A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

“Preserve the Past. Encourage the Present. Challenge the Future.”

Menlo Capital and Ach Brito - German Market Penetration Strategy

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A Project carried out on the CEMS Business Project, under the supervision of:

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Abstract: Menlo Capital and Ach Brito - German Market Penetration Strategy

The CEMS Business Project, in which this work project is an extension of, is in corporation with Menlo Capital, serving as part of an international expansion vision for Ach Brito. Currently, Ach Brito carries a history of expertise in the soap and perfumery business with presences in over 50 countries. The issue the company faces is low brand awareness within some of these countries. With the recent approach from a German Distributor to sell Ach Brito’s luxury line of soaps and fragrances (Claus Porto), a thorough market analysis was developed for the German market. As a result of the insights gathered, 3 recommendations were drawn for how to best penetrate the German Market. In this work project, these recommendations are discussed, as well as, the methodological and theoretical context. To link the project with the Master studies, an academic discussion on the socioemotional wealth models was developed, and concluding this work project with a self reflection.

Keywords:

Luxury Market; Penetration Strategy; Internationalization; Socioemotional Wealth Theory
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Abbreviations

U.S.A. – United States of America

UK – United Kingdom

SWOT – Strengths, Weaknesses, Opportunities, Threats

SEW – Socioemotional Wealth

DNA - Deoxyribonucleic acid
1. Introduction

This work project is associated with the Business Project for the CEMS MIM program carried out with Menlo Capital to help consult Ach Brito on penetrating the German market, under the supervision of Prof. Alexandre Dias da Cunha. The following paper provides an understanding of the Business Project’s context, a reflection of the work done, the author’s contribution to the Business Project, the linkage to the academic theory of Socioemotional Wealth model and the authors personal reflection including experiences and areas for improvements.

2. Context

2.1 Client Overview

With an extensive history of producing soap and other perfumery products that date back to 1887, Ach Brito has overcome the test of time by allying the best technology to the best that tradition has to offer. Founded by Ferdinand Claus and Georges Ph. Schweder – two German businessmen settled in Portugal- the company has grown to being present in over 50 countries with its luxury brand, Claus Porto and dominant in Portugal. With the new Menlo Capital partnership, a private equity company in Portugal, working towards defining strategies and grow the company further, the Claus Porto brand has been the international focus with their variety of product offerings featuring Musgo Real men’s line to the Deco Collection of soaps. Under the motto “Preserve the past. Encourage the present. Challenge the future”, Ach Brito’s Claus Porto brand moves into a world of glamour and indulgence, using hand packaged products with vintage inspiration designs recovered from the brand’s hundred-year labels and delicately crafted soaps with cultivate aromas, to enter the luxury goods market.
2.2 Market Overview

Ach Brito is a niche player in the beauty and care luxury market. With its positioning of Claus Porto at the higher-end of the product spectrum, the company is making strong attempts at creating value share through innovative characteristics of its products while maintain traditional methods and Art Deco packaging on which its popularity was built on (Euromonitor, 2015). On a global scale, total luxury good fragrances realized sales of around 23 billion euros for 2015 (Statista, 2015). The demand for luxurious fragrances and soaps continues to grow, mainly sustained by the touristic consumption, which has been heavily influenced by currency fluctuations and local regulations. The digital revolution has also impacted this industry, opening doors to huge opportunities for global sales. This online luxury goods market has continued its successful run with the share of online purchases increasing 5.0% in 2014, from 4.5% recorded in 2013. Retailers are still the top-performing players online, followed by e-tailors and individual brands (Bonacina, 2015). Shifting market focus from a global level to a promising luxury consumption market, Germany is currently listed as the 7th country with the largest revenue growth in this sector (following large countries such as the U.S.A, United Kingdom and China).

With this super premium market, Germany has reached 1.4 billion euros in sales for 2015, up 27 million euros in 2014 and it continues to be fueled by favourable economic conditions and increasing importance on appearance. Improved economic background led to greater consumer confidence in 2015 within this market category, which in turn led to more consumers entering the category, and increased frequency of purchases, as well as consumers trading-up to higher value offerings in combination with a growing affinity towards greater indulgence (Euromonitor, 2015). With a growing market and a desirable customer base, Germany presents itself as a favourable platform for internationalization of the Claus Porto line.
2.3 Current Client Situation

With the growing desire for luxurious good, Claus Porto’s unique exclusivity, strives to conquer new international markets. Currently the brand represents 40% of Ach Brito total sales of 3.6 million euros (refer to appendix I). Focusing on international sales, a large majority of the sales abroad derive from Claus Porto sales (about 86% of the 1.2 million euros in sales). Although Ach Brito is present in several countries around the world, including U.S.A, England, and China, Portugal continues to be the most important market for the Claus Porto brand, representing 35% of sales in 2015 (refer to appendix II). Overall, this last year was a better year for Claus Porto, with an increase in sales of 5.27% (totaling 1.517.288 euros in 2015) deriving mostly from the smaller segment products such as Agua de Colonia and Floral & Violeta. When looking at the international landscape, China has already the second largest portion of sales (14.11%), followed by England (11.28%) and the U.S.A (8.32%). With the current position of Claus Porto on the global scale, there are products being sold in several untapped markets such as Germany.

In Germany, 2015 sales represent only 2.19% of Claus Porto’s total sales and are derived mostly from the men’s line of Musgo Real (representing 83% of sales to Germany in 2015 – see appendix III). Overall sales in Germany this last year dropped due to a large decline in purchase orders, which may be due to the lack of focus on this market. As of today, their approach at the market is through a UK distributor with little guidelines as where to focus. Such outside knowledge, combined with little monitoring of which products are currently in the hands of the German consumers, has created missed opportunities for Claus Porto within such a market. With the great potential and the pressure to internationalize, Claus Porto needs to focus on their roots, turning to Germany, where their founders originated from and a promising market that will allow them to exude their reputation of authenticity, exclusiveness, luxury and traditions.
2.4 Business Project Challenge

With a look at the present of this historic company, Ach Brito is faced with the need to consider the future. Technology, innovation, market trends and globalization are opening new doors to the world of luxury goods, and in order for Claus Porto to compete, they require an increase in brand presence. Although Claus Porto is already present on a global scale, we believe there is opportunity for a brand such as Ach Brito, full of nostalgic and classical products, to approach the markets with a more direct approach. Today, the Claus Porto brand is perceived as a Historical Portuguese Unique Soap Giftware Brand. It will however be necessary to develop a multichannel entry strategy, given the brand’s low penetration outside of Portugal.

3. Reflection on the Business Project & Individual Contribution

3.1 Problem Definition

Ach Brito’s decadent product selection has the potential for further international success. Historically, the brand won several awards and has been highly recognized with celebrities such as Oprah Winfrey. These successes sparked high growth in the past and many international retailers to purchase the product. However, overtime Ach Brito has faced the challenge of replication (retailers and employees breaking off from the company to create similar products) which demonstrates a lack of product protection and honest relationships. Learning from these drawbacks, Ach Brito realizes there is a market and there is competition, but nothing that can compare to their Claus Porto line of luxurious, historic, and elegant products.

With presence currently in several markets, in this case the German market, Clause Porto needs to develop a strategy to penetrate the market both online and offline (see appendix IV for state and problem definition). The symptoms of the problem are that with their current brand awareness within the market is very low. The company is facing many changes currently, not only in product appearance and brand imagine but also within, hiring new heads of several Cristine Sousa - 2227
positions. With the investment from Menlo Capital, the team has worked to help bring Ach Brito to their full potential. With this being said, they have placed much of their focus on targeting a large set of North American customers, leaving untapped markets for competitors right here in Europe.

With their potential for increased sales to the German retailers, Claus Porto is missing out on these opportunities. A reason for this may be due to the lack of marketing and information being provided to the German consumer. After speaking with several current distributors of the Musgo Real in Germany, they highlighted that they purchased the product directly from Ach Brito in Portugal, and that they have been with the company for many years. They enjoy the fact that they are exclusive to the German Market and are extremely loyal to the brand. With German retailers purchasing directly from Ach Brito, the company faces challenges with their distributor from the UK who is supposed to be targeting the German market (along several others such as France, UK, and Austria). Which brings to light the fact that the current distributor may not be the best fit to reach further sale channels within Germany. Many German consumers are information based purchasers and require in-depth understandings of products and the benefits of such products. Especially when it comes to the luxury goods market, German consumers purchase products based on their innovation, uniqueness, and cross-benefits. However, currently customers and retailers are not being informed of the brand and have limited access to information. Without the strong presence on a global scale, Claus Porto must resort to their online platform to provide information on the catalogue of products and extensive history, but only provided in English and Portuguese and lacks innovative appeal which the e-commerce team at Ach Brito is currently working on. With many changes underway, such as marketing the brand, diversifying their online presence, and searching for new customer profiles, Claus Porto has the capabilities to penetrate the German market and build upon their strengths to achieve new opportunities.
3.2 Methodology

With Ach Brito and Menlo Capital working together to expand Claus Porto’s product reach, it is important to first understand the markets where the brand is currently present, how they would like to expand into those markets, and through which specific channels. In appendix V a break down of the Business Project Team’s approach to penetrating the German market illustrates a primary focus on Market Intelligence, leading to Market Strategy and Penetration. In order to approach the client, the Business Project Team created a tailored road map (as seen in figure 1 below), which enabled the team to produce actionable recommendation concerning where to sell, how to sell, and at what price.

*Figure 2 - Tailored Business Project Approach*

3.2.1 Hypothesis

When presenting Menlo Capital with our specified approach for Ach Brito, the Business Project Team created an issue tree (see appendix VI) where we discussed three areas that we believed would help Claus Porto to penetrate the German Market. We highlighted marketing strategies, looking at investing in marketing sales channels, along with distribution channels, and customer service needs. Due to the short duration of the project and the current marketing strategy that the Ach Brito team is implementing in the U.S.A market (which we feel will have large spill...
over effects at marketing to the German Market), the Business Project Team decided on testing the following hypothesis:

**Hypotheses:** Claus Porto will increase customer reach by penetrating the German Market through different distribution lines.

Claus Porto is currently catering to such customers needs without full awareness and access to all distribution channels available. With relevant opportunities, both online and offline, only some products are being sold within the German market where there is great potential for more. In Germany, there are currently several distribution outlets (online shopping sites present in German, Luxury Department stores, and premium retail shops) that are appealing options for Clause Porto. Each of these outlets allow the brand to target a variety of consumers across all of Germany (and beyond).

Through the next sections we will analyze the customer market, the competitive landscape of the German Market, the various distribution channels that are available for Claus Porto, and the existing potential where Claus Porto is currently losing out. With realizable sales of 2.19% in Germany of all international sales, and several retailers already selling Claus Porto products, there is much potential for increased market sales in Germany.

### 3.2.2 Methodology

After defining the problem, creating our structured approach, prioritizing and creating the hypothesize, the Business Project Team designed our analysis and work plan (as seen in appendix VII). We began by focusing on the Market Intelligence, which looks at market research gathered from data on various quadrants.

**Market Intelligence.** Through this section we looked at the customer segment (researching market characteristics in terms of consumer usage and purchase habits), defines potential
demand and market size, identified and analyzed local competition and further trends within the luxury German perfume and soap market segment. Most of the preliminary research was conducted through academic sources and statistical data bases online. From their we drew conclusions of our research to provide an analysis of both Internal and External benchmarks.

**Internal and External Analysis.** In order to ensure a thorough analysis of the company, we gathered internal reports from Menlo Capital to evaluate Ach Brito and Clause Porto sales both within Portugal, Germany and abroad. From there, we conducted a SWOT Analysis based on the Claus Porto brand and Ach Brito’s resources (see appendix VIII) which enabled better understanding of where Ach Brito and Menlo Capital will have to prioritize their focus to compete successfully in the German market. We had the opportunity to do an onsite visit at the factory of Ach Brito in Porto and conducted several interviews to leaders in different divisions (see appendix IX) to learn more about their current changes and where our research could add value. We then used the Porters 5 forces framework as it is a useful starting point for strategic analysis (Johnson, 2008) and provides knowledge about the industry which is essential towards creating an optimal penetration strategy. From there we built upon our gathered research and highlighted the product market trends and compared the market with the product to provide an analysis of strategic fit. Our final steps were then to develop our first recommendation ideas where we gathered further knowledge on competition and distribution.

**Competition and Distribution.** To best assess these two categories, the Business Project Team evaluated the different competitors in the market with where Claus Porto is striving to be. Currently Claus Porto can be compared to several brands in the luxury soaps and perfumery market, but look to be a super premium segment along brands such as Penhaligon’s, Dyptique, and Amourage. With this gathered information, we performed comparative analysis amongst competitors and discussed with Menlo Capital where gaps seemed to arise (such as in price,
physical brand presence, along with sales and turnover). Simultaneously, the Business Project Team analyzed the value chain, focusing on the various distribution channels (department stores, small premium retail shops, and online market places). Through interviews with various expertise in the market (see appendix X for summary of interviews), the team was able to gather the necessary data to bring us to where we are today, finalizing our recommendations. Due to the extensive research requested from both our Academic and Business advisor, our Business Project is still being conducted.

3.2.3 Analysis

In order to build upon the above work and draw findings to form our hypotheses, the following section takes an in-depth look at our conducted analysis outcomes.

Market Intelligence. Using data collected from internationally recognized databases, such as Euromonitor International and Market line, we analyzed the customer segment and considered that most German’s tend to spend more on wellness products if it offers superior quality and that when purchasing products, they base their purchases on sophistication and fashion (Euromonitor, 2015). Germans also have preference for brands with professional positioning, such as international brand, and appreciate when products are designed to target multiple needs at once (such as men’s grooming products). The current value growth within this super premium beauty care segment was supported by consumer demand and the need for more supply, as consumers are looking for more ways to indulge and pamper themselves (Euromonitor, 2015). Germans remain interested in the idea of exclusivity of the product which helps to justify its price positioning (for example in the form of brand extensions, limited time editions and celebrity fragrances). The most dynamic element of value growth seen at the end of 2015 was achieved by super premium sets/kits which increase by 4% reaching 101 million. According to trade associations, this was due to the high level of innovation in the category, which was
appreciated by consumers (Euromonitor, 2015). Men’s grooming within this segment continued to grow at a slightly faster rate in value terms compared to women’s fragrances, although the difference between the two growths rates was minimal. With a focus on Men’s fragrances we were able to uncover several online distribution sources (that Ach Brito was unaware of), along with a number of competitors present on a global scale. When presenting these findings, it was important to look at a range of possible competitors, which we narrowed down in accordance to those competitors that best competed against most product lines with Claus Porto.

**Internal and External Analysis.** Using the gathered internal reports from Menlo Capital to evaluate Ach Brito and Clause Porto’s local and global sales we conducted a SWOT Analysis to better understand the prioritization of main focus areas.

**Strengths.** Claus Porto’s high quality packaging and natural ingredients, paired with their extensive history and unique design, cater perfectly to the German market. The overall experience that customers have with the brand are said to be a strong bond, in that loyal consumers are disappointed if a product line is discontinued.

**Weaknesses.** With little knowledge on global markets and a primary focus currently on the U.S.A market, Ach Brito has not been able to adequately reach German consumers through their current marketing channels. Due to this low focus on required distribution and related area expertise, the company faces low brand awareness. A subsequent issue is the lack of physical stores and a faint online presence.

**Opportunities.** With outlook of improved economic prosperity, the German market continues to strive for the change to treat themselves. Many consumers in Germany tend to be comparative shoppers and enjoy the act of information sharing before making a purchase. They also prefer to feel, smell and experiment the product before-hand, in order to truly understand
the effects. However, this market remains widely untapped. In such a niche segment with minimal competition present in Germany, the Claus Porto brand, especially Musgo Real, can be found in limited German locations, and offers more potential.

**Threats.** Although competitive forces may not be large in number, the few established luxury brands have saturated the market. Investments are necessary to achieve brand recognition in such a market place. In this case, Claus Porto must ensure they keep investments relatively low by finding niche markets to avoid high competition, otherwise the brand might not be adopted by consumers.

Through this SWOT analysis, we derived at the fact that Ach Brito encounters greater opportunities with the Claus Porto brand, yet in order to make use of these opportunities, internal and external capabilities have to be fostered to successfully penetrate the German market. To better understand the current position of Ach Brito and where they see themselves in the future, we conducted several meetings with Francisco Neto (CEO), Marta Mendonca (Head of Marketing), Catarina Pinho (Market Manager), Ricardo Coelho (Production Engineer), and Ismael Cardosa (Head of E-Commerce). Through these sessions, the Business Project Team was exposed to a young team, where most had only been with the company for a few months, yet were knowledgeable in the brand, believed in the same values as the brand, and had already strong future plans for the Claus Porto name. We were informed of the current focus on the U.S.A. market and how through price changes, product appearance, improved quality material usage and the implementation of a new website to launch in June, that the company hope to realize near future growth. To compliment this notation, the Business Project Team took an in-depth look at the Porters 5 forces framework seen below.
To summarize the analysis above (further details found in appendix XI), it can be said that should there be limited capital available it may be hard for Claus Porto to achieve economies of scale. From the view of Buyer Power, it is important to look at the habits, behavior, product choice and technological usage of the German Consumer, here there is much potential for Claus Porto to cater to the German market, such as the fact that German consumers enjoy the act of gift giving, sophisticated and fashionable products, unique selling points and international brands. Within the German market luxury Men’s Grooming and Fragrances are expected to see constant growth of around 4.2% and 2.0% respectively (Euromonitor, 2015). We analyzed the threat of substitutes to be low and emphasized the competition landscape across the product lines.

From there we highlighted the product market trends and compared this with Clause Porto’s resources to provide an overall strategic fit, which demonstrated that within the Men’s Fragrance market, Claus Porto’s Musgo Real would show great success. The uniqueness of the brand and the cross benefits that they are able to provide the customers (differing from natural ingredient soaps, to inimitable aromas) convey added benefits to the consumer. Finally, the fact that the German consumer enjoys the art of gift giving and innovation, the Claus Porto sets and kits, are a dynamic strategy to sell into the market.
**Competition and Distribution.** Focusing further with the competition and distribution side to support our recommendations we analyzed several competitors seen in appendix XII. Based on these competitors we looked at where they currently sell product in Germany and targeted high-end stores that were best in line with the Claus Porto image. Our findings concluded that the German luxury market is highly fragmented, with perfumeries (56% of total sales) and department stores (10% of sales) dominating total fragrance sales (Statista, 2015). Of those department store sales, Douglas a large distributor of soaps and perfumes holds 48% market share. In Germany alone, Douglas has 408 outlets with 1700 worldwide and is a leading beauty specialist retailer. They have a strong positioning online (sales of 113.5 million euros) and offline (sales of over 1.1 billion euros) and are leaders in largely populated German cities such as Hamburg, Berlin and Munich (Euromonitor, 2015). A further explanation of the different distribution points can be seen in appendix XIII, such as online sales channels and small retailers.

Through the above sections, the Business Project Team is now at the point to solidify our recommendations. With the request for further details on entry strategies, pre-requisites and the likelihood of success the following is a summary of our preliminary recommendations to Ach Brito and Menlo Capital.

### 3.3 Recommendations to the Company

In order to raise the bar for Ach Brito and Menlo Capital, the Business Project Team combined the previous analysis to provide an outline for three recommendations on how to penetrate the German Market.

**Recommendation I - Where to sell?** In this section, we are currently providing an overview of the German Market, prioritizing the presented departments stores based on several criteria (such as: resembles the image of the Claus Porto brand, location, customer reach, sales, products sold
and presence of competitor’s product). We recommend here for Ach Brito to focus a fourfold offline strategy, targeting department stores, Douglas, mid-sized perfumeries and small heritage retailers (see appendix XIV). With competitors such as Penhalingon’s and Amouage currently present and in a large number of stores not only in Germany but world wide, being on the shelves are Douglas would help to increase brand recognition and awareness. We would also recommend tapping into specialized retailers through the Claus Porto brand and Musgo Real separately, as these retailers tend to cater to very niche segments (such as barber shop like stores catered to only men where Musgo Real products would be targeted). Finally, we would recommend focusing more on the online retailers tapping into specialty online shops, like Mr. Porter for Musgo Real and Net-a-porter, parfumdreams, or Style Bop. We identified these new shops based on our assessment of their strategic fit (see appendix XV for full analysis). With competitors having their own websites, as well being present through online retail shops previously mentioned, it is in Claus Porto’s best interest to follow suit and enjoy the benefits of increased market exposure which will logically in return lead to further sales.

**Recommendation II – How to sell?** When it comes to the German Market, the Business Project Team recommends Ach Brito penetrate the market through (the majority of large sales) a full time distributor. As we were unable to reach the current distributor in the UK due to undergoing negotiations within Ach Brito, we have based our recommendations on assumptions. Should Ach Brito decide to keep the UK distributor, we would recommend to create an outline of the main focus areas (which we call the Triangle) that include Key Accounts (department stores), Online Distribution Channels, and Specialized Independent Retailers. It should also be discussed how Claus Porto would like the brand to be presented and only in cities and shops that best match their brand image. On the other hand, should Ach Brito decide to go with Albrecht und Dill, a currently interested German distributor that brings to the team a lot of experience in the market with presence in all the department stores and strong relations to top
luxury retailers inline with the Claus Porto image, it should be clear in which stores Claus Porto would like to focus and which products should be present. For specialized retailers, such as one’s like Nassrasur who only sells Musgo Real and prefers to do business directly with Claus Porto’s Market Manager, it will be beneficial to keep personalized contract channels open. Overall, this should not contravene the distributor agreements as this is currently not a channel that they are targeting from what the Business Project Team is aware of.

**Recommendation III – At what luxurious price?** Exploring the prices across product lines, product sizes, and comparing these with competitor’s prices of similar product and size, it can be determined that Ach Brito should not increase their prices further. Currently Claus Porto’s prices are positioned below the price benchmark of competition, but given the recent push in price from the current rebranding process through partnership with Menlo Capital, the current price is sufficient for the short-term. In the mid to long term range, Claus Porto should consider implementing the goal of raising prices closer to those of international competitors. The timing and scale of the price increase will depend on the developments in the rebranding process and in the following investments made on marketing campaigns and brand communication, which will have a positive relation with price increases (see appendix XVI for further detail on products and prices).

### 3.4 Concerns

Ach Brito and Menlo Capital have begun the process of understanding the German Market and have realized that there is a potential for penetration. Through our multi-focus analysis and provided recommendations, the Business Project Team believes that Claus Porto will be able to penetrate Germany successfully. It is important in this case to underline the following limitations to our recommendations and issues that may arise during the implementation process. Due to the research nature, generalization of the findings is limited. While efforts were
made to utilize various data sources and conduct interviews with several distributors, retail chains and online sales channels, this aspect has been difficult to control due to a dependence on monetary investments and whether interviews were accepted.

Concerning the recommendations, in order to fully embrace the German market, Ach Brito does not have any German speaking sales agents. Should they decide not to partner with Albrecht und Dill, they will face the challenges of being able to properly inform the German market of their product benefits and uniqueness. If they should also decide to stick with their current UK distributor, they may face reluctance to change contracts or increase monitoring as the Business Project Team has recommended.

Finally, with the large focus of resources currently in the U.S.A market, Ach Brito may be limited in their capabilities to simultaneously penetrate the German market. However, the Business Project Teams feels strongly that the changes currently being made to the product line and brand imaging will have positive affects on the German consumers.

3.5 Individual Contribution

Throughout the business project, the team work in collaboration on the areas analyzed and divided work where we sought necessary. First, the team decided on a structured course of action for the semester in that there would be a Project Manager in charge of communication and alignment of the team’s work for 3 weeks at a time. From there, the team diversified the work through several streams where my initial contributions were through the analysis of Product Market Trends and Strategic Fit. Seen in appendix XVII my aim was to solidify opportunities where the strengths of Ach Brito would align best and where Claus Porto should maintain their focus and resources.

After the first progress meeting, I expanded my focus towards the distribution side, building on our plausible recommendations with a strong focus on the online distribution channels. With the help of our German team member, I targeted the main websites that German consumers use.
I conducted a deep approach at each online distributor and broke down the key components that allowed these platforms to be so successful. With attempts to discuss further questions with these retailers, I spend a day with the team in the Menlo Capital office making phone calls and transcribing interviews to support our findings. During these last weeks of our Business Project, I have been appointed as the Project Manager and have been in charge of communication throughout the team. With several meetings and the finalization of our recommendations, I am in charge of assessing Albrecht und Dill, where several attempts have been made to interview the distributor in hopes to discuss their approaches further over the phone or through email. As this has not been successful thus far, I have conducted further research through the Albrecht und Dill website by analyzing which products they currently distribute and to which locations. I have also looked at other possible distributors, such as Atout Cosmetics, but am not satisfied with their values and do not feel that their product reach or market potential is in line with Claus Porto. Although Atout Cosmetics is a strictly luxurious distributor, they tend to focus on bio or all natural products and sell none of Claus Porto’s competitors. Today, with the few remaining days for our final Business Project hand-in and presentation, I am focusing on motivating the team to stay on track, stay motivated, and continue to work well together through the collaborate of sustainable ideas.

4. Academic Discussion

4.1 Possible links with the MSc in Management

Working with an organization such as Menlo Capital and Ach Brito, the Business Project has demonstrated an array of topics that link to the Master in International Management. One topic that is not specifically discussed thus far within this report is a model under the study of Family Business. Ach Brito, once a family owned company, has recently transcended the management of the business but continues to rely heavily on its roots. What makes this once a family business so different from other soap and perfumery companies is the notion in which experts argue that
profit maximization in these organizations exist side-by-side with achieving other non-economic objectives such as employing other family members, and handing down the business to future generations (Serrano, 2014). With this notion in place, the concept of Socioemotional Wealth (SEW) model has gained ground to refer to these non-financial benefits that affect the utility function of family shareholders. Overall, the theory depicts the fact that families take another source of emotional wealth from their companies, and this dictates their behavior and their choices in terms of the strategies that they choose.

4.2 Relevant Theories and Studies

There is general agreement in the field of Family Business that family firms are not simply a unique phenomenological setting but are significantly different from nonfamily firms (for a recent review of literature, see Gomez-Mejia, Cruz, et al., 2011). Gomez-Mejia et al. (2007) developed a general “socioemotional wealth” model to explain many of these diverse findings. This model was created as a general extension of behavioral agency theory, formulated years earlier by Wiseman and Gomez-Mejia (1998) and Gomez-Mejia, Welbourne, and Wiseman (2000). Behavioral agency theory integrates elements of prospect theory, behavioral theory of the firm, and agency theory. Essential to this theory is the notion that firms make choices depending on the reference point of the firm’s dominant principals. These principals will make decisions in such a way that they preserve accumulated endowment in the firm (Berrone, 2012). The SEW model can be defined as those aspects that bring value to the owner family and are not necessarily related to the creation of economic value (Serrano, 2014). This concept contains five different dimension which Gomez-Mejia et al. (2007) label as FIBER with each letter representing a different dimension.

*Family control and influence over decision-making in the firm.* Family members tend to exert control and influence over strategic decisions (Chua, 1999). The power to control can be exerted directly, such as being CEO or chairman of the board, or more subtly by, appointing the
management team members (Berrone, 2012). At Ach Brito, the last standing family member was Achilles Philip, who at the time of appointment to CEO had many challenges to in terms of the future for the company. His ideas helped to bring the company to international exposure and to even be recognized on the Oprah Winfrey show. He mentions in a newspaper article last year, “we have a lot of work, but also we can grow, especially internationally. With my age, I am still far from the evolution of goals I have in mind for Ach Brito (Gomes, 2014). It was his decision later to bring in Menlo Capital, which in turn meant selling around 50% ownership so that Menlo Capital could pursue an aggressive investment/expansions strategy.

*Identification of family members with the firm to such an extent that it is sometimes difficult to separate the identity of the two.* Numerous family business scholars contend that the intermeshing of family and business gives rise to an inherently unique identity within family firms (Berrone, 2010). In the case of Ach Brito, family was had always been engaged in the company firm, even to the extend that the name of the company was the family name of some of the employees.

*Binding social ties.* Through building lasting relationships with internal and external stakeholders (including employees, customers, suppliers), recent recent research by Cruz, Justo, and De Castro (2012) argues that SEW provides kinship ties with some of the same collective benefits that arise in closed networks, including collective social capital, relational trust (Coleman, 1990), and feelings of closeness and interpersonal solidarity (Uzzi, 1997). The family firms’ sense of belonging, self, and identity are often shared by nonfamily employees, promoting a sense of stability and commitment to the firm (Miller, 2005). In this dimension, we can see aspects of the Claus Porto team, who of which a handful are relatively new to the reorganization, but already breath and sweat the values of the company, speaking as if they have been at the company their whole lives.
**Emotional attachment of family members.** This dimension demonstrates ties that often extend to others outside the family. Although emotions are an “integral and inseparable part of everyday organizational work” (Ashforth, 1998), in organizations where family relationships dominate, there is a longer history and knowledge of shared experiences and past events that converge to influence and shape current activities, events, and relationships. With over 100 years of family involvement in the company, Ach Brito as seen much emotional attachment to its past and future success. It is even interesting to note that those not in the family still feel like a part of the family and this includes both those inside and outside the company. Having the chance to speak with several individuals throughout the business project semester we were informed that many retailers who sell Claus Porto or Musgo Real feel very connected to the brand and a part of the history. When a product is discontinued, many of these stakeholders feel saddened by the change and hold concerns for the future of the company.

**Renewal of family bonds to the firm through dynastic succession.** The fifth and last dimension of SEW refers to the aim of passing the business down to future generations, which has important implications for the time horizons in the decision-making process (Berrone, 2012). From the perspective of a family shareholder, the firm is not just an asset that may be easily sold, since the firm symbolizes the family’s heritage and tradition (Casson, 1999). This intention to pass the business to subsequent generations, fosters a “generational investment strategy that creates patient capital” (Sirmon, 2003), commitment to building capabilities, and learning. Although this year was the first year that succession was replaced with Menlo Capitals involvement in the firm, the Ach Brito name has been passed down, generation by generation, for many years. This new change though was felt to be essential for the future success of the company and even though it was difficult for Achilles Philip to lose ownership, it should be noted that those who are moving the company forward are almost as much as family.

Each dimension of SEW may carry different weights depending on the preferences of the family.
owning family. For instance, while some family principals might place a greater value on the sense of dynasty and trans-generational vision, others might emphasize the protection of the family identification with the firm as their main priority (Cennamo, 2012). Here it is important for family principals to identify the dominant SEW dimension(s) when they make decisions, and account for the potential contrasting reference points of SEW among family members, as it will provide insights about why certain options regarding stakeholders are preferred. (Berrone, 2012).

As seen, there is nothing wrong per se with favoring a specific group or a broader set of stakeholders as long as it is clear what the intended goal is. As depicted by Gomez-Mejia et al. (2007), while the key goal of the instrumental perspective is obtaining some benefit for the company and/or the family (e.g., legitimacy, reputation, credibility, enhanced employer attractiveness), the main benefit of the normative perspective is substantive social improvement, in line with and as a reflection of the family principals’ core values (e.g., provision of housing, improved public health, ecosystem management, or emergency relief) as seen in figure 1. Thus it is assumed that for family shareholders, preserving socioemotional wealth is an end in itself and therefore any strategic decision will seek to protect this wealth (Gómez-Mejia et al., 2007). Of course, this does not imply that family shareholders do not also look to increase their financial wealth, but rather that both goals exist side-by-side in the family business at once. This duality of goals gives a family business its unique features that set it apart from other companies (Serrano, 2014).
It has been argued that the heightened identification with the family firm motivates family members to pursue a favourable corporate reputation for its contribution to socioemotional wealth (Deephouse, 2013). However, such objectives can be resisted by other stakeholders, especially non-family stockholders who believe that their financial returns might be harmed if families pursue costly socioemotional wealth goals (Berrone, 2010). Thus, the family’s capacity to pursue a favourable reputation depends partly on its power to shape organizational decision making in favour of SEW goals.

Driven by the idea that the risks of these dimensions are counterbalanced by noneconomic benefits rather than potential financial gains, the main point of SEW is that when there is high family involvement, firms are more likely to bear the cost and uncertainty involved in pursuing certain actions (see appendix XVIII). It is also in line with recent studies that propose both (agency and stewardship) views to have an application to the family business context but under different circumstances, depending on the degree of embeddedness of family actors in the family and in the business (Le Breton-Miller, 2011).

Research by Gomez-Mejia and colleagues has provided overwhelming evidence that when issues are framed negatively by the family in terms of SEW losses, family principals tend to choose risky economic actions that preserve SEW. When there is a threat to that endowment, the family is willing to make decisions that are not driven by an economic logic, and in fact the family would be willing to put the firm at risk if this is what it would take to preserve that endowment (2012). In the case of Ach Brito, we can see over this year that the shift the company has taken from the SEW model ideologies, to the current state they are in now. With this being...
the first year of no family members present in the company management positions, the Ach Brito names still prospers. The last remaining shareholder of the company, who now stands on the board, was faced with such SEW dimensions, trying to balance what he perceived as the best solution for the existence of the brand. With the desire to perceive the brand identity and its heritage, the introduction of non-family management was required. However, it should be noted that the current management team, although not related to the Ach Brito name, has the same instilled values and ideologies of a family. They are all deeply invested in the brand and share the same emotional link enabling them to preserve the memory of the brand. Overall, the SEW model highlights interesting factors that come into play with family businesses.

4.3 Implications for Theory and future Research

The SEW model provides great insights to the non-financial choices that family businesses make. However, due to the youth of this model, there is a limited abundance of research from various authors on the subject matter, leaving many additional avenues for future research unexplored. For example, the way the different dimensions of SEW fit together to create an overall level of SEW remains under-researched. Should all dimensions be equally valued? Or could the combined effects of the dimensions be additive, conjunctive, or disjunctive in forming the SEW endowment (Kellermanns, 2012). With further research conducted on the matter, it can be said that the SEW model is a key component to understanding family business decisions.

5. Personal Reflection

5.1 Personal Experience

Over the period of the Business Project I have enjoyed collaborating with a team of diverse individuals. I strongly believe that each member of the team was able to contribute something unique to the project and brought great value to the overall recommendations. As an interesting exercise, I asked the team to provide each other with what they felt were strengths of one
another and where they felt we each could improve. The teams’ information was very much lined with my own thoughts. Starting with my key strengths, I was able to bring a positive attitude to every meeting and group session. With several deadlines for different projects simultaneously going on, I tried my best to always look on the bright side and ensure that the team was aware that their hard work was not going unnoticed. This was also seen to be a strong skills set when discussing topics with our Academic and Business Advisor, as I was able to speak with a more relaxed and personal tone. Ensuring clear communicating and ease throughout our progress meetings. Finally, I provided the team with constant organization. With the initial set up of our email account and g-drive, I also ensured that minutes were kept and that after each progress meeting we summarized what steps had been accomplished and what our future focus was going to be. Due to my comfort with my mother tongue (English) and positive writing style, I helped to team in produce emails to the company and during interviews, which was always greatly appreciated. Turning focus now to my points of improvement, the team noted that even though they were happy I was able to multitask taking notes and discussing topics, they felt that at times it would have been good to stop and simply listen. I appreciated hearing this feedback from them as this semester was an extremely challenging semester for myself but in a positive way. With several activities going on, and being the president of the CEMS Club Lisbon, I tended to have multiple thoughts simultaneously. My teammates informed me of the importance to sometimes sit back and relax, to listen and to step down from the “leader” position in order to not feel stressed and to provide valuable feedback to the group dynamics and ideas. After this was said, I attempted to make greater efforts at communicating openly within the team and discussing further ideas in more casual settings (such as over coffee and without the laptop present). In order to ensure my ability to focus on one thing at a time in the future, I will make efforts to rotate the task of minute taker or possibly voice record the meeting, and be more aware of my thought process.
should I find myself being distracted by outside matters. Enhancing my areas of improvement will require further reflection of my actions and decision in order to learn from this experience.

5.2 Benefit of Hindsight

With a strong international team, with each individual bring to the table a valuable asset creating the Business Project Teams DNA, I believe the dynamics of the team contributed largely to its success. As mentioned previously, the Project Manager position, created during our initial meeting, provided a structured approached to internal and external communication ties. It also provided each individual with the chance of taking on a “leadership” like position on the team, which I feel is useful experience for the working world. We also divided up tasks in which we felt best suited our capabilities. The fact that only one member on our team spoke and read German, created difficulties at times when it came to specific information gathering and analyzing. However, this was offset with the delegation of additional tasks that needed to be completed in order to drive the projects success. To improve in the future, creating more partnered work focus and holding more meetings could assist in improving the spread of the workload throughout the semester.

6. Conclusion

The Business Project revealed the German Market is a promising opportunity for Ach Brito to further penetrate with their Claus Porto brand. With detailed analysis of both internal and external factors, along with several interviews with retailers and company managers, the Business Project team was able to provide Menlo Capital and Ach Brito 3 recommendations leading to a proactive strategy to penetrate the German market. With a focus on the power of socioemotional wealth that contributes to the brand itself (both internally and externally), Ach Brito has the power to successfully internationalize and penetrate further untapped markets due to their historic brand, current strong team and future growth strategies.

Cristine Sousa - 2227
Appendices

Appendix I: Ach Brito Sales (Internal Analysis)

<table>
<thead>
<tr>
<th>ACH BRITO</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOMESTIC SALES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Goods</td>
<td>€1 952 011.00</td>
<td>€1 881 780.00</td>
</tr>
<tr>
<td>Intermediate goods</td>
<td>€429 561.00</td>
<td>€489 768.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>€1 381 572.00</td>
<td>€2 370 349.00</td>
</tr>
<tr>
<td>SALES ABROAD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Goods</td>
<td>€1 145 270.00</td>
<td>€1 157 648.00</td>
</tr>
<tr>
<td>Intermediate goods</td>
<td>€640 404.00</td>
<td>€647 416.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>€1 185 674.00</td>
<td>€1 795 066.00</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Annual Report, Team Analysis

Appendix II: Claus Porto Sales by Category and Geography

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 Sales (€)</th>
<th>2015 Sales (€)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claus Porto Sales</td>
<td>€709 442</td>
<td>€758 633</td>
<td>59.7</td>
</tr>
<tr>
<td>Musgo Real</td>
<td>€309 505</td>
<td>€372 633</td>
<td>27.9</td>
</tr>
<tr>
<td>Clássico</td>
<td>€300 281</td>
<td>€282 752</td>
<td>22.6</td>
</tr>
<tr>
<td>Agua de Colonia</td>
<td>€122 196</td>
<td>€95 258</td>
<td>7.4</td>
</tr>
<tr>
<td>Floral &amp; Violeta</td>
<td>€72 463</td>
<td>€63 463</td>
<td>5.0</td>
</tr>
<tr>
<td>Others</td>
<td>€5 376</td>
<td>€6 636</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Company Excel

Appendix III: Claus Porto Sales in Germany

<table>
<thead>
<tr>
<th>Sales in Germany</th>
<th>2014</th>
<th>2015</th>
<th>CAGR 14-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECO</td>
<td>5 652</td>
<td>5 297</td>
<td>-6.28%</td>
</tr>
<tr>
<td>Musgo Real</td>
<td>33 063</td>
<td>27 822</td>
<td>-16.46%</td>
</tr>
<tr>
<td>Clássico</td>
<td>9 816</td>
<td>102</td>
<td>-99.96%</td>
</tr>
<tr>
<td>Agua de Colonia</td>
<td>26</td>
<td>154</td>
<td>485.74%</td>
</tr>
<tr>
<td>Floral &amp; Violeta</td>
<td>766</td>
<td>7</td>
<td>-99.11%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>49 322</td>
<td>33 182</td>
<td>-32.73%</td>
</tr>
</tbody>
</table>

Source: Company Excel

Cristine Sousa - 2227
## Appendix IV: Problem Issue Strategy

1. **Perspective/context**: Comment on the “situation” and “complication” facing the key decision maker. What is the context within the problem takes place? What is the current situation? What has happened so far? Why is this problem being addressed now? How/why is it relevant?
   - They are not selling enough in the German market (untapped market)
   - They do not have a strong distributor in Germany
   - They are currently present internationally but do not protect their own products (USA problem)

2. **Basic question solve**: Focuses the work and ensures that findings can be acted on. The more specific the statement the better, provided that it is not so narrow that the “wrong” problem is addressed. It should be S.M.A.R.T.

   - How can Claus Porto increase sales profitably by penetrating the German Market?

3. **Criteria for success**: Bases on which key decision makers will decide whether to act on the recommendations. What is success? What does a good solution look like? How do we know we have a good solution?

   - We would expect sales to increase in the German Market
   - We would expect profitability in the long-term to increase

4. **Scope of solution space and/or constraints within solution space**: What range of potential solutions should we (not) consider? What limits must we apply? E.g. geography, time...
   - Focus on revenues
   - Focus on the German Market and not on France Market

5. **Barriers to impact/challenges**: What factors could hinder the search, design and/or implementation of an effective solution?
   - No access to company information
   - The accuracy of market data
   - Making the right contacts / Finding the right distributors

6. **Decision makers & other key stakeholders**: Who are the primary decision makers and influencers (internal and external) that make decisions, can impact them, and can impact implementation? Who needs to be involved?

Source: Team Analysis
Appendix V: Framing Structure

Source: Team Analysis

Appendix VI: Issue Tree

Source: Team Analysis
Appendix VII: Methodology

<table>
<thead>
<tr>
<th>Progress Meeting</th>
<th>Intermediate Progress Meeting</th>
<th>Final Progress Meeting</th>
<th>Final Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project structuring</td>
<td>Market research</td>
<td>Draw conclusions from market research</td>
<td>Adjust discussed recommendations</td>
</tr>
</tbody>
</table>

Appendix VIII: SWOT

**Products are the key strength**
- High-quality, beautifully hand-packaged products with Portuguese heritage make up the Ach Brito experience.
- The natural ingredients are a specific key strength for the German market.

**Competition is the main threat**
- Large established luxury brands have saturated the market. Investments are necessary to achieve brand recognition.
- Claus Porto needs to find niche markets to keep investments relatively low and avoid competition. Otherwise, the brand might not be adopted by consumers.

**Strengths**
- Products
- Quality
- Heritage
- Experience
- Natural ingredients

**Weaknesses**
- Market knowledge
- Awareness
- Online presence

**Threats**
- Large investments
- Brand adoption
- Competition

**Opportunities**
- Niche segments
- Online shopping
- Physical presence

**Missing market knowledge is a problem**
- Due to the little knowledge about the German market, consumers are reached via inadequate channels.
- Therefore, consumers don’t know the brand and cannot really research online. As a result, sales are very low.

**Niche segments can drive up sales**
- Specifically, the Musgo Real brand has huge potential, which can be realized by exploiting the opportunities through more presence physical stores, online shopping, and more targeted advertising.

Appendix IX: Ach Brito (Internal) Interview Summary

**Ismeal Cardoso (Head of E-Commerce)**

Claus Porto is not a known brand, and they are not visible as a physical store. Ismeal and his team want to put Ach Brito on the map, and the best way to do it is to put it online. He believes they need an online presence that is strong, and is in line with the value of the brand. The investment is short and requires little inventory, as products are shipped directly from Portugal to the world through online sales. Claus Porto is not yet well known in all market, and products were being sold on Amazon which is not an online platform inline with the Claus Porto image. In order to leverage the brand and scale the brand, you need to have full control of all the touch points to the consumer. The E-Commerce team wants to find a way in which value is equal across all online channels. Trying to put themselves in Amazon luxury and beauty to do a clean up of all the sellers they do not know to better control the brand. They are not promoting where they sell their products yet, because they do not know if the distributor now is the right one. Therefore, they first require the understanding if they are distributing to the right locations. Their website is what they want to be the main store. They want to try and have people buying from the main website, but this is hard when they are trying to sell one of the 5 sense, how do you get the customer to buy the product?
without trying the product? They have the condition that if the customer does not like the product they can return the product. Free shipping policy for a certain amount (75 euros in Germany) then it is free - always give for free the first cart (10 euro product) - this is a way to put the product in the hand of the consumer.

Appendix X: Retailers (External) Interview Summaries

Nassrasuar:
Has been with the brand for over 10 years and that it was one of the first brands he ever had with the opening of his shop and feels like he is part of the family. He feels very closely related to the brand and purchases directly from Ach Brito. He would feel possibly upset if he was no longer one of the only distributing Musgo Real, as he feels proud to be one of the soul distributors.
- **History**
- **Prestige**
- **Part of the family**

Porto Domani:
She is satisfied with the product especially the soaps are okay selling product. Customer liked mainly the smell and package of the soap only the **price was a bit high in the eyes of the customers**. People buy it mainly as a gift or when they recognize the product from holidays. They do not always associate the product with Portugal. They also sell the aftershave of Musgo Real to offer something for man, but it is not really selling. In addition, they have candles but they are also not selling well. They sell soaps for 5 years already and plan to continue buying it. She is buying from the fair or directly from Claus Porto through e-mail.

Breuninger:
They look whether a brand fits within their current product offer. They split their product in a cheap medium and expensive segment. They have a special purchaser who is in charge of selecting and picking the products. They actively look for new brands to add but also listen to companies/distributors if they approach them. Products need to have a nice design and smell good. Per brand they decide how they will offer it only in the physical shops, only online or online and only in 3 physical shops, etc. In addition, it is important that the brand has a rich history or tells a story. When it comes to the purchasing they prefer to buy it directly from the company but they also do not mind to buy from distributors. They do not really care about how the brand itself offers the product. **International brands are very popular among the Germans that could be of added value.** However, being from a specific country does not necessarily make the product better.

**ONLINE**

Net-a-porter:
High class designer items, well known designers. Sell stuff from well known designers. Only sell recognized products from designers or if it is not related to a designer you have to present the brand and then the company looks if there is a good fit. However, it needs to be very luxurious and well designed. Distributors contact net porter. They would contact designers but not other parties. And if the designers have something nice then they would sell it but they would never contact CP or MR. You approach them, you present your product and see if it is a good fit or not.

Cristine Sousa - 2227
Appendix XI: Porter’s Five Forces

Porters 5 Forces – Threat of New Entrants
High Entry Barriers

- High Cost of Entry
- Developing unique cosmetic products requires a lot of resources
  - Research and development capabilities
  - Actual manufacturing process knowledge
- Marketing cost
  - Saturated market, brand recognition requires large investment.
- Economies of Scale
  - If limited capital is available it might be hard to achieve economies of scale for entrants

Porters 5 Forces – Buyer Power
By understanding the German customer Ach. Brito can take advantage of certain buyer behaviour

- Behaviour
  - Do not mind to spend money on wellness products if it offers superior quality
  - Select products based on sophistication and fashion

- Habits
  - Enjoy giving handmade gifts to family or friends (especially during birthdays, weddings, baby showers and public holidays like Easter and Christmas)

- Internet
  - Information savvy customers
  - Products require unique selling points
  - Embarrassed to ask for more information in the shop but prefer to go to a physical store to buy the product

- Product Choice
  - International brands
  - Private labels are favoured
  - Should be organic and natural in the eyes of the Germans
  - Products designed to target multiple needs at once are the most popular.

Source: Euromonitor and Marketline
**Trend Forecast**

Expected growth rate for different product categories, relevant to Claus Porto

**Men’s Grooming**

<table>
<thead>
<tr>
<th>% Constant value growth</th>
<th>2014/19 TOTAL</th>
<th>Growth percentage</th>
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<tbody>
<tr>
<td></td>
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<td>4.2</td>
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**Fragrances**

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<th>Growth percentage</th>
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<tbody>
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<td></td>
<td>2.0</td>
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**Bath and Shower Products**

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<th>% Constant value growth</th>
<th>2014/19 TOTAL</th>
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</tr>
</thead>
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<td></td>
<td></td>
<td>2.1</td>
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**Soap Bars**

<table>
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<th>% Constant value growth</th>
<th>2014/19 TOTAL</th>
<th>Growth percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>-8.1</td>
</tr>
</tbody>
</table>

Source: Euromonitor and Market line

**Premium beauty market size and growth projections until 2020 in Mio. €**

![Premium beauty market size and growth projections chart](chart.png)

Source: Favorita, EuroMonitor

**Porters 5 Forces – Substitutes**

**Similar Categories**
- Soap bars and body cream
- Other bath additives like tablets
- Men’s grooming
- More tailored products (e.g., skin type diversification)

**Personal Use**
- Saloon and spa visits
- Products that target multiple needs simultaneously

**Giftware**
- Electronic devices
- Less personal products

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Porters 5 Forces – Competition (1/2)
Fierce competition from international luxury brands will make market penetration tough

Claus Porto Hard Soap Bars (incl. Deco, Classico, Floral & Violeta)
Famous luxury brands and smaller international competitors with similar offerings and lower prices have penetrated the market. Competition in this segment is particularly strong.

Musgo Real
Luxury brands are also dominating the higher priced market, but there do not seem to be offerings that are similar to Musgo Real (e.g. soap on a rope). There is a niche potential for the brand.

Agua de Colonia
Strong locally rooted competitors like 4711 and international luxury brands divide up the market share. Market entry might be very difficult also considering product market trends.

Porters 5 Forces – Competition (2/2)
Fierce competition from international luxury brands will make market penetration tough

Source: Euromonitor & Team Analysis

Appendix XII: Competition Landscape

Cristine Sousa - 2227
**Overview – International Competitors**

**D.R. Harris, Truefitt & Hill, and Murdock London – Musgo Real**

<table>
<thead>
<tr>
<th>Company</th>
<th>History</th>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.R. Harris</td>
<td>Pharmacy</td>
<td>Close ties with German retail locations (match with their brand image)</td>
<td>Mainly present in the trendy luxurious medium sized stores and not in the department stores</td>
</tr>
<tr>
<td>Truefitt &amp; Hill</td>
<td>Oldest barbershop in the world</td>
<td>Independent online stores offer their products due to strong brand name</td>
<td>No focus on the German/European market and therefore there are no retail stores in Germany.</td>
</tr>
<tr>
<td>Murdock London</td>
<td>Trendy British Barbershop</td>
<td>Retail shops match with their brand identity</td>
<td>Very selective in picking retail locations (only present in 2 Hackatt London stores)</td>
</tr>
</tbody>
</table>

**Overview – International Competitors**

**Penhaligon’s, Diptyque, Jo Malone, and Amouage – Claus Porto**

<table>
<thead>
<tr>
<th>Company</th>
<th>History</th>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penhaligon’s</td>
<td>145 years of expertise in fragrances</td>
<td>Very strong retail presence, especially in Germany. Great shopping experience</td>
<td>Large exposure to UK</td>
</tr>
<tr>
<td>Diptyque Paris</td>
<td>Parisian aroma expert</td>
<td>Present in the main high-end department stores in Germany</td>
<td>Limited presence in the medium-sized high-end stores.</td>
</tr>
<tr>
<td>Jo Malone</td>
<td>Founded in 1984 and sold to Estée Lauder in 1999</td>
<td>Part of a strong group of companies, able to explore synergies</td>
<td>Poor online communication</td>
</tr>
<tr>
<td>Amouage</td>
<td>Based in Muscat, Oman, with large</td>
<td>Able to command super high premiums. Strong budget to advertise (e.g. ad videos)</td>
<td>Poor website (weak online shopping experience)</td>
</tr>
</tbody>
</table>

Source: Company Websites

**Appendix XIII: Distribution Points**

![Distribution Points Diagram]

**Market Share Douglas vs. Small Perfumeries 2015**

- Douglas: 48%
- Small Independent Retailers: 52%

- Perfumeries: 56%
- Drug stores: 16%
- Food Retailing: 10%
- Specialized retailers: 2%
- Others: 12%
- Department stores: 10%
Department Stores by Revenue 2015 in Mio Euro

- **SaIeria**: 2,568
- **Karstadt**: 2,192
- **Breuninger**: 554
- **Ludwig Beck**: 104
- **Galeries Lafayette**: 41

Source: Statista; Passport by Euromonitor

- **Net sales**: €2.6 bn (total 2015, incl. all products)
- **Online sales**: €1.1 bn (Germany 2015, incl. only perfumery)
- **Outlets**: 408 (in Germany, 2015) / 1,700 (worldwide, 2015)
- **Selling space**: around 99,700 sqm 2015
- **Product prices range from low to super premium

*Likely to remain the leading beauty specialist retailer*

*Strong positioning online and offline in the leading German cities, particularly Hamburg, Berlin and Munich*

**Other Brands**

- **sisley**
- **BVLGARI**

> premium, but not high-end premium

Source: Company Websites

---

Cristine Sousa - 2227
Appendix XIV: Assessment of stores

<table>
<thead>
<tr>
<th>Presence of Competition</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Premium Segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online Shop</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Preference</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Team Analysis
## Appendix XV: Online Retailers

<table>
<thead>
<tr>
<th>Features</th>
<th>Language</th>
<th># of Brands</th>
<th>Price Range</th>
<th>Shipping Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live Chat box</td>
<td>English</td>
<td>+180</td>
<td>€5 - €650</td>
<td></td>
</tr>
<tr>
<td>2227</td>
<td>French</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>German</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Japanese</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Care/Help</td>
<td>English</td>
<td>+250</td>
<td>€2 - €2,000</td>
<td></td>
</tr>
<tr>
<td>Log in</td>
<td>German</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAQs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>App</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Magazine</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Login/My Account</td>
<td>English</td>
<td>+250</td>
<td>€24 - €120</td>
<td></td>
</tr>
<tr>
<td>Customer Service/Help</td>
<td>German</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store Locator</td>
<td>French</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>German</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free sample</td>
<td>Japanese</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gift Cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source: Company Websites</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Key Features

- **Live Chat box**
- **Customer Care/Help**
- **Review**
- **Payment**
- **FAQs**
- **App**
- **Magazine**

### Price Range

- **Mr Porter:** €5 - €650 (Germany: €7.95; Portugal: €15.00)
- **Parfumdreams:** €2 - €2,000 (Germany: €3.80; Portugal: €5.50)
- **Stylebop.com:** €24 - €120 (Germany: €8.50; Portugal: €10.00)

### Shipping Fee

- "Free shipping promotions for subscribers"
Appendix XVI: Pricing Analysis

PRICE BENCHMARK – International Competitors
Price Comparison - Perfumes, Soaps, and Candles

Candles (for 300g)

<table>
<thead>
<tr>
<th></th>
<th>Castelbel</th>
<th>Claus PORTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>29.87 €</td>
<td>43.33 €</td>
</tr>
<tr>
<td>Claus PORTO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>31.00 €</td>
<td>46.40 €</td>
</tr>
<tr>
<td>Castelbel</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Soaps (for 300g)

<table>
<thead>
<tr>
<th></th>
<th>Castelbel</th>
<th>Claus PORTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>14.53 €</td>
<td>22.86 €</td>
</tr>
<tr>
<td>Claus PORTO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>15.67 €</td>
<td>23.20 €</td>
</tr>
<tr>
<td>Castelbel</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Perfumes (for 100ml)

<table>
<thead>
<tr>
<th></th>
<th>Castelbel</th>
<th>Claus PORTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>31.00 €</td>
<td>46.40 €</td>
</tr>
<tr>
<td>Claus PORTO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>33.33 €</td>
<td>50.00 €</td>
</tr>
<tr>
<td>Castelbel</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company Websites & Team Analysis

PRICE BENCHMARK - Castelbel vs. Claus Porto
Castelbel has a similar product portfolio to Claus Porto but presents a lower price range (~33% below)

Candles (per 300g)

<table>
<thead>
<tr>
<th></th>
<th>Claus PORTO</th>
<th>Castelbel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>€39.00</td>
<td>€22.70</td>
</tr>
<tr>
<td>Claus PORTO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size (g)</td>
<td>270</td>
<td>228</td>
</tr>
</tbody>
</table>

Soaps (per 300g)

<table>
<thead>
<tr>
<th></th>
<th>Claus PORTO</th>
<th>Castelbel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>€18.00</td>
<td>€11.00</td>
</tr>
<tr>
<td>Claus PORTO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size (g)</td>
<td>350</td>
<td>150</td>
</tr>
</tbody>
</table>

Perfumes (per 100ml)

<table>
<thead>
<tr>
<th></th>
<th>Claus PORTO</th>
<th>Castelbel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>€58.00</td>
<td>€31.00</td>
</tr>
<tr>
<td>Claus PORTO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size (ml)</td>
<td>125</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Company’s website/official catalog – prices for Claus Porto from website; prices for Castelbel from benchmark Portuguese retailer Perfumes & Cumphoria
Appendix XVII: Product Market Trends & Strategic Fit

Source: Euromonitor
Appendix XVIII: Positive and Negatives of Socioemotional Wealth (SEW) model

<table>
<thead>
<tr>
<th>SEW DIMENSIONS</th>
<th>Positives</th>
<th>Negatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire for control and influence</td>
<td>Lower agency costs as there is no separation between ownership and control</td>
<td>Expropriation of minority shareholders’ rights Nepotism</td>
</tr>
<tr>
<td>Identification of the family with the firm</td>
<td>Greater commitment to the business project Enhanced reputation</td>
<td>Resistance to change Degree of risk aversion</td>
</tr>
<tr>
<td>Building lasting relationships with stakeholders</td>
<td>Share capital Greater trust, loyalty and motivation Greater market knowledge</td>
<td>Little innovation Resistance to change High salary costs</td>
</tr>
<tr>
<td>Emotional ties</td>
<td>Greater trust, loyalty and motivation Greater flexibility</td>
<td>Nepotism Lack of meritocracy Inability to attract non-family members Less flexibility</td>
</tr>
<tr>
<td>Desire for continuity</td>
<td>Long-term vision Patient capital</td>
<td>Nepotism/Lack of meritocracy Resistance to change</td>
</tr>
</tbody>
</table>

Source: Serrano, 2014
References


Euromonitor International, 2015. Douglas GmbH, Parfumerie in Beauty and Personal Care (Germany)


Statista. 2015. Kauf-und Warenhäuser in Deutschland

