French jewelry brands are easily identifiable and closely connected to *haute couture* and the perception of exclusivity. The regions of Ile de France (Paris) and Rhône-Alpes (Lyon) lead the statistics in terms of jewelry manufacturing with over 50% share (AORP 2011, 68–9).

Consumer landscape

Among real jewelry, French women prefer rings, which account for 40% of value share and necklaces, which account for 23%. Real jewelry is mostly worn on special occasions, while costume jewelry is seen as fashion accessory and therefore used more often. French consumers prefer cheap, branded and customized pieces, with costume jewelry being more popular than real jewelry (Euromonitor International 2015c, 2).

An important factor in the consumer landscape analysis of France is the number of Portuguese expats in the country. There were 509 254 Portuguese citizens living in France in 2012, which accounted for 0.78% of total French population and 12.79% of foreigners in the country. These numbers gain on importance when compared to the number of total Portuguese population; around 5% of all Portuguese nationals live in France (Observatório da Emigração 2015).

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>Higher price index relative to Portuguese prices</i> • <i>High fashion awareness</i> • <i>Preference for silver over gold and platinum</i> • <i>Portuguese expats in France</i> • <i>Projected growth of the jewelry market</i> 	<ul style="list-style-type: none"> • <i>Preference for costume jewelry</i> • <i>Low customer loyalty</i> • <i>Struggling economy</i> • <i>Preference for cheap, branded and customized pieces</i> • <i>Highly competitive market with some dominant major players</i>

5. Austria

The jewelry market in Austria is growing and the sales are projected to increase from 800 € million retail value in 2014 to 828 € million in 2019 (Euromonitor International 2015d, 13). Austria is home to some of the world's most famous jewelry companies, among which Swarovski, FreyWille and Halder are arguably the ones with most distinctive brand identities. Austrian jewelry market is highly competitive and concentrated and there is a high number of small family or one-person businesses. Market leaders are Dorotheum Beteiligungs and Swarovski, both domestic companies (Euromonitor International 2015d, 2). As a large proportion of jewelry retailers are independent and as such heavily impacted by any declines in sales.

The Austrian capital Vienna is home to various smaller trendy jewelry galleries and studios that offer products designed by Austrian and foreign designers. Luxury retailers, such as Swarovski and Tiffany's are concentrated only in Vienna and poorly represented in other parts of the country. As of 2014, Vienna also boasts an exclusive *Goldenes Quartier*, a shopping district that includes 19 stores of the most prestigious luxury brands

in Austria and is an attraction for wealthy foreign tourists (Euromonitor International 2015d, 2).

Consumer landscape

Consumers are increasingly demanding individuality in appearance, a need unsatisfied by the overcrowded apparel market. In order to highlight their uniqueness, they are turning to fashion accessories and jewelry. A high share of working women are becoming more conscious about their appearance and as the jewelry market develops more, it is becoming increasingly attractive for exporters around the world, especially costume jewelries offering charms or stones, pendants with amulets or hair accessories.

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>High purchasing power</i> • <i>Developed jewelry market</i> • <i>Opportunity for brands with strong identities to compete in the market</i> • <i>Emancipated women</i> • <i>Growing consumer expenditure on jewelry</i> • <i>Successful jewelry design boutiques in Vienna</i> • <i>Contemporary jewelry is often seen as art</i> 	<ul style="list-style-type: none"> • <i>Preference for costume jewelry</i> • <i>Unfamiliarity with Portuguese design and quality</i> • <i>Competitive landscape</i>

6. Netherlands

According to Euromonitor International (2015k 1–4), the Dutch jewelry market grew 4% in value in 2015 and it is expected to maintain the recovery during the forecast period,

mainly due to the improved consumer confidence and economic performance. Manufacturers and consumers kept investing in new collections and marketing campaigns, confident on the recovery of the Dutch economy. Costume jewelry sales grew 5% in current value terms on 2014, amounting to 204€ million. Sales were mainly encouraged by fast fashion retailers who offer new collections and products at lower prices, leading customers to use jewelry more often as a fashion statement. On the same way, Dutch consumers are becoming fond of less expensive jewelry so as to own a wider variety of products.

At the distribution level, more retailers encouraged customers to visit their websites and place orders online, which resulted in rapid growth recorded in internet retailing of real jewelry. On the contrary, store-based retailing channels presented lower levels of sales in 2015. The competitive landscape in the Dutch jewelry market (1500 jewelers in 2014) is characterized by a large proportion of independent businesses, with 70% of them operated by just one person. Jewelry in the Netherlands remains a fairly fragmented category, but with domestic and international brands long established in the various price segments. The Netherlands' largest internet retailing website bol.com introduced sales of jewelry and accessories in 2014. In addition, the website also serves as a platform for independent jewelers to sell their products online, supporting small companies to adapt to the new non-store retailing trend (Euromonitor International 2015k, 3).

Consumer landscape

Demand is set to increase in the mid-term, with consumers willing to spend more money on value-added products and manufacturers offering a wider range of luxury products in the category. Consequently, real jewelry is set to increase in value at a CAGR of 2% in

constant 2015 terms over the forecast period. Dutch consumers have a greater preference for high-quality and luxury goods and are increasingly open to a wider variety of products and inspiring designs. Since retailers and manufacturers are quite aware of this consumer profile, they will respond with new product development in various segments. Costume jewelry is set to target new customer segments and offer a wider variety of products. Retailers are expected to introduce more collections and promote them as a fashion statement for everyday use. Dutch consumers are expected to become increasingly accustomed to purchasing jewelry online, which shall result in a sustained growth of internet retailing (Euromonitor International 2015k, 4).

<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • <i>Growing internet retailing</i> • <i>Preferences for a wide variety of products and designs</i> • <i>Preferences for high-quality and luxury goods</i> • <i>Growing demand for combined materials</i> 	<ul style="list-style-type: none"> • <i>Competitive segment</i> • <i>Growing demand for fast fashion</i>

Entry strategies

While the market analysis was done for the first ten countries obtained through our formula, only the following four were selected to further develop the entering strategies. The selection is based on the market potential evaluated in the section above.

1. USA

What can be observed in the channels of jewelry in the United States is a continuous concentration of the players, with a smaller amount of players acquiring a larger share of

the market through mergers and acquisitions. Nevertheless small independent jewelry stores remain the biggest in number of stores and in sales volume (AORP 2011, 121).

As such there are good opportunities in both channels, in small regional resellers that require negotiating with several different owners but have a larger reach and volume of sales or in the expanding national level specialized chains that enable producers to reach a large number of stores throughout the entire country.

In accordance to what happens in other countries, internet sales are expanding and can be an interesting channel as it doesn't require middle men and any sort of physical presence. Another potential market is the related through sales via television or teleshopping, of relevance in the United States.

Since the two biggest groups of buyers have particularly different ages, 25-35 and 55-64, different methods can be used to reach each, online for the younger more internet savvy clients, and position in small resellers or national chains to reach the older group. A starting strategy can be the focus on a single target initially and further expansion if successful.

Barneys (website: <http://www.barneys.com/>)

A department store offering a variety of products. This is an example of a typical chain that is acquiring a bigger share of the American jewelry market. Negotiating an entrance in such a store would be a huge boom in the company's sales, but it is complicated to negotiate the entrance.

Aaron Faber (website: <http://www.aaronfaber.com/>)

Aaron Faber is a gallery located in New York famous for its showcase of artist-made jewelry presented in the studio jewelry section where Liliana Alves Jewelry Design pieces can be displayed.

For more information, AICEP offers institutional support through its two representatives on the field, their contacts are written below.

Rui Boavista Marques, AICEP representative in New York (email: aicep.newyork@portugalglobal.pt)

Filipe Costa, AICEP representative in San Francisco (email: aicep.s.francisco@portugalglobal.pt)

2. Germany

The biggest part of jewelry sales in Germany occur through independent specialized resellers, over 63% (31% jewelry stores), making it the best channel to enter this market (AORP 2011, 23–5). A useful way of getting to the independent resellers is through Commercial agents that connect producers with resellers, connection that can be made through an existent online platform.

Alternatives that can be used are Internet and mail selling, 2% and 3% of all sales in 2008, which benefit of the direct contact with customers. Nevertheless the forecasts for the futures of these markets are inversed, as the internet selling is expected to increase but mail expected to continue losing share to specialized retail stores (AORP 2011, 25).

Since the major share of this market is composed by working woman that prefer to go to the actual stores a profitable strategy may be the usage of the referred agents to reach to specialized resellers, potentially reaching the bigger share of the market they represent.

German National Association of Commercial Agencies and Distribution Centers
(website: <http://en.cdh.de/>)

This is a leading German association connecting national and foreign producers with German Commercial Agents and distributors, having an online platform for this purpose (contact: <http://www.handelsvertreter.de/en/index.html>).

Valmano (website: <http://www.valmano.de/>)

This website appears as an alternative to selling through an owned site, being an online marketplace focuses on fine jewelry and watches.

Pedro Macedo Leão, AICEP representative in Berlin (email: aicep.berlin@portugalglobal.pt)

3. France

The French jewelry market is very diverse and decentralized. While the luxury capital of France is Paris, the market for contemporary jewelry cannot be that easily identified. Before determining how and where to enter the market, Liliana Alves needs to obtain some industry contacts. With the help of AORP, she participated in Bijorhca, the biggest international fine and fashion jewelry show in France, in January 2015. Up to this date, there have been no useful contacts that would enable her to expand her business to France.

Considering that the main share of Portuguese nationals in France live in the Paris area, establishing a point of sale there would be a good starting point. Furthermore, as the French consumers associate jewelry with luxury brands, positioning as art and exhibiting her work in galleries would increase her credibility as opposite to trying to compete with well-established jewelry brands in France. The gallery below was identified as a good

option, however in order to fully take advantage of the French market, more promotional activities would be necessary – either through AORP or by attending another jewelry fair with the specific focus on promoting the brand. Taking advantage of the online channel should also be considered, as well as promotion through social media groups of Portuguese in France. AICEP is also able to help through its representation in the French capital.

Galerie Elsa Vanier (website: <http://www.elsa-vanier.fr/fr/>)

The gallery is based in Paris and aims to promote independent designers that have chosen to use precious materials as a manner of expression. There are over 20 designers whose work is exhibited there permanently, but the owners are constantly searching for new talents. An important factor in being chosen for an exhibition there is the story behind the design, the artist himself.

Antonio Silva, AICEP representative in Paris (email: aicep.paris@portugalglobal.pt)

4. Austria

Taking into account the highly developed design jewelry market, straightforward positioning and distinctive brand identity are a must for Liliana Alves if she wants to tackle the Austrian market. The key part of the strategy is positioning her products as art. This is crucial and represents an entry ticket to Austrian galleries of contemporary jewelry. In positioning the jewelry as art, price sensitivity issues become irrelevant as art, in theory, has no price.

As Liliana Alves is a small manufacturer, the entry strategy for the Austrian market is exporting through a foreign distributor, an independent wholesaler in the form of a

contemporary jewelry gallery. The three establishments mentioned below were identified as the best options. To get even more information about the market and potential selling points, contacting Ana Isabel Douglas, the AICEP representative for Austria, would be beneficial.

Spiegelgasse acht – design & art objects (website: <http://www.spiegelgasse8.com/en/news/>)

This is a gallery for contemporary jewelry art and cufflinks. It is located in the historical center of Vienna and was the winner of the Austrian quality store check in 2014, recommended for competence in style, professionalism and trendy products. The objects shown here are designed by Austrian and international artists and are considered avant-garde but wearable.

Moha jewelry gallery (website: <http://www.moha.at/>)

Moha jewelry gallery is another small gallery with exhibitions of contemporary jewelry artists from all over the world. It is located in Vienna and the jewelry there is described as bright, playful and minimal.

Galerie Slavik (website: http://www.galerie-slavik.com/seiten_en/home_e.html)

Slavik gallery is Vienna's premiere gallery for modern jewelry. Jewelry here is described as art and the pieces exhibited are described as 'artsy' or 'bold'. There is a wide variety of artists whose work is exhibited here, from well-renowned ones to new up-and-coming innovative talents.

Ana Isabel Douglas, AICEP representative in Vienna (email: aicep.vienna@portugalglobal.pt)

CONCLUSION AND RECOMMENDATIONS

This section aims to summarize the main issues with Liliana Alves' current business and the recommendations that can largely contribute to future success of the company.

The first problem identified is the inconsistent distribution strategy in relation to the positioning of the brand. Selling points vary between regular jewelry stores, souvenir shops in art galleries, and fair trade establishments. Considering that contemporary jewelry can be seen as art, this is the positioning Liliana Alves could take to add credibility to the high-end prices. The distribution strategy should follow accordingly and focus on art galleries and other design/contemporary jewelry stores. Furthermore, the brand's website has space for improvement, namely on language. Although the company is Portuguese as well as the majority of its sales, the website is English, there is no option for seeing it in Portuguese and there are some labels in German and French.

Second, current production cannot keep up with the high demand, which caused Liliana Alves to turn down some recent orders. This is one of the reasons for low revenues and can be explained by the designer's fear of mass production and subsequent devaluation of her work. However, the fear is unjustified due to the fact that a microenterprise by definition cannot involve in real mass production and that there are other ways to show exclusivity; ex. through a consistent distribution strategy. The increase in production should come from outside the atelier as Liliana Alves has access to cheaper ways of production, namely through cooperation with Delfim e Filho Lda, a company that produces metal pieces by casting. This would make the structure of the pieces not fully handmade, but would significantly reduce time and would be enable her to produce more, which would consequently increase the revenues. Fear of loss of customers due to the fact

that the jewelry would not be fully handmade is unfounded as customers buy her jewelry because of the particular design and perceived high quality – none of these characteristics will be lost through semi-industrialization. In addition, the uniqueness of Liliana Alves designs can be communicated through other means. Customers are increasingly attracted to brands that are true storytellers. As such, Liliana Alves can share the handmade production process through the brand website and social media in order to make customers perceive the pieces value and the designer's passion to the business.

Furthermore, the financial analysis showed that the margins Liliana Alves has are relatively low. Increased earnings should therefore come not only by producing more, but also through an increase in margins that may be achieved by focusing more on direct selling and in foreign markets, streams with substantially higher margins, but keeping the price levels unchanged by reducing fixed costs, focusing on financials and phone expenditures. Moreover, Liliana Alves offers a small piece of jewelry to her direct customers in Switzerland in every organized meeting, regardless of whether they make a purchase. Clearly, unlike food and beverages, jewelry is not the type of product that needs to be experimented before purchase, the buying decision is taken after seeing the product. As such, these offers can discourage purchases, instead of creating customer loyalty, as Liliana wishes.

Finally, Liliana Alves should take advantage of programs that register and examine relevant data (ex. Excel) in order to have a better overview of her current situation (financials, sales) which would enable her to make more effective business decisions.

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