INTERNATIONALIZATION STRATEGY OF GUAVA: JAPAN

ANALYSIS

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A project carried out on the SME Competitiveness: Internationalization Strategy Field Lab, under the supervision of:

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This work project was created to respond to Guava’s problem of what country they should try to expand to. Guava’s founder Inês had plans to explore five different markets, and Japan was the one I choose. To assess if this was the best choice for the company I did a country ranking analysis, followed by an internal analysis of Guava, external analysis of the market and how do firms expand, implementation plan on Japan, and then a financial analysis to check the NPV of this project. Finally consulted with an expert and reached the final conclusions and recommendations.

Keywords:

Market Selection

Internal/External Analysis

Financial Analysis

Conclusions
A. Market Selection

Before providing any additional information about market selection it must be explained that market selection was previously done by Guava, which selected 5 different markets for our group to analyse: France, UK, Saudi Arabia, China, and Japan. Japan is the market I choose and market selection will be about analysing whether Japan is a desirable choice for Guava and if there are better alternatives to the markets they chose. My proposal was to make a ranking with all countries and then reducing to a top 20, where there would be incorporated more specific categories regarding Guava’s business (exporting luxury/premium fashion footwear). For the first screening I did an adaptation of a table of Global Edge ("Market Potential Index (MPI) - 2017 >> Globaledge: Your Source For Global Business Knowledge" 2017) for the market potential for 2017. This score was obtained with an average of some sub-indicators using them as proxies for the main category. Each of these categories ranges from 100 to 0, with 100 being the maximum score, 0 the minimum. This normalization of results allowed a weighted average to reach an overall score and rank the countries analysed.

Market Size – Used measurements to determine market size were the urban population of the country, to estimate the real potential consumers, and the electricity consumption, as a real-time useful indicator for modern-day economic activities. This was considered the most important indicator, as the size of the market can determine the success of the company, and a bigger market allows the company to have more consumers and that is easier to find those who are attracted to Guava’s values and products. To this indicator was given a weight of 25/100.

Market Intensity – Market intensity is an indicator to enhance each country’s private consumption, being this the driver of B2C markets. Besides private consumption as a percentage of GDP, this ranking also has gross national income using purchasing power parity
included in this category. To this indicator was given a weight of 15/100 and the country that had a better score was Qatar, then Hong Kong, and afterwards Switzerland.

**Market Growth Rate** – Market growth rate is a good indicator for the future of the country the company is trying to expand to. Two compound annual growth rates (CAGR) were used: CAGR GDP, using constant 2005 US$, and the CAGR of primary energy, to analyse future perspectives of economic activity rates in that country, because of course going abroad is not a short-term move, but rather medium/long term, so the better the future is for that country the more attractive it becomes to the company. To this indicator was given a weight of 12.5/100.

**Market Consumption Capacity** – Another indicator to understand if the country’s economy, this time to measure the how much income is available for middle-class and how much of that do they spend: serves as a proxy to the general population spending. To this indicator was given a weight of 12.5/100.

**Commercial Infrastructure** – Commercial Infrastructure is the most complex indicator. It contains data from available airline seats; cellular mobile subscribers; households with internet access; international internet bandwidth; logistics perform index; paved road density; and population per retail outlet. All of these, from internet users to paved roads, mobile users to logistics, they all together generate the estimation of a country’s development, speciality the development of commercial areas and platforms. Commercial infrastructure is important because the more advance it is the most likely is to find a lot of consumption, a bigger and better economy, and specially an easier access to the market. To this indicator was given a weight of 10/100.

**Market receptivity** – This indicator was changed by me. The original was an average between trade as a percentage of GDP and per capita imports from the USA (because the original ranking was intended from a us perspective), but because I wanted the ranking to
have the same indicators for all categories and, at the same, include the USA in this ranking, I had to take away the importation quota of the USA. This is meant so that the category could still be equal to all the countries and still achieve the final goal of assessing if a country is good to export to. To this indicator was given a weight of 10/100.

**Economic freedom** – Economic freedom refers to the ability of a person or a company to take or create economic actions. Economic freedom is associated with free market, free trade, and private property, often changing in the countries due to political reasons. To evaluate this criterion there were two indexes studied: economic freedom index, and political freedom index. To this indicator was given a weight of 7,5/100.

**Country risk** – Country risk is based on 3 different rankings: business risk rating, country risk rating, and political risk rating. This allows the assessment of the risk a company will take on the moment of investment, and when the company is already working on the country. The score on this ranking is the bigger the less risky the country is. To this indicator was given a weight of 7,5/100.

**Table 1: Results (top 20) prior to the specific score:**

<table>
<thead>
<tr>
<th>Country</th>
<th>China</th>
<th>Hong Kong</th>
<th>USA</th>
<th>Singapore</th>
<th>Canada</th>
<th>Qatar</th>
<th>Japan</th>
<th>Germany</th>
<th>Switzerland</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranking</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Score</td>
<td>64,95</td>
<td>57,025</td>
<td>54,125</td>
<td>50,9</td>
<td>49</td>
<td>47,65</td>
<td>47,475</td>
<td>46,325</td>
<td>46,025</td>
<td>45,5</td>
</tr>
<tr>
<td>Country</td>
<td>India</td>
<td>UAE</td>
<td>Belgium</td>
<td>Australia</td>
<td>South Korea</td>
<td>Netherlands</td>
<td>France</td>
<td>Norway</td>
<td>Austria</td>
<td>Ireland</td>
</tr>
<tr>
<td>Rank</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>Score</td>
<td>44,6</td>
<td>43,275</td>
<td>42,9</td>
<td>42,55</td>
<td>42,5</td>
<td>42,475</td>
<td>41,5</td>
<td>41,125</td>
<td>40,8</td>
<td>40,35</td>
</tr>
</tbody>
</table>
After these results we can see that Japan is in the top 20, in position number 7, which means it
is a viable choice to go to Japan, but with 6 countries ahead of them, and Guava not having
the possibility to invest in all the countries above, maybe the entry in Japan should be
postponed. However, it might be interesting to compare it after the specific ranking. In the
specific ranking I only used 5 categories: e-commerce, geographical proximity, fashion
relevancy, shoe importation, and import taxes.

**E-commerce** – Guava’s strategy is to only have one channel of sales: online. After some
years selling mostly on portuguese retailers (and two overseas) Guava decided to shift its
focus and to try this new approach. This means e-commerce and its use should be generalised
amongst businesses so that the costumers can have more offer, and consequently, use more
times and spend more on the internet. To determine this factor, it was used the World
Economic Forum ("Enabling Trade Rankings" 2017), and the data relative to the B2C use for
transactions. For this category it was given 20/100.

**Geographical Proximity** – Although the world seems more connected and closer, physical
distance still matters as the most common means of transport for products are slow, like
trucks and cargo ships, which can still can cause time struggles, and delays. This is not good
for a brand like Guava, that tries to provide a service with very fast delivery. To have a proxy
for this category, instead of the actual distance, I have computed an average of the days a
package takes getting from Portugal to a certain country. Although DHL, Guava’s partner,
does not disclose this information, their competitor FedEx ("Serviços De Transporte De
Exportação | Tarifas De Transporte De Exportação | Documentação Aduaneira" 2017) is a
good approximator. In this case all european countries get the maximum score, and this
category is worth 10/100 of the specific score.
**Fashion Relevancy** – When Inês picked the strategic locations of possible international expansions this was the most important part. Countries like Italy, UK, UAE, France, Japan were chosen because they could be the influencers that open the doors to other markets. If Guava manages to penetrate in one of them, or multiple, it can get the “click” the brand is lacking, boosting sales in that region that would get Guava’s business booming. For this category I added the number of fashion shows the countries has listed online ("International Fashion Weeks Calendar | Fashion Week Online®" 2017), and used a top 15 of fashion capital cities, supported by evidence based on designers and brands coming from those cities ("The 15 Most Important Cities In Fashion Right Now | Highsnobiety” 2015). Fashion is subjective, but the consensus is that there is a Big 4 when it comes to fashion’s prime cities: Milano, London, Paris, and New York. As the major category this was worth 35/100, due to the importance of the trendy makers in these cities.

**Shoe Importation** – This category is a proxy to how well a country sees the portuguese footwear industry, and it is measured by a recent years historical importation of portuguese footwear, as a percentage of their GDP ("Portugal | Export Product Share (%) | Footwear | Export | To By Country And Region | 2014 - 2016 | WITS | Data" 2017). This historical approach allows to predict future demand of portuguese shoes, and to focus on the countries that might have more expectancy of buying Guava’s. For this category it was given 10/100.

**Import Taxes** – Import taxes are the amount a country charges a company for it to be able to sell its products to that country’s market. Import taxes are often ways to disincentive their own citizens to buy products made overseas, and might be an indicative of the willingness of that government to accept foreign products over their own. This indicator is very important for Guava because they want to maintain a profit margin between 50-70% and if the tax is too high then they can’t sell on that country at the same price, at the risk of losing money in that operation. The best countries in this category worth 25/100 are all the countries that belong to
Relative to this specific industry Japan gets down to 15th place. After this specific score we can compute the final score by averaging the general score with the specific one:

Table 3: (Top 20 analysis):

<table>
<thead>
<tr>
<th>Country</th>
<th>USA</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
<th>Netherlands</th>
<th>China</th>
<th>UAE</th>
<th>Hong Kong</th>
<th>Belgium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranking</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Score</td>
<td>71.99</td>
<td>71.15</td>
<td>69</td>
<td>64.0125</td>
<td>56.638</td>
<td>56.03</td>
<td>54.838</td>
<td>54.3125</td>
<td>54.3</td>
</tr>
<tr>
<td>Canada</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Score</td>
<td>54</td>
<td>53.6</td>
<td>52.338</td>
<td>52.1875</td>
<td>50.95</td>
<td>50.8</td>
<td>50.2625</td>
<td>49.025</td>
<td>49</td>
</tr>
</tbody>
</table>

Final score for Japan: 12th place.

Concluding the country analysis ranking, it is sure that Japan is a great country: a big potential market with a lot of income for people to spend, low political and country risk, and even a great penetration of e-commerce, but it fails in a lot of categories such as market growth...
rate (GDP grows very slowly – it is a very developed country), market receptivity (does not import a lot), shoe importation (if importation is already low, it is even lower for Portuguese footwear), and import taxes, as they can take away a lot of the margin Guava needs, so it is not yet sure if Japan is the ideal market for Guava’s expansion.

B. SWOT, Porter’s Five Forces, TOWS

SWOT

Table 4: SWOT Analysis of Guava in Japan (summarized)

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Value for money</td>
<td>1. Low brand awareness</td>
</tr>
<tr>
<td>2. Great Distribution Network (DHL)</td>
<td>2. Low volume of sales</td>
</tr>
<tr>
<td>4. Customer service</td>
<td></td>
</tr>
<tr>
<td>5. Efficient product return and refund practices</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “Made in Portugal” trend</td>
<td>1. High competitive rivalry</td>
</tr>
<tr>
<td>2. Portuguese tradition on the footwear industry</td>
<td>2. Players with high marketing budgets</td>
</tr>
<tr>
<td>3. Third biggest economy worldwide</td>
<td>3. Ageing country</td>
</tr>
<tr>
<td>4. One of Asia’s fashion capitals</td>
<td>4. Low growth in GDP</td>
</tr>
<tr>
<td>5. Established use of e-commerce</td>
<td>5. High desire for luxury, not premium</td>
</tr>
<tr>
<td></td>
<td>6. High Import barriers (tariffs and tests needed)</td>
</tr>
</tbody>
</table>

Porter’s 5 forces ("The Explainer: Porter's Five Forces" 2014)
**Supplier Power** – The power that suppliers can have against the firm and that can increase produce cost and consequently decrease profit margin. In Guava’s case, suppliers changed a lot in the past years. For the manufacturing, on one hand Portuguese tradition in the footwear industry means there is a lot of offer; on the other hand, Guava demands flexibility, low production, and superior quality. Raw materials are also difficult to find, but because Inês is always looking for new inputs and switching costs are low, this force is neither weak nor strong (Moderate).

**Buyer Power** - The power that consumers can have against the firm and that can lower prices and consequently decrease profit margin. Guava’s client base is not very big (meaning the existing clients have more strength), but it is loyal and international clients are not that price sensitive, that lowers this force. However, because there are a lot of alternatives (and well-known brands) in the premium and luxury sectors, and no cost of substitution, the clients can change from Guava to these big brands and Guava would have a lot to lose. (Strong)

**Threat of New Entries** – Threat of new entries is the possibility of new firms to be created within the market. It depends on the barriers to entry, economies of scale needed, cost of entry and other factors that might influence new companies emerging in that economy. For Guava, we are interested in evaluating new entries in the market analysed: Japan. While timing of entry is not very important, barriers to entry are very difficult to overcome. Guava’s competitor, Eleh (a Portuguese luxury brand) had to change their shoes to be able to sell in Japan due to the 225 tests they undergo to be able to import them in that country. Economies of scale and costs advantages are also important to generate profit, so new firms have a lot of difficulties to get to Japan since profit is not guaranteed from the beginning. Because there are a lot of factors to prevent new companies’ entrance, this force is not that relevant (Weak).
**Threat of Substitution** – Threat of substitution is when there is another industry or if the product/service is easily replaced at a relative low cost. For the footwear industry Guava is in, there aren’t many substitutes, especially because the main substitutes are sandals, or even using bare feet, but as Guava’s are normally used in special occasions then in those occasions people would not substitute them for something other than shoes. Switching costs are low, that increases the threat of substitution, but still will not generate a great force. *(Low)*

**Competition Rivalry** – This is about the number of competitor within the industry and the ability of competitors to steal customers and reduce the company’s share and profit. In the high-end footwear industry there is a lot of competition. Instead of focusing on price rivalry there is differentiation across the industry, and the dispute is on advertising to get the best brand image, and to conquer customer’s loyalty. Because the firms are already well established it becomes more difficult for small firms, like Guava, to have the same reputation. *(High).*

**TOWS** - TOWS is a tool to use the analysis computed with the SWOT matrix and then develop and create a strategy, maximizing strengths, minimizing weaknesses, take advantage of opportunities, or overcome possible threats. These combined configure 4 strategies: Strengths/Opportunities (SO), where strengths are used to exploit certain opportunities; Weaknesses/Opportunities (WO), where weaknesses are minimized in order to be possible to explore opportunities; Strengths/Threats (ST), where strengths are used to overcome certain threats, and Weaknesses/Threats (WT), the least appealing strategy, where the company minimizes a weakness to avoid threats, possibly a very serious and difficult future.

For Guava the best strategy is to minimize all its weaknesses try to explore opportunities and maximize the advantages a country like Japan can give to Guava. Financial stability would be achieved because is one of the richest countries, it would serve as a door to other Asian
economies (Hong Kong and South Korea are mostly influenced by Japan’s trends), and all of this can only be possible if Guava manages to create brand awareness so it ultimately generates more sales and generates more profit.

C. Internationalization Processes ("International-Expansion Entry Modes" 2017)

**Exporting** - When the company sends and sells produced goods/services from their home country to another country. Exporting is typically the easiest way to expand internationally, being very fast and at a low cost. It is fast because there isn’t any adaptation of the product, no change in the production sites or supply chain, the only thing that changes is that instead of the final consumer on their country, the product goes to a final consumer abroad or to a local intermediary/distributor. It is low cost because it doesn’t have the need to build an international establishment at the importing country, it just implies the costs of changing labels, packaging and pricing – to adapt to local regulations, which are significantly lower than the costs of buying a company in that other country, or even creating one from scratch. The disadvantages of exporting are that it doesn’t allow a lot of control, and also the absence of local knowledge. These two cons against exporting mean more if the company is big as they can damage the image and reputation of the firm on this market, sometimes permanently.

**International Licensing/Franchising** - Licensing/Franchising is when a company signs formal partnership with another, company B, (normally a distributor or a local firm with more local knowledge) where they grant the permission of use of certain Intellectual Property by company B within some restricted circumstances. This Intellectual Property may include know-how, trademarks, copyrights, industrial designs, logistic and trade secrets, and is mostly composed by intangible assets that must be protected by contract. If the contract fails to protect the company going abroad it is a difficult and complex process to handle, and if company B violates the agreement then it can become a fierce competitor that knows our
strengths and weaknesses. Other disadvantages of this entry mode include low control over the IP used, revenues not so high compared to other entry strategies, and that it doesn’t guaranty future expansions in that market. However, this model has its strengths: no requirement of capital, as company B takes in all risk and responsability; testing future foreign markets with substantial risk before investing there or pursuing a riskier entry mode; and it’s very useful when local governments restrict foreign firms to fully own operations, while trade barriers don’t allow exporting to be more viable.

**Strategic Alliance / Joint-Venture** - A strategic alliance/joint-venture is when the company creates a partnership with another and create a third company (the one operating in the foreign country) that has equity from both firms. This doesn’t mean these companies will become a single entity, but for this country, sometimes even only in a temporary, they will share and contribute with their specific competencies, and then share the benefits. This partnership has the advantages of having reduced risk, as it is divided by both companies; it makes the brand local (if the company that partners is a local company); and the shared costs make investment needed to be less than if the company goes by itself to this new market. Nevertheless, this investment is still more than if the entry mode was through exportation, or even licensing/franchising, so it is suited for companies that have the possibility to invest; and there is also the problem of an internal conflict happening in the joint-venture if there are too many discrepancies between the cultures and vision of both companies involved.

**The Greenfield Strategy** - The greenfield strategy is when a firm expands internationally by creating a new branch overseas, where all investment, and consequently control, come from the company going abroad. This new branch is created from scratch, like a start-up with the angel investor being the own company. This method generates maximum control, at the same time that it creates awareness on the locals that is an insider, because of hiring employees of the country they’re expanding; and allows the company to grow organically, allowing the
branch to understand local specifications and local market knowledge, so on the long run it can learn from it and maximize its gains. Although this “organic” growth has the advantages mentioned, it is a slow entry mode and can miss the timing some businesses have. It is also very costly, only making it possible for companies whose home business is going very well. Another drawback is the enormous risk it represents if this expansion is not well thought, because of the money involved it is not easy to reverse if the entrance was not suited for the country.

**Mergers & Acquisitions** - A merger or acquisition is when the company buys or integrates a similar company (or a company in a similar/complementary market). If they buy, it’s an acquisition, if the company bought is large, so that they join to become a single entity, it’s a merger. This is called a Brownfield strategy, as its of creating their branch, the company buys/integrates a well-established player, getting all the perks of logistics and operations being already developed. This also allows a fast move to the market, and having a consolidated position at the market, but because of this, companies end up paying a premium for the acquisition, meaning this entry mode is normally the most expensive. Integration of the company in the foreign market can also lead to overlapping, that can lead to massive firing, which local community can view as a bad publicity stunt.

**Conclusion** - Due to some deficits in some key areas like cash-to-burn, and lack of protecting of its intellectual property (Inês’s design is not protected and does not seem likely she will do it in the near future) the entry mode Guava should consider is exporting. Exporting is the less riskier entry mode, because they can almost completely revert it, losing only the amount spent on marketing and distributors commission (if they have the need for another – probably not, since DHL is their partner worlwide).

**D. Implementation Plan – 4 P’s and 6 M’s**
Marketing Mix – 4 P’s (Branded 2017) (“Four Ps” 2017)

Marketing mix is a simple, yet crucial tool to create a plan for a certain product/service to get “the right product in the right place, at the right price, at the right time”. This tool is for the firm to understand what it is trying to sell and then composing the plan to understand the consumer and how this consumer will buy the product/service, and the reason why. Normally this marketing mix is analysed through 4 different P’s, independent variables that correspond to “Product”, “Price”, “Place”, and “Promotion”, variables that combined are the basic tactic for the marketing of a firm.

**Product** – The product is the first “P”, and it is what the company is trying to sell to the costumer. This tangible good or intangible service must be understood by the company itself, as distinct stages of the life cycle of a product might need specific strategies, and within every stage a unique value proposition must be found. This uniqueness of the product is what will lure consumers into buying the product and so it must be the focus of the communication, as well as the benefits that the said product will bring to the final user. In Guava, the products are all the several types of fashion they sell, from bags to necklaces, but with female footwear being the most important one, and the one analysed in this case. In fact, it’s the first type of product Inês created, the genesis of the company. Currently, Inês’s collections based on the design of the heel, with a geometrical form of a diamond, and it is the best factor to base a campaign of differentiation (because fashion often changes, the product must be analysed every time a new collection is launched; when and if Guava’s brand gets exposed to a lot of people, and if it is perceived as a premium or even luxury brand then future marketing campaigns may be based on the quality of the product as the uniqueness factor).

**Price** - The price for Guava’s shoe collection raises a question? Will Guava continue to maintain the strategy of having online prices at the same price for every country, or will it...
change prices depending on location to absorb the impact of the loss of margin some countries like Japan can have? My recommendation is that all channels must have the same price to prevent cannibalization, and also online prices should be always the same to prevent a possible discrimination felt by the Japanese, who would feel outraged if the company decided to overcharge them without letting them know. If guava feels Japan sales may cut serious profit margin then it should ALL prices, or if decided to only increase in Japan, it should show that in the shipping costs (psychological effect).

**Place** - Guava’s place of sales is Guava’s website. With this shift in the strategy, that privileges only online channels, future Japanese clients will only be able to get the product if they access to the internet and connect to Guava’s website. This means there is only two ways they get there: because they remembered Guava or because Guava directed them to it, and this must be Guava’s bet, as connected promotion may lead clients to the website.

**Promotion** - Promotion is the communication of the marketing efforts. It is the part of marketing the end user sees more because all advertising, public relations, sales promotions, and special offers fall under this category. Promotion should be connected to all the other P’s because it must understand the product to promote its benefits and uniqueness, it must advertise to people willing to buy it for that decided price, and it should communicate the place where it is possible to buy it. Furthermore, connecting promotion with place can exponentiate customer interactions and sales because it makes it easier for the consumer, for example internet ad that links to the store’s website. Guava’s promotion has its pillars based on this. If they are focusing on online sales, and the placement of the product is exclusively online, then an online type of promotion must be used so it can lead the consumer to the website. This can be done with google ad words, for example, that is when a consumer searches on google for a specific word or expression an ad for that product pops up, but Guava has tried it in the past with little results. Another online promotion it is normally seen
is social media advertisement. Facebook ads, or even Instagram, create a lot of awareness with little costs, direct users to a link that will most likely be a special offer or the online store, and they can even target specific groups of people with most companies being able to relate the target for the product with the target on these ads.

6 M’s Strategy (D’Amico 2015) (Trans 2017)

Market - In this marketing tool, the first aspect the company must decide is the ‘M’ for market. Whom is this company addressing? This is key because most of the ‘M’s that follows this must be prepared for a certain audience. Message, media, and even measurement are meant to be specific for a specific target, so there is an extra factor of importance on getting the market right. The message must be made so that the target audience can relate to it (some technologies that collect data that allow the extreme personalisation of using the potential costumer’s name – something very appreciated); the media must be the one or one of the most used by the target, to maximize the number of potential buyers/users and to reach them in their usual environment; and the measurement because some objectives the firm sets itself to reach must always be relative to the size of the market and potential buys. In Guava the target for Portugal are women between 25-35, so I believe that the strategic target for Japan should be the same. Guava is all about empowering women, and offering a premium, vibrant and fashion product that will boost the confidence of young women at the same time it brings the best of them. The target is also a woman that is used to, or willing to buy online, since most of sales are online and the company’s strategy is to only focus on this channel. Besides this, because the footwear and accessories Guava sells are premium articles, the consumer will probably be middle class/middle-upper class.

Mission - What is the objective of the firm? What is the purpose of the campaign? These questions are answered when the mission is presented: the objective is to use this mission as
an end goal, creating afterwards a message to get to that objective. Guava’s mission is, with this prospective international expansion to Japan in mind, is to raise awareness in the country (and perhaps the region) and to start developing a brand, not only to generate top of mind, but also to create the perception within potential buyers that the name Guava comes with a guaranty of quality premium product.

**Message** - This ‘M’ is the message that the firm wants to communicate to the costumer (that will hopefully assimilate it). It gives out some specific points about the product that will trigger the demand for the product, which will differ with the target, but the company must not have more than one clear message, otherwise some customers can be confused if presented mix messages. The message for Guava’s target is that Guava is starting to sell online to Japan and that every woman that wants to feel confident, that wants to feel empowered, and have an exceptional quality product should buy Guava and share their happiness with the world.

**Media** - The ‘M’ for media is to decide which channels of communication the company will use to raise awareness and how will it do it on the specific channel(s) the firm choose. For this campaign Guava wants to focus only on online channels, not only on channels of sales, but also channels for promotion. The use of Inês’s blog about fashion and Guava’s Instagram account should be continued, working on a word of mouth kind of promotion. However, to get more results and to reach the target in Japan, Guava should start using Facebook’s or Instagram’s paid advertising that already monitors reach and cost, and handles a certain budget the firms defined, so that cost-per-click never goes over that limit.

**Money** - The fifth ‘M’ is money, and is related to the quantity of money the company is willing to allocate to this campaign. For this campaign Guava is not very eager to spend a lot of money, focusing mostly on the free word of mouth kind of promotion. However, has said
previously, Guava must start spending some money to ensure that their Japanese target gets exposed to their brand and product. Minimum Facebook charges per normal ads is 1$ per day, but for 5$ it can be an advertisement that will allow more interactions and so this is what Guava should use, totalling 150$/month (approximately 126€). These values are lower for Instagram, with the difference that Instagram gets a lower number of people reached, although Instagram has more interactions and clicks (facebook.com).

**Measurement** - The last ‘M’ stands for measurement and it is related to the goals the company sets for the campaign and after doing it, tracking the numbers so see if it went well. For Guava, what really matters is to raise awareness that will ultimately generate sales. As Guava is selling 5-20 pairs a month, the goal for the beginning should be to sell more 5 pairs a month, and to try to increase brand awareness with a goal, for example, of 100 000 reaches per collection (6 month period), meaning those 100 000 people have scrolled past the firm’s advertisement at least once.

**E. Contacts**

**IAPMEI** - IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas e Inovação) is the Portuguese agency for the small and middle-sized companies and innovation. IAPMEI was created in 1975 and since then is being helping these firms to grow sustainably and helps with financial advices and sometimes even incentives. For Guava although IAPMEI is not the best agency to fulfill the goal to expand internationally, it is very helpful to help Inês control every aspect of Guava’s financial part, and to try to receive incentives the EU or other programmes for start-ups usually give. First of all, IAPMEI gives a personalised and updated management assist not only through individual meetings that any SME’s (Small and Medium-sized Enterprises) manager can schedule, but also in events happening all year, in all country districts, where all sort of discussion regarding incentives, fiscal policies, sustainability, and
economic factors is had, normally with experts, meaning every manager can sign up and learn (more) about these subjects. Second, IAPMEI works a lot of times as a provider or an intermediary of funds for start-ups and companies that develop projects to improve a certain industry, employ more people, or want to internationalize the firm. One of these funds is the Portugal 2020 and IAPMEI is working with the EU to ensure the 25 billion € are going to deserving projects, but even if Guava doesn’t get their project subsidized IAPMEI also facilitates the lending of money to companies working with them. Third, IAPMEI provides training given by their academy (Academia de PME) to ensure managers of SME in Portugal are competitive, at the same time it allows the use of several tools to create strategies, like the example of the Financial Auto diagnosis, or the Investment Project Evaluator tool.

AICEP - AICEP (Agência para o Investimento e Comércio Externo de Portugal) is the portuguese agency for the foreign investment, both from foreign countries into Portugal, as well as the internationaliation, which AICEP supports. AICEP supports these activities not only with direct in-person meeting help in the exporter stores, but also provides a lot of tools to plan, prepare, and to guide all the exportation process: they have on their website a complete exporting guide with FAQ’s, formalities, contacts, previous considerations, and guidelines. AICEP also finances some worthy projects that apply to their funds.

APICCAPS - APICCAPS (Associação Portuguesa dos Industriais de Calçado Componentes e Artigos de Pele e seus Sucedâneos) is the portuguese association that deals with footwear producers (amongst other industries). APICCAPS is the main driver of demand of portuguese footwear as an industry, and informs shoe manufacturers of international fairs and also helps them get there and about the logistics. It also helps with marketing: not only supports the investment SME do in photoshoots and marketing agency, but also created well recognized campaigns for the industry: “The sexiest industry in Europe” and “Portuguese shoes – Design by the Future”.

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CCILJ - CCILJ is the portuguese-japanese chamber of commerce in Portugal. This institution has the sole purpose of closing gaps between the japanese market and the portuguese companies that want to export there. They do this by going to Japan once a year, on a “corporate mission” so that companies can have some days on the field and have “tailor made” contacts, with meetings with these contacts organized by the CCILJ. They also do networking events, give logistics contacts in Japan, and even translate services. Alas, most of these services are only available for associates (or have major discounts for these). For Guava, because it is a small company with less than 20 employees it would be the 220€/year plus an admission fee of 75€. So, Inês must really consider if they need these contacts to export because the money spent in the CCILJ could be spent on social media marketing that might have better results on the raise of brand awareness and increase of sales.

Japan Embassy - Japan’s embassy although more linked to the natural tasks of embassies like promoting the japanese culture or to the bridge between the both governments, but because japan’s embassy has the counsellor-minister of business Dr. Sadayoshi Takagawa, (that gave me a great briefing on the difficulties portuguese companies, and others, face in Japan – Appendix 1) the Embassy is also able to provide consultancy services to companies like Guava, thinking about exporting to Japan. Dr. Sadayoshi also mentioned in our conversation that they are currently completing this process for a company very similar to Guava, called Eleh, that produces luxury and exclusive footwear. The experience and knowledge that only locals have, mixed with the experience and knowledge they have of portuguese reality and culture make a perfect choice for inputs relative to the process to export from Portugal to Japan. In fact, I myself consulted Dr. Sadayoshi to showed him my implementation plan for Guava in Japan, and asked his opinion after looking at the market characteristics, and Guava’s brand, positioning, and product quality.

F. Financial Analysis
To do this financial analysis I calculated the NPV of the project. To do so, I computed a period of 5 years of growth (followed by a perpetuity without any growth – by this stage brand awareness would not increase) with 200,000 impressions in the marketing campaign/year, with 0.8 Click-Through Rate with meant only 0.8% of people that see the ad click on it (low estimate for Instagram’s standard) – which multiplied for the impressions we want gets 1,600 new people on Guava’s website. WACC was guessed at 20% given the fact that insecurity in future cash flows increases the market premium asked to Guava (Skok 2017). Also, to handle all of this new market it was assumed a new employee would be hired, part-time, to handle some translations and complement customer care (400€ a month). Also, Guava didn’t provide customer retention, so I assumed 10% growth in customer base, compared to previous year. The sales assumed were 300€ a pair with 50% profit margin (shipping to Japan and tariffs lowered profit margin to the least amount Inês is willing to sell).

9 different scenarios were generated: firstly 3 different percentage of people accessing the website that actually buy shoes (1%, 3%, and 10% are the bad, the medium, and the great scenario). After this, because social media ads are auctioned the cost to get those 200,000 impressions can variate, so we took the data and have 428€/year for the cheaper (A), 642€ for the normal (B), 1,286€ if prices are inflated (C) (Patel 2017).

Table 5: NPV Scenarios

<table>
<thead>
<tr>
<th>Website Buyers</th>
<th>Scenario</th>
<th>NPV</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>1A</td>
<td>-€ 12,549</td>
</tr>
<tr>
<td>1%</td>
<td>1B</td>
<td>-€ 13,755</td>
</tr>
<tr>
<td>1%</td>
<td>1C</td>
<td>-€ 17,371</td>
</tr>
<tr>
<td>3%</td>
<td>3A</td>
<td>€ 14,431</td>
</tr>
<tr>
<td>3%</td>
<td>3B</td>
<td>€ 13,226</td>
</tr>
<tr>
<td>3%</td>
<td>3C</td>
<td>€ 9,609</td>
</tr>
<tr>
<td>10%</td>
<td>10A</td>
<td>€ 108,869</td>
</tr>
<tr>
<td>10%</td>
<td>10B</td>
<td>€ 107,663</td>
</tr>
<tr>
<td>10%</td>
<td>10C</td>
<td>€ 104,047</td>
</tr>
</tbody>
</table>
NPV is positive only in the scenarios that website buyers represent more than 1%.

G. Conclusion

After analysing and making the implementation plan I consulted Dr. Sadayoshi Takagawa (Appendix 1), that is doing the same for another Portuguese brand, Eleh, trying to enter in the Japan luxury footwear market. Looking at all aspects, from possible gains, to difficulty of access, the conclusion is that, although Japan is a great goal for a company aiming for the luxury market, but it would be very complicated for Guava to establish as a good brand in this perfection demanding market. For him Japan requires the best, a luxury product that has in fact the highest quality, not a premium product great for its value as Guava is.

Of course, NPV is positive and that means it is still a good project, but NPV could be positive and still not be the best strategy, because NPV for other countries should be higher in the countries above Japan. Since Guava does not have the money nor time to expand to all the countries in the top20 to export to, then it would be more efficient if countries in the top3, top5 would be addressed first.

I would recommend either improve Guava’s quality to differentiate from the rest, as luxury commodity that would please the Japan’s market; or to start by other countries that were above in the country matrix ranking, like USA or a European country, or even China if Asia is really important for Guava right now, because, at this point, expanding to Japan does not make that much sense in the way that it might not be well accepted and then it would be very difficult to rebrand the product. If Japan is the objective for Guava then an organic growth must be desired, first trying countries that value more the product that Guava has now, and in the future targeting Japan.
References


