Stam Portugal and its expansion through Europe

Professors:
- Pedro Santos
- Pedro Gonçalves

The team:
- Beatrice Roepke
- Carolina Barreto
- Eleonora Tancredi
- Joana Santos
- Marta Fagundes
Executive Summary (1/2)

- This internationalization project is structured in 3 phases. It starts with a brief overview of the company and the industry, followed by the Strategic Decisions (Market Selection, Resources and Capabilities, Entry Modes and Distribution Channels), ending with a Business Plan for a 6-year period (Marketing, Operational and Financial).

- Stam was founded 47 years ago by an entrepreneur, Francisco Faria, and it is, today, the leader in the Brazilian market of locks and padlocks. The company’s excess capacity in Brazil and the connections of its shareholders to the European market created the desire to expand the business overseas, having as final goal increasing its profits. Stam Brazil and the other shareholders intend to open a logistics centre in Portugal and expand in the padlock segment to 2-3 countries in the next 3-5 years.

- Starting with the Market Selection, Country Clustering and Country Ranking were the first steps to select the best markets for Stam to enter Europe. They were used to assess the attractiveness of the European Union Countries. From the Country Clustering, the Western Cluster was identified as the most suitable option, and through the Country Ranking, it was possible to conclude that the top 5 most attractive countries were Belgium, France, Italy, Luxembourg, and Spain.

- The final step in this Market Selection is to perform an In-Depth Analysis of these countries, using a Competitive Analysis and a Market Potential Index. Although all 5 countries have very attractive market conditions, Spain and France stand out with the best scores, given their Market Size and high number of potential customers.

- Secondly, an analysis of Stam Brazil’s current resources and capabilities (VRIO) was performed to identify which ones can be transferred to the European market, and which ones need to be developed. Although some resources and capabilities are transferable, Stam still needs to develop Human, Physical and Organizational resources, as well as Intellectual Property.

- Moreover, following a Strategy Canvas analysis, it is possible to conclude that Stam has the resources and capabilities to differentiate on design and packaging. In this sense, it is recommended for the company to develop a Focused Differentiation Strategy to position itself in the European market.

- In order to choose the best Entry Modes for the selected countries, a complementary approach based on a Strategic explanation and a Decision Framework was used. To be consistent with the Focused Differentiation Strategy, the recommended solution is to combine different Entry Modes, which together lead to optimal levels of control, knowledge about the market, and flexibility.

- The internationalization should follow a Double-way strategy. Firstly, Stam should coordinate the operations in Europe from its Sales subsidiary in Portugal. Secondly, it should expand from Portugal to the target markets, through a combination of Direct sales and Direct exporting.

- Finally, a country by country internationalization strategy is recommended, starting with Portugal in 2020, Spain in 2021 and France in 2022. By following this strategy, Stam is able to gain more money to invest, while increasing the knowledge and contacts it has in the European market.
Executive Summary (2/2)

- Lastly, the Strategic decisions end with the Channel Positioning. DIY retailers and e-commerce platforms will be considered as Stam’s main points of sale within its B2B Strategy. Since the recommendation for Stam is to enter with a Sales subsidiary in Portugal, which already acts as an intermediary, the most suitable distribution channel would be a Direct one. For Spain and France, the most suitable channel is a Direct distribution channel, using a Sales Office

- Moving to the Business Plan, to what concerns the Marketing Plan, our research concludes that the only product line within Stam’s portfolio that would allow the firm to benefit from a clear differentiation advantage is the Life Colors line. With this, Stam finds a clear gap to position itself as the most "Fun and Colourful" brand on the market. Based on its characteristics, Stam’s main targets would be Millennials, Centennials, and Teens

- Life Colors padlocks would be sold through the Adeo Group. Moreover, sales through DIYs would be complemented by an e-commerce strategy, with Amazon as the intermediary to reach the final consumer. To effectively reach its target consumers, Stam needs to adopt a push strategy, mainly focusing and investing on in-store communication initiatives. Online Communication will serve as support and will have a strong role at a post-purchase stage

- Stam’s Operational Plan consists on the Company’s Organization, the set up of a subsidiary in Portugal, the Supplier and Inventory Management, and the Distribution. In 2022, Stam Europe will be structured by a main Subsidiary with its Office and Warehouse in Portugal (Matosinhos) and two additional Sales Offices in Spain and France

- Stam’s HR team will consist of a General Manager, 2 Commercials, a Warehouse Manager and a Material Manager. Moreover, Stam’s Distribution Costs have been computed through an estimated amount of padlock sales and transportation prices given by Torrestir Logistic company

- Regarding the Financial Plan, it aims to assess the financial viability of the strategic recommendations by determining Stam’s Business Model in Europe and projecting the key financial statements in the next 6 years

- Through DIY and online sales, Stam is expected to reach 0.97% of the total padlock market in Portugal, 0.99% in Spain and 1% in France. Stam’s Variable Costs constitute the padlock purchases from Stam Brazil, Distribution Costs and Amazon’s margin, while the Fixed Costs come from the CAPEX, Costs of Instalment and SG&A. Furthermore, given the internal conditions of the company and external climate of the padlock market, the best source of financing would be a shareholders’ investment

- The company would start with negative profits in the first 2 years, and as it enters the French market it would become profitable

- Stam’s internationalization to Europe is financially viable, although extremely volatile. Matched with the strategic analysis, projections suggest a highly volatile market, making the final decision of the company dependent on the risk that the shareholders are willing to take, and whether or not they are looking for short-term profits
The project is structured in 3 phases. It starts with a brief overview of the company and industry, followed by the Strategic Decisions and concluding with the Business Plan.

**Methodology**

1. **Introduction**
   - Opportunity Definition
   - Company Overview
   - Industry Overview
   - SWOT Analysis

2. **Strategic Decisions**
   - **Market Selection**
     - International Market Selection:
       1. Country Clustering and Country Ranking to assess EU countries’ market potential and to identify the top 5 most attractive countries
       2. In-Depth Analysis over the 5 top countries to identify the 2 best targets, using a Competitive Analysis and a Market Potential Index (industry-specific indicators)
   - **Resources and Capabilities**
     - Analysis of Stam Br’s current Resources and Capabilities (VRIO Analysis): identification of the transferable ones and of the ones needed to be created for the Portuguese subsidiary
     - Definition of the Value Curve
     - Strategy selection based on the Strategy Canvas’ Analysis

3. **Business Plan**
   - Development of Marketing, Operational and Financial plans, in a 6-year period, including suggestions and improvement for the brand
   - Elaboration of the final recommendation

4. **Channel Positioning**
   - Presentation of the different channel options
   - Benchmark with competitors’ positioning
   - Analysis of the different customer segments and selection of the best choices
   - Decision of the best Distribution Channel for each country

5. **Entry Modes**
   - Definition of an expansion plan in consistency with the strategy of the company
   - Creation of a decision framework to assess the different possibilities
   - Decision of the Entry Mode for each country

**Methodology Map**

- Introduction
- Market Selection
- Resources & Capabilities
- Entry Modes and Channel Positioning
- Marketing
- Operational
- Financial
### Agenda

1. **Introduction**
   - a. Opportunity Definition
   - b. Company Overview – Stam Brazil
   - c. Product Description – Padlock Segment
   - d. Stam’s Positioning
   - e. Success Factors – Brazil
   - f. Global Strategy
   - g. Product Life cycle
   - h. Industry Analysis – Michael Porters’ Five Forces
   - i. SWOT Analysis

2. **Market Selection**
   - a. Country Clustering
   - b. Country ranking
   - c. Results – 5 countries
   - d. Competitive Analysis
   - e. Market Potential Index
   - f. Results – 2 countries & Portugal
   - g. Portugal’s Attractiveness
   - h. PESTLE

3. **Resources & Capabilities**
   - a. Stam Resources & Capabilities for the European market
   - b. VRIO
   - c. Competitive Advantage Adaptation
   - d. Resources Stam Portugal needs to develop
   - e. Read Ocean Vs Blue Ocean Strategy
   - f. Strategy Canvas
   - g. Evaluation of Scenarios for Stam Portugal’s Positioning-Strategy

4. **Entry Modes and Channel Positioning**
   - a. Strategic Premises
   - b. Entry Modes Analysis for Portugal
   - c. Strategy elaboration at a lower level
   - d. Entry Modes Analysis for France and Spain
   - e. Key Takeaways
   - f. Road Map to Europe
   - g. Customer Segment Analysis
   - h. Customer Segment Decision
   - i. Market Coverage
   - j. Conclusion

5. **Business Plan**
   - a. Marketing Plan
   - b. Operational plan
   - c. Financial Plan
Stam Brazil’s internationalization is only the last step of a 47 years lasting journey. The firm’s goal is to have the same success in Europe as it has in its home market.

Methodology – Introduction

1. Opportunity Definition
2. Company Overview
   - History
   - Corporate strategy
   - Product and Local Competitors
   - Product description
   - Stam Brazil’s positioning and Key Success Factors
3. Industry Overview
   - Integration-Responsiveness Framework
   - International Product Life Cycle Theory
   - Michael Porter’s Five Forces
4. Stam within the European competitive scenario
   - SWOT Analysis
Stam Brazil intends to open a logistics centre in Portugal and expand in the padlock segment to 2-3 EU countries in the next 3-5 years.

**Opportunity Definition (1/2)**

**Project’s Premises**

Stam Brazil’s success has driven the company towards an expansion to Europe. In partnership with Mr. Jacob and Mr. Alcides, Stam Brazil intends to open a logistics centre in Portugal and expand in the padlock segment to 2-3 EU countries, in the next 3-5 years.

**How should Stam Brazil expand its business to Europe in the segment of padlocks, through the creation of a logistics centre in Portugal?**

**Stam Portugal Logistics Centre**

- Stam Brazil: 60%
- Mr. Alcides: 20%
- Mr. Jacob: 20%

---

Stam Brazil is the market leader in the padlock segment in Brazil.
The reasons linked to the expansion are based on connections that the shareholders have to the European market, and the desire of Stam Brazil to move to a different geographical area, based on excess capacity.

### Opportunity Definition (2/2)

#### Why expand from Brazil?
- Stam was the most sold padlock brand in Brazil in 2017
- Stam Brazil is producing usually 50% below its capacity
- Stam’s maximum capacity can be increased to support extra production
- The company believes it can benefit from minimized production costs, linked with automated production
- With high levels of production, the company can benefit from economies of scale
- Stam intends to expand its business abroad to increase revenues

#### Why expand to Europe?
- To increase profitability
- To sell in countries with higher levels of demand, related with higher market sizes
- Stam Brazil has contacts with certain clients that operate in Europe, such as the Adeo Group
- 2 of the shareholders have companies operating in Europe, in the areas of technology, benefiting from knowledge of the market and possible connections

#### Why a logistics centre in Portugal?
- Portugal is the closest country to Brazil in Europe, making it easier to export
- The countries have a similar culture, even sharing the same language
- One of the 3 shareholders is Portuguese, benefiting from connections in Portugal
- The country is attractive in terms of wages, logistics (good ports), as well as low taxation
Stam is the leader in the Brazilian market of locks and padlocks, producing in one of the most modern factories of all Latin America.

**Company Overview (1/2)**

- Stam was created in 1971 by Francisco Faria.
- Stam is the Brazilian market leader in the production and commercialization of locks and padlocks.
- Its production plant is one of the most modern of all Latin America.
- Nowadays, Stam’s products are widely diffused across the national territory, from small shops to big area stores.
- The company focuses on producing high quality and security products in an innovative, environmental and social sustainable way.

**KEY FIGURES**

- **Production plant** of 35,000 m².
- **Sales per type of product in 2017**: 6,094,285 - padlocks; 11,347,252 - door locks; 3,660,208 - others (accessories, handles, hinges, etc.).
- **Percentage of sales per segment**: 28.88% - padlocks; 53.77% - door locks; 17.35% - others (accessories, handles, hinges, etc.).
- Stam’s **market share in Brazil** in the padlock segment: 21%.

---

1. Market Share = (Stam units sold)/(total units sold for Stam, Pado, and Papaiz)
2. Appendix 1
3. Appendix 2
Stam is present in Brazil with 4 product lines, competing against strong national players. The most immediate competitor in the padlock segment is Papaiz, positioned similarly in both price and quality.

The main competitors, in the padlock segment, are national players.
- Overall, Stam is aligned with Papaiz (a Brazilian company, part of the Assa Abloy Group) in terms of price, but overall offers better quality products.
- Pado positions itself in the middle, in terms of both quality and price.
- Gold and Standers (Leroy Merlin’s private label brand) are the cheapest brands on the market with lower quality products.
Stam’s product portfolio, in the padlock segment, differs mostly in terms of material and colors, which affect quality, security and differentiation of the brand.

### Product description: Padlock Segment – Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Type</th>
<th>Material</th>
<th>Width</th>
<th>Shackle</th>
<th>Colour</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BRASS PADLOCKS</strong></td>
<td>Keyed</td>
<td>Brass</td>
<td>20/25/30/35/40 /45/50 mm</td>
<td>Normal</td>
<td>No (Golden)</td>
</tr>
<tr>
<td><strong>ZAMAC PADLOCKS</strong></td>
<td>Keyed</td>
<td>Zamac</td>
<td>20/25/30/35/40 /45/50 mm</td>
<td>Normal, medium and high</td>
<td>No (Golden)</td>
</tr>
<tr>
<td><strong>Coded- 3 Digits</strong></td>
<td>Coded- 3 Digits</td>
<td>Zamac</td>
<td>20/25 mm</td>
<td>Normal</td>
<td>27</td>
</tr>
<tr>
<td><strong>Coded- 4 Digits</strong></td>
<td>Coded- 4 Digits</td>
<td>Zamac</td>
<td>40 mm</td>
<td>Normal</td>
<td>3</td>
</tr>
</tbody>
</table>

1 Appendix 3-6
Although market conditions in Brazil are not the same as in Europe, it is important to understand the high quality-price positioning the company has been able to achieve in the last years.

### Stam Brazil’s Positioning

<table>
<thead>
<tr>
<th>High quality</th>
<th>High price</th>
<th>Packaging</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Locks" /></td>
<td><img src="image2.png" alt="Packaging" /></td>
<td><img src="image3.png" alt="Packaging" /></td>
</tr>
</tbody>
</table>

- In Brazil, mostly **national brands** are sold in DIYs.
- These national brands have a **low variety of materials**, and usually are **lower quality** than Stam Brazil.
- In comparison with competitors, Stam Brazil has the **highest quality in the brass segment**.

- The fact that Stam Brazil has the best quality in the market, enables the company to practice **prices above competition**.
- The company also has an **established name in the market**, as sells a high variety of products. This creates **higher brand awareness** and also enables the company to practice **higher prices**.

- The company bets on a **colorful packaging** that stands out from competition.
- Both blisters and box packages have the colors of the company’s logo, which are vibrant and tropical, creating more **brand awareness** (recognition and recall) and **attracting customers**.
Stam Brazil’s success in the home market is determined by several Key Success Factors, which are mostly not transferrable to the European market.

Stam Brazil’s Key Success Factors:

1. Rather unattractive market for multi-nationals: *Corruption and political instability*
2. Barriers to entry: high tariffs and importation barriers
3. Low level of competition
4. First Mover Advantage
5. Long established reputation and brand name
6. Premium brand positioning due to brass as highest quality material
7. High market share and market leadership

These Key Success Factors are determinant for the company’s success in the Brazilian market. However, most of them are not transferrable to the European market.
The Padlock Industry is a global industry and a global oligopoly. In a global oligopoly, with the exception of certain local markets, a few big international players compete at a world level.

Industry Overview – Integration-Responsiveness Framework

- **Global Integration**
  - Pressures
  - High
  - Low

- **Cost Reduction Pressures**
  - Low
  - High

- **Local Responsiveness Pressures**
  - Country Differences in
    - Consumer tastes/preferences
    - Infrastructure/practices
    - Distribution channels
    - Host government needs

---

Sources:
1. Emanuel Gomes’ slides (T1 2017-2018) - S6 International Business Strategies Subsidiary level strategies - International Business course

A characteristic of global industries in which firms coordinate their value-chain activities across many countries in order to maximize efficiency, effectiveness, flexibility, and learning while promoting cross-fertilization and the reduction of redundancy across the firm’s operations worldwide.

The Padlock Industry is in a standardized product phase, which is consistent with the expansion strategy being pursued by Stam Brazil.

Industry Overview – International Product Life Cycle (IPLC) Theory

- The product itself is characterized by a stable design and production process.
- When the main markets become saturated, the inventor country’s trade balance becomes negative (more imports than exports in value terms). The importers are now more price-sensitive. If there is a space left in the market, it is immediately occupied by players who are predominately foreign.
- Brazil is a developing country hence, within this industry, a firm such as Stam is in the right stage to increase its exporting.
- This is consistent with the strategy pursued by the company which, although the saturation of the home market, has recently made investments to increase capacity.

Source: https://www.provenmodels.com/583/international-product-life-cycle/raymond-vernon
The main threats for any player in this industry are the large number of competitors and the power of retailers, such as DIYs.

### European Padlocks Industry Overview – Michael Porters’ Five Forces (1/2)

<table>
<thead>
<tr>
<th><strong>Supplier Power</strong></th>
<th><strong>Threat of Substitutes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Large <strong>competitors</strong> built their own facilities in China, becoming more competitive in costs</td>
<td></td>
</tr>
<tr>
<td>- Production site influences <strong>buyer’s perception</strong> regarding the quality of the product</td>
<td></td>
</tr>
<tr>
<td><strong>Competitive Rivalry</strong></td>
<td></td>
</tr>
<tr>
<td>- <strong>Large number</strong> of competitors</td>
<td></td>
</tr>
<tr>
<td>- Shelf space is dominated by larger, worldwide <strong>competitors</strong> such as Master Lock, Yale and Abus</td>
<td></td>
</tr>
<tr>
<td>- Worldwide competitors are <strong>hard to defeat</strong>, as they have more contacts in each country, a wider product portfolio, and benefit from high brand awareness</td>
<td></td>
</tr>
<tr>
<td><strong>Buyer Power</strong></td>
<td></td>
</tr>
<tr>
<td>- Retailers can drive prices down due to lack of differentiation</td>
<td></td>
</tr>
<tr>
<td>- <strong>Retailers’ white labels</strong> compete directly with other padlock brands</td>
<td></td>
</tr>
<tr>
<td>- Infrequent purchases and high level of similarity makes some <strong>consumers appeal to a low price</strong></td>
<td></td>
</tr>
<tr>
<td>- Others take into consideration the personal losses when a padlock does not provide security, preferring high-quality products, which leads to a lower price sensitivity</td>
<td></td>
</tr>
<tr>
<td><strong>Threat of New Entrants</strong></td>
<td></td>
</tr>
<tr>
<td>- Concentrated competition is difficult to beat</td>
<td></td>
</tr>
<tr>
<td>- Lack of differentiation between products leads to a very saturated market, with few opportunities to enter</td>
<td></td>
</tr>
<tr>
<td>- <strong>Increase in innovation</strong> in this industry is a great threat</td>
<td></td>
</tr>
<tr>
<td>- Although the production of padlocks benefits from economies of scale, these products have a very low degree of differentiation and are usually <strong>produced</strong> already in mass and in an optimal way</td>
<td></td>
</tr>
</tbody>
</table>
To be successful in this market, the company needs to adjust its positioning in relation to major competitors and retailers (DIYs)

### European Padlocks Industry Overview – Michael Porters’ Five Forces (2/2)

<table>
<thead>
<tr>
<th>Force</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supplier Power</strong></td>
<td>- <strong>High threat</strong> for the industry, as production costs might not be viable to compete with Chinese ones from major competitors. This affects the price positioning of each company and their overall profitability</td>
</tr>
</tbody>
</table>
| **Threat of Substitutes**   | - **Not a big threat yet**, as consumers’ mindset is not ready for this change: Smart Locks are expensive in comparison with traditional padlocks, and involve a greater level of commitment with the product itself, as well as a decrease in frequency of purchase  
  - Likely to increase throughout time, as consumer’s mindset adapts                                                                                                                                                                                                                                                                                                                                                                           |
| **Competitive Rivalry**     | - **Sustainable threat**, as competitors are in the market for many years, having gained brand awareness and competitive advantage through costs, bargaining power and price                                                                                                                                                                                                                                                                                                                                                                                                 |
| **Buyer Power**             | - Once most of the clients of the companies are their **direct competitors** (DIYs), they need to take into consideration the retailer’s side when positioning in terms of price and when setting the retailer margin  
  - Retailers will only sell new products if their profit is larger than the current                                                                                                                                                                                                                                                                                                                                                                                                               |
| **Threat of New Entrants**  | - The main driver of success of this industry is **economies of scale** - companies need to produce in high quantities from the beginning                                                                                                                                                                                                                                                                                                                                                                                                               |

Benefiting from high levels of economies of scale and by producing in large quantities in Stam Brazil, Supplier Power and Threat of New Entrants are minimized for Stam PT. However, close substitutes are likely to spread throughout time as technology develops, increasing the level of competition for the company.
These strengths, weaknesses, opportunities and threats for Stam Brazil are in alignment and even support Stam Portugal’s shareholders’ intentions to open a logistics centre in Portugal and expand in the padlock segment to 2-3 countries in the next 3-5 years.
Agenda

1. Introduction
   a. Opportunity Definition
   b. Company Overview – Stam Brazil
   c. Product Description – Padlock Segment
   d. Stam’s Positioning
   e. Success Factors – Brazil
   f. Global Strategy
   g. Product Life cycle
   h. Industry Analysis – Michael Porters’ Five Forces
   i. SWOT Analysis

2. Market Selection
   a. Country Clustering
   b. Country ranking
   c. Results – 5 countries
   d. Competitive Analysis
   e. Market Potential Index
   f. Results – 2 countries & Portugal
   g. Portugal’s Attractiveness
   h. PESTLE

3. Resources & Capabilities
   a. Stam Resources & Capabilities for the European market
   b. VRIO
   c. Competitive Advantage Adaptation
   d. Resources Stam Portugal needs to develop
   e. Read Ocean Vs Blue Ocean Strategy
   f. Strategy Canvas
   g. Evaluation of Scenarios for Stam Portugal’s Positioning-Strategy

4. Entry Modes and Channel Positioning
   a. Strategic Premises
   b. Entry Modes Analysis for Portugal
   c. Strategy elaboration at a lower level
   d. Entry Modes Analysis for France and Spain
   e. Key Takeaways
   f. Road Map to Europe
   g. Customer Segment Analysis
   h. Customer Segment Decision
   i. Market Coverage
   j. Conclusion

5. Business Plan
   a. Marketing Plan
   b. Operational plan
   c. Financial Plan
Country Clustering and Country Ranking are used to assess the attractiveness of EU countries and to find the top 5 countries which an In-Depth Analysis was developed on.

Methodology – Market Selection

**International Market Selection**

- **Country Clustering**
  - Macro variables
- **Country Ranking**
  - Market Potential variables
- **5 Target countries**

**In-Depth Analysis**

**Competitor Analysis**

**Industry Specific indicators**
- Industry Potential indicators
- Market Concentration indicators
- Ease of Doing Business

**3 Target countries**
Through the Country Clustering it was possible to find 3 different clusters – Northern, Eastern and Western Countries. According to our analysis, the most suitable cluster for Stam is the one composed by the Western Countries.

Country Clustering

- Country Clustering consists of grouping countries according to their similarities in different variables (economic, political, commercial, etc.)
- It not only allows managers to compare the countries according to their likeliness, but also to identify potential synergies across the markets, as well as to pursue a more standardized strategy of expansion.
- The Western Countries Cluster was chosen for several reasons. Firstly, this choice is consistent with the company’s preferences: it includes countries which have been in the firm’s consideration set from the beginning, such as Portugal, where the company was planning to build a logistics centre. Secondly, keeping into account Portugal’s key role, the identified countries are culturally similar to both Portugal and Brazil, which enables the creation of a more standardized strategy.

Variables:

- **Economic Factors** (Inflation Rate; Exchange Rate Volatility; Ease of Doing Business)
- **Governance Factors** (Political Stability; Control of Corruption)
- **Human Development Factors** (Human Development)
- **Logistics Factors** (Logistic Performance)
- **Cultural Distance to Portugal and France** (Power Distance; Individualism; Masculinity; Uncertainty Avoidance; Long Term Orientation; Indulgence)

Analysis on European Union Countries (28) ¹

1 Appendix 10-12
Through the Country Ranking it was possible to conclude that the top 5 most attractive countries are Belgium, France, Italy, Luxembourg and Spain. Thus, these are the countries in which the In-Depth Analysis was developed on.

**Country Ranking**

- This is a complementary approach to Country Clustering, since the previous model compares countries according to their macro similarities, and this method allows to identify the **most attractive countries** to invest in, given their market potential.

- Country Ranking is used to rank the countries, inside the chosen cluster, according to Market Potential variables, which are more industry related. Through the ranking, it is possible to identify the countries with the **highest market potential and attractiveness**, and, therefore, the **most suitable countries** for Stam’s expansion.

- A set of **7 dimensions** was created by Cavusgil, Kiyak, & Yeniyurt, 2004, to measure countries’ market potential. Nevertheless, the dimensions and variables can be adapted according to the industry, project or business. Moreover, the weight of each factor is decided by the management, according to the business’ specificities.

**Variables:**

- **Market Size** (Urban Population; Electricity Consumption)
- **Market Growth** (CAGR Urban Population; CAGR Primary Energy Used; CAGR GDP)
- **Market Intensity** (GNI per Capita; Private Consumption as % GDP; % Urban Population)
- **Commercial Infrastructure** (Population per Retail Outlet; Paved Road Density; Logistics Performance Index)
- **Market Receptivity** (Imports per capita; Trade Openness Ratio)
- **Country Risk** (Business Risk Index; Country Risk Index; Political Risk)
- **Inequality** (Gini Index)

**Focus in-depth in top 5 countries:**

- Belgium
- France
- Italy
- Luxembourg
- Spain

<table>
<thead>
<tr>
<th>Countries</th>
<th>Overall Rank</th>
<th>Urban Population</th>
<th>St Urban Population</th>
<th>Electricity consumption</th>
<th>St electricity consum</th>
<th>CAGR Urban Population</th>
<th>St CAGR Urban Popu</th>
<th>CAGR primary</th>
<th>St CAGR primary</th>
<th>Market Size</th>
<th>Market Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>11</td>
<td>544</td>
<td>28</td>
<td>13935</td>
<td>4</td>
<td>3,246</td>
<td>1</td>
<td>-0.00306829</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>16</td>
<td>11140</td>
<td>23</td>
<td>7709</td>
<td>17</td>
<td>0,401</td>
<td>18</td>
<td>0.012487745</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>16</td>
<td>37295</td>
<td>12</td>
<td>5386</td>
<td>22</td>
<td>0,489</td>
<td>18</td>
<td>0.040304865</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>17</td>
<td>53836</td>
<td>5</td>
<td>6940</td>
<td>22</td>
<td>0,715</td>
<td>16</td>
<td>0.01674756</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>17</td>
<td>42473</td>
<td>10</td>
<td>5002</td>
<td>25</td>
<td>0,287</td>
<td>19</td>
<td>0.03404539</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>18</td>
<td>6655</td>
<td>25</td>
<td>4663</td>
<td>34</td>
<td>0,572</td>
<td>17</td>
<td>0.041286665</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>20</td>
<td>22025</td>
<td>18</td>
<td>3972</td>
<td>25</td>
<td>-0,106</td>
<td>21</td>
<td>0.01746471</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>20</td>
<td>7803</td>
<td>25</td>
<td>6259</td>
<td>20</td>
<td>0,379</td>
<td>18</td>
<td>0.00477571</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td>20</td>
<td>440</td>
<td>28</td>
<td>4905</td>
<td>23</td>
<td>2,228</td>
<td>7</td>
<td>-0,148782883</td>
<td>28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>21</td>
<td>1122</td>
<td>28</td>
<td>6728</td>
<td>19</td>
<td>0,550</td>
<td>17</td>
<td>-0.01152528</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Appendix 13-15
To assess the overall Market Potential, several variables were chosen and further grouped into 7 dimensions, with different weights of importance.

The 17 variables are grouped into 7 dimensions to assess the overall market attractiveness:

- **Market Size**
  - Urban Population (7%)
  - Electricity Consumption (7%)

- **Market Growth**
  - CAGR Urban Population (4%)
  - CAGR Primary Energy Used (2%)
  - CAGR GDP (3%)

- **Market Intensity**
  - GNI per Capita (3%)
  - Private Consumption as % GDP (6%)
  - % Urban Population (5%)

- **Commercial Infrastructure**
  - Population per Retail Outlet (6%)
  - Paved Road Density (5%)
  - Logistics Performance Index (12%)

- **Market Receptivity**
  - Imports per Capita (15%)
  - Trade Openness Ratio (6%)

- **Country Risk**
  - Business Risk Index (3%)
  - Country Risk Index (2%)
  - Political Risk (2%)

- **Inequality**
  - Gini Index (12%)

The model used focuses on long-term market potential, instead of country risk or profit conversion. Thus, the selected variables englobe economic and demographic variables to assess future demand and industry/country market data to measure the market attractiveness (Arnold and Quelch, 1998).

Each variable was standardized in a scale of 1 to 100, as well as given different weights, according to their importance. The most valuable are the ones more related with the activity that is being developed, as well as the internationalization process, giving more information regarding the possibility, as well as easiness, of padlocks’ commercialization in Europe.
The In-Depth analysis is used to assess the market potential of the top 5 countries in more detail, using the Market Potential Index. The analysis helped identify the two best target countries for Stam’s internationalization.

Methodology – Market Selection

International Market Selection

Country Clustering
  - Macro variables

Country Ranking
  - Market Potential variables

5 Target countries

In-Depth Analysis

Competitor Analysis

Industry specific indicators
- Industry Potential indicators
- Market Concentration indicators
- Ease of Doing Business

3 Target countries
The top 3 competitors with the most power and presence in the international market are Master Lock, Abus and Yale

### Competitive Analysis (1/2)

<table>
<thead>
<tr>
<th><strong>Master Lock</strong></th>
<th><strong>Abus</strong></th>
<th><strong>Yale</strong></th>
<th><strong>Bizline</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths:</strong> Recognition around the world; Largest global manufacturer and marketeer; Seen as “the authentic, enduring name in padlocks and security products”</td>
<td><strong>Strengths:</strong> Operates worldwide; Supplies several areas on all continents, with customized security solutions</td>
<td><strong>Strengths:</strong> Operates worldwide; Among the most respected and old lockers brand; Develops products for residential, commercial and industrial use</td>
<td><strong>Strengths:</strong> Specialist of equipment and consumables for professionals; markets its products through the Rexel network - world leader in the distribution of electrical supplies</td>
</tr>
<tr>
<td><strong>Weaknesses:</strong> High prices</td>
<td><strong>Weaknesses:</strong> Lower market presence and brand awareness compared to major competitors</td>
<td><strong>Weaknesses:</strong> Lack of presence in Professional stores</td>
<td><strong>Weaknesses:</strong> Only present in professional stores</td>
</tr>
<tr>
<td><strong>Product Description:</strong> Wide portfolio of products with different sizes, materials, models, colours and locking methods (digits, keys and digital)</td>
<td><strong>Product Description:</strong> Over 10 different models of products with different sizes, colours, materials, formats and locking methods (digits or key)</td>
<td><strong>Product Description:</strong> Extensive portfolio range, with different types and designs but limited product line</td>
<td><strong>Product Description:</strong> Small portfolio with very simple models in standard materials and measures</td>
</tr>
<tr>
<td><strong>Differentiation:</strong> Customization of products</td>
<td><strong>Differentiation:</strong> Model produced with recyclable materials</td>
<td><strong>Differentiation:</strong> Full range of products developed for young people</td>
<td><strong>Differentiation:</strong> Padlock with nylon handle</td>
</tr>
<tr>
<td><strong>Market Power:</strong> Number one in almost every market; Market Presence Proxy (MPP) up to 74% in DIY; Less power in professional stores, with MPP up to 27%</td>
<td><strong>Market Power:</strong> Number one brand in DIY stores in Spain; MPP in these type of stores is up to 53%; Most present brand in professional stores in Belgium; MPP up to 88%</td>
<td><strong>Market Power:</strong> Present in the majority of European countries; MPP in DIY stores fluctuates among 3% and 22%; Less presence in professional stores, with MPP changing among 3% and 5%</td>
<td><strong>Market Power:</strong> In the top 3 of most present brands in the professional stores, with a MPP of more than 13%</td>
</tr>
<tr>
<td><strong>Presence:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
There are many national competitors with high power in the national market, such as Viro, in Italy, and Ifam, in Spain

### Competitive Analysis (2/2)

<table>
<thead>
<tr>
<th></th>
<th>Viro</th>
<th>Cisa</th>
<th>Maurer</th>
<th>Lince</th>
<th>Ifam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths:</strong></td>
<td>World-renowned for its focus on quality and the range of security solutions</td>
<td>Brand associated with superior quality</td>
<td>Belongs to the largest hardware and tools company, Ferritalia, operating in Italy; The enterprise has deep knowledge of market needs and the technical characteristics of the products</td>
<td>One of the leading brands in the Spanish market and the presence in international markets is increasing</td>
<td>International presence; Gains world recognition by participating in trade shows</td>
</tr>
<tr>
<td><strong>Weaknesses:</strong></td>
<td>Only sells key padlocks; Only present in professional stores</td>
<td>Only present in professional stores</td>
<td>Only present in professional stores</td>
<td>Low market presence worldwide</td>
<td>Very small presence in DIY stores</td>
</tr>
<tr>
<td><strong>Product Description:</strong></td>
<td>Wide range portfolio with several models available in different sizes, colours, materials and locking methods (digits or key)</td>
<td>2 big types (major difference is material), with 2-3 models in each; In each model, padlocks present few differences in terms of design and sizes</td>
<td>Several models of padlocks, present in most common sizes, materials and designs</td>
<td>Different models in their portfolio, with products in different materials, sizes, colours and locking methods; Variety lacks in each model</td>
<td>6 models available in different sizes, colours, materials, formats and locking methods</td>
</tr>
<tr>
<td><strong>Differentiation:</strong></td>
<td>Padlock developed specifically to be used with chains</td>
<td>Highly resistant to weather and corrosion and with an ergonomic design</td>
<td>Padlock specifically for motorbikes or scooters</td>
<td>Accessories to complement padlocks</td>
<td>Model that is corrosion resistant, and with inox cable</td>
</tr>
<tr>
<td><strong>Market Power:</strong></td>
<td>Most present brand in Italy in professional stores, with a MPP(^1) of more than 30%; In DIY stores is the second most present brand, but MPP(^1) is only 12,6%</td>
<td></td>
<td></td>
<td>Belongs to the top 3 of the most sold brands in Italy, with a MPP(^1) of almost 11%</td>
<td></td>
</tr>
<tr>
<td><strong>Presence:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

\(^1\) Market Presence Proxy, developed in Competitive Analysis: Appendixes 16-31
Spain and France present the highest industry Market Potential, given their Market Size and high number of potential customers

Market Potential Index (1/3)

Industry Market Potential Indicators

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>France</th>
<th>Belgium</th>
<th>Italy</th>
<th>Luxemburg</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-year CAGR</td>
<td>17,66%</td>
<td>21,09%</td>
<td>-17,06%</td>
<td>-2,77%</td>
<td>5,57%</td>
</tr>
<tr>
<td>5-year CAGR</td>
<td>11,17%</td>
<td>10,25%</td>
<td>-3,59%</td>
<td>-0,56%</td>
<td>11,28%</td>
</tr>
<tr>
<td>Nr Major DIYs¹</td>
<td>2047</td>
<td>1374</td>
<td>379</td>
<td>516</td>
<td>5</td>
</tr>
<tr>
<td>Nr Major Professionals¹</td>
<td>160</td>
<td>585</td>
<td>103</td>
<td>189</td>
<td>N/A</td>
</tr>
<tr>
<td>Pricing (DIY)²</td>
<td>€ 7,11</td>
<td>€ 7,56</td>
<td>€ 11,95</td>
<td>€ 8,45</td>
<td>€ 9,33</td>
</tr>
<tr>
<td>Pricing (Professionals)²</td>
<td>€ 8,51</td>
<td>€ 13,8</td>
<td>€ 11,88</td>
<td>€ 8,9</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Variables

- To assess the market potential of each country, a set of variables concerning the padlock industry was considered

1. **Market Size**: National Production (€) + Imports (€) – Exports (€)
2. **Market Size CAGR**: 1-year and 5-year
3. **Number of Potential Customers**: major DIY and Professional stores, as these are the target customers that the company is focusing on. The main DIY stores are divided by the big chains that are present in the whole European market (Leroy Merlin, Bricoman, BricoDepot) and the smaller national chains that operate mainly in each national market
4. **Average sale price (in DIY and Professional stores)**: based on comparable products of competitor brands

Insights

- **France presents the biggest Market Size**, followed by Spain and Italy. Belgium and Luxemburg’s Market Size is constituted only by Imports and Exports, having no National Production
- The Market Size Growth in France only comes from the increase of the number of imports, which represents a big opportunity for international players, such as Stam, to enter the market
- In Spain and France, despite the fact that the pricing of padlocks is lower, there clearly is a higher and more established base of potential customers/points of sale (in both countries there are around 50% more DIY stores than in the other markets and, regarding the Professionals segment, the number of French stores is 5 times higher than in all the other countries)

Source: PRODCOM list (NACE Rev. 2) - annual data [DS-066341]
¹ Number of major DIY and Professionals stores, developed in Competitive Analysis: Appendixes 16-31
² Average price of comparable producrs: Appendixes 32-33
Despite the high concentration of competition, Spain, France and Italy give an overall attractive outlook for Stam to capture market share

Market Potential Index (2/3)

Market Concentration and Entry Barriers

<table>
<thead>
<tr>
<th>Variables</th>
<th>Spain</th>
<th>France</th>
<th>Belgium</th>
<th>Italy</th>
<th>Luxemburg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nr Brands (DIY) 1</td>
<td>21</td>
<td>15</td>
<td>9</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Market Presence of major competitor (DIY) 1</td>
<td>53,17%</td>
<td>74,08%</td>
<td>60%</td>
<td>68,27%</td>
<td>74,22%</td>
</tr>
<tr>
<td>Nr Brands (Professionals) 1</td>
<td>10</td>
<td>21</td>
<td>8</td>
<td>30</td>
<td>N/A</td>
</tr>
<tr>
<td>Market Presence of major competitor (Professionals) 1</td>
<td>69,97%</td>
<td>30,45%</td>
<td>87,61%</td>
<td>30,77%</td>
<td>N/A</td>
</tr>
<tr>
<td>Ease of Doing Business Index</td>
<td>28</td>
<td>31</td>
<td>52</td>
<td>46</td>
<td>63</td>
</tr>
</tbody>
</table>

**Insights**

**Variables**

- To assess the market concentration and Entry Barriers in each country, a set of variables was considered
  1. Nr of Brands
  2. Market Presence of major competitor (Proxy): estimated by assessing the presence of each brand on the online stores of the potential customers
  3. Ease of Doing Business Index

**DIY segment:**

- Takeover of the **big international players**, such as Master Lock and Abus, which are able to capture more than 50% of the market presence in all countries. Despite this, France, Spain and Italy have some **domestic brands**, which regardless of having a limited product variety, are present in most stores
- The biggest DIY stores sell a very small number of brands, having usually one **Private-label** and one/two high reputation brands in the market

**Insights**

- Overall, the padlock market, in the DIY segment, is **very concentrated**. Despite this, the fact that **Spain and France** present, not only, a **higher score on the Ease of Doing Business Index**, but also have available a higher number of padlock brands, might indicate that these markets have **lower Entry Barriers**

**Professionals segment:**

- While the market is highly **concentrated in Spain and Belgium**, with very few brands that represent the vast majority of the segment, Italy and France present both a more fragmented market with a much bigger number of brands with a more dispersed market presence
- The Spanish and Italian markets in this segment are lead by **domestic brands** that have been present in these markets for a long time and, therefore, have acquired great know-how and experience, which creates a threat for the international competitors, such as Stam Portugal, that want to penetrate this segment
Although all 5 countries have very attractive market entry conditions and logistics performance, Spain and France stand out with the best scores.

**Market Potential Index (3/3)**

**The Best target markets**

- **Best target markets: France & Spain**

  **Industry Market Potential**
  - Highest Market Size
  - Highest Market 1-year CAGR
  - Higher number of potential customers (major DIY stores)

  **Entry Barriers**
  - Best score on the Ease of Doing Business Index
  - Highest number of padlock brands available

- The final results of this In-Depth analysis reveal that the best markets to enter in this first phase of Stam’s European expansion are **France and Spain**.
- It is important to note that all five countries are the top ones in terms of attractiveness, meaning that Belgium, Italy and Luxemburg would still be a good choice in a further stage.
The Portuguese padlock market has a rather small Market Potential and high Market Concentration. However, Portugal is very attractive in terms of Entry Barriers and Logistics Performance

### Portugal Attractiveness

<table>
<thead>
<tr>
<th>Industry Market Potential</th>
<th>Market Concentration</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>Market Size:</strong> In 2017, the Market Size was valued at € 2,697.830 million, with a 1-year CAGR of 27.03% and a 5-year CAGR of 4.98%, caused by the decline of exports and increase of imports</td>
<td>- The Portuguese Padlock market is dominated by international players, given that there is no domestic brands or National Production of padlocks</td>
</tr>
<tr>
<td>- <strong>Number of Potential Customers:</strong> Portugal has about 169 major DIY stores, being the majority from big European groups, such as Leroy Merlin, Aki, MaxMat, BricoMarché and BricoDepot. Regarding the Professionals segment, the customer potential is low given the small number of Professional stores</td>
<td>- DIY segment: highly concentrated and dominated by the American company Master Lock, capturing 78,77% of market presence</td>
</tr>
<tr>
<td>- <strong>Average Sale Price (in DIY and Professional stores):</strong> Due to Portugal’s low buying power, padlocks’ prices are lower than the average of Spain, France, Italy, Belgium and Luxembourg</td>
<td>- Professionals segment: more fragmented market, dominated by mostly French (Thirard, Guard) and Spanish (IFAM, Lince, Tifon) companies. The market leader, Thirard, is able to capture 29,11% of market presence</td>
</tr>
</tbody>
</table>

### Market Entry Conditions

- **Ranked 29 in the Ease of Doing Business Index,** Portugal achieves an overall high score. Within the Index, Portugal especially protrudes through the Trading across Borders and Starting a Business variables, which are very important factors for the country selection of Stam Portugal’s starting position within Europe

### Logistics Performance

- Since Portugal is considered to be the logistic centre for the new company, the performance and efficiency of the transportation system is very important for the success of the expansion
- Portugal scores highly in the Logistics Performance Index, being ranked number 23 in the world

Spain, France and Portugal are the countries chosen to start Stam’s European internationalization.

Since the company is already intending to build its European logistics centre in Portugal, it should take advantage of its presence and also commercialize its products in this market.
Portugal, France and Spain are parliamentary democracies with socialist governments. They all benefit from economic growth. However, Portugal still has a low income level.

**PESTLE Analysis (1/3)**

<table>
<thead>
<tr>
<th>Portugal</th>
<th>France</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary democracy</td>
<td>Parliamentary democracy</td>
<td>Parliamentary democracy</td>
</tr>
<tr>
<td>Strongest party: PS (Socialist Party)</td>
<td>Strongest party: PS (Socialist Party)</td>
<td>Strongest party: PSOE (Socialist party)</td>
</tr>
<tr>
<td>Politically rather unstable due to financial crises (88 score PSI)</td>
<td>Politically very stable (44 score PSI); current threat: shift to the right</td>
<td>Politically rather stable (62 score PSI); currently constitutional crisis of growing Catalan separatism</td>
</tr>
<tr>
<td>Moderate risk of corruption (63 score CPI) due to Law on Corruption in International Commerce and the Private Sector</td>
<td>Low risk of corruption (70 score CPI) due to strong legal framework</td>
<td>Moderate risk of corruption (57 score CPI)</td>
</tr>
<tr>
<td>CIT rate: 21%</td>
<td>CIT rate: 33,33%</td>
<td>CIT rate: 25%</td>
</tr>
<tr>
<td>Incentives: CIT rate reduction until 0% for foreign SMEs</td>
<td>Member of WTO</td>
<td>Incentives: CIT rate reduction for newly created companies</td>
</tr>
<tr>
<td>Member of WTO and trading agreements with Brazil, China, Africa</td>
<td></td>
<td>Member of WTO</td>
</tr>
</tbody>
</table>

- **GDP**: $237.955 million
- **GDP growth (annual)**: + 2,7%
- **Minimum wage**: € 580 / month
- **Labour costs**: € 25.709,0 (2017)
- **Inflation rate**: 1,37

- **GDP**: $2.857.089 million
- **GDP growth (annual)**: + 1,8%
- **Minimum wage**: €1.498,47 / month
- **Labour costs**: € 43.525,7 (2017)
- **Inflation rate**: 1,37

- **GDP**: $1.509.201 million
- **GDP growth (annual)**: + 3,1%
- **Minimum wage**: € 858,55 / month
- **Labour costs**: € 35.919,0 (2017)
- **Inflation rate**: 1,37

Portugal, France and Spain have a high level of education and public health care. While France and Spain have a moderate level of e-commerce, Portugal’s consumers prefer offline purchases.

**PESTLE Analysis (2/3)**

<table>
<thead>
<tr>
<th>Portugal</th>
<th>France</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Population growth (annual): - 0,37%</td>
<td>- Population growth (annual): + 0,39%</td>
<td>- Population growth (annual): + 0,09%</td>
</tr>
<tr>
<td>- Education: 91,12% (2016) minimum completed level of education (up to age 18)</td>
<td>- Education: 97,63% (2016) minimum completed level of education (up to age 16)</td>
<td>- Education: 91,12% (2016) minimum completed level of education (up to age 16)</td>
</tr>
<tr>
<td>- Unemployment rate: 8,9% (2017)</td>
<td>- Unemployment rate: 9,4% (2017)</td>
<td>- Unemployment rate: 17,2% (2017)</td>
</tr>
<tr>
<td>- Raising awareness of environmental sustainability</td>
<td>- Raising awareness of environmental sustainability</td>
<td>- Raising awareness of environmental sustainability</td>
</tr>
<tr>
<td>- ICT development index: rank 44</td>
<td>- ICT development index: rank 15</td>
<td>- ICT development index: rank 27</td>
</tr>
<tr>
<td>- Widespread use of internet, however slow adaption of e-commerce: less than 30% purchase online</td>
<td>- Widespread use of internet and e-commerce: 80% of population purchase online</td>
<td>- Slow growth of e-commerce: 60% of population purchase online</td>
</tr>
<tr>
<td>- Smart locks and integrated security systems</td>
<td>- Smart locks and integrated security systems</td>
<td>- Smart locks and integrated security systems</td>
</tr>
</tbody>
</table>

Portugal, France and Spain have a well functioning judicial system, following the European standards of customs, Patents and Trademarks. The issue of sustainability has a raising importance

### PESTLE Analysis (3/3)

<table>
<thead>
<tr>
<th>LEGAL</th>
<th>Portugal</th>
<th>France</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Global rank 21 WJP Rule of Law Index</td>
<td>- Global rank 18 WJP Rule of Law Index</td>
<td>- Global rank 23 WJP Rule of Law Index</td>
</tr>
<tr>
<td></td>
<td>- Strictly regulated customs classification and import procedures</td>
<td>- Strictly regulated customs classification and import procedures</td>
<td>- Strictly regulated customs classification and import procedures</td>
</tr>
<tr>
<td></td>
<td>- Following the Patent Cooperation Treaty (PCT), Patents are valid for 20 years</td>
<td>- Following the PTC, Patents are valid for 20 years</td>
<td>- Patents are valid for 20 years</td>
</tr>
<tr>
<td></td>
<td>- Following the Trademark Law Treaty, Trademarks are valid for 10 years and indefinitely renewable</td>
<td>- Following the Trademark Law Treaty, Trademarks are valid for 10 years and indefinitely renewable</td>
<td>- Trademarks are valid for 10 years and indefinitely renewable</td>
</tr>
<tr>
<td>ENVIRONMENTAL</td>
<td>- Member of the Paris Agreement</td>
<td>- Member of the Paris Agreement</td>
<td>- Member of the Paris Agreement</td>
</tr>
<tr>
<td></td>
<td>- Environmental aspect of products is not a primary concern, but increasingly important to younger consumers</td>
<td>- Rising consumption of organic and fair trade products</td>
<td>- 1/10 is willing to spend more on fair trade products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The waste reduction and recovery plan 2014-2020 aims to halve the quantity of waste by 2025</td>
<td></td>
</tr>
</tbody>
</table>
Agenda

1. Introduction
   a. Opportunity Definition
   b. Company Overview – Stam Brazil
   c. Product Description – Padlock Segment
   d. Stam’s Positioning
   e. Success Factors – Brazil
   f. Global Strategy
   g. Product Life cycle
   h. Industry Analysis – Michael Porters’ Five Forces
   i. SWOT Analysis

2. Market Selection
   a. Country Clustering
   b. Country ranking
   c. Results – 5 countries
   d. Competitive Analysis
   e. Market Potential Index
   f. Results – 2 countries & Portugal
   g. Portugal’s Attractiveness
   h. PESTLE

3. Resources & Capabilities
   a. Stam Resources & Capabilities for the European market
   b. VRIO
   c. Competitive Advantage Adaptation
   d. Resources Stam Portugal needs to develop
   e. Read Ocean Vs Blue Ocean Strategy
   f. Strategy Canvas
   g. Evaluation of Scenarios for Stam Portugal’s Positioning-Strategy

4. Entry Modes and Channel Positioning
   a. Strategic Premises
   b. Entry Modes Analysis for Portugal
   c. Strategy elaboration at a lower level
   d. Entry Modes Analysis for France and Spain
   e. Key Takeaways
   f. Road Map to Europe
   g. Customer Segment Analysis
   h. Customer Segment Decision
   i. Market Coverage
   j. Conclusion

5. Business Plan
   a. Marketing Plan
   b. Operational plan
   c. Financial Plan
In order to develop the best positioning strategy, it is necessary to identify Stam’s resources and capabilities which can create Competitive Advantage and identify the aligned strategic positioning scenario.

Resources and Capabilities Methodology

**Challenge**
- Developing

**Competitive Advantage**
- To enter the European Market: Portugal, Spain, France

**Resource Based View**
- **Resources**: valuable possession increasing profit
- **Capabilities**: result of teams of resources working together

**Positioning**
- In alignment with Resources & Capabilities

**Blue Ocean Strategy Framework**
- to develop positioning scenarios

**Strategy Canvas**
- to assess Stam’s potential for each strategy and identify the best option

**Competitive Advantage**

*Sources: [http://repositori.uji.es/xmlui/bitstream/handle/10234/97662/TFG_2014_MALOI.PDF](http://repositori.uji.es/xmlui/bitstream/handle/10234/97662/TFG_2014_MALOI.PDF)*


1 Appendix 34
2 Appendix 35
Stam has valuable resources and capabilities to create competencies that have the potential to be transferred to Stam Portugal or to be taken advantage of in the European market.

Stam’s Resources and Capabilities for the European Market

**Stam Brazil’s Resources and Capabilities**

**Human resources and capabilities:**
- Highly skilled and experienced employees

**Physical resources and capabilities:**
- Manufacturing facilities
- Automated production facilities

**Organizational resources and capabilities:**
- Reputation and brand name, considering its long history and market leadership
- Design and innovation capabilities
- (Lack of) Patents and trademarks
- Partnerships and customer databases
- Sustainable corporate culture

**Stam Brazil’s Competencies**

- Ability to quickly adapt products to market changes
- Innovative product development and design creations
- Ability to achieve sustainability and social responsibility goals
- Ability to produce with low default rate due to automated production
Highly skilled employees, sustainable corporate culture, automated production facilities and reputation and brand name solely provide parity

VRIO Analysis for the European market (1/2)

<table>
<thead>
<tr>
<th></th>
<th>V Valuable</th>
<th>R Rare</th>
<th>I Costly to Imitate</th>
<th>O Organized</th>
<th>Parity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly skilled employees</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Parity</td>
</tr>
<tr>
<td>Sustainable corporate culture¹</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Parity</td>
</tr>
<tr>
<td>Automated production facilities²</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Parity</td>
</tr>
<tr>
<td>Reputation and Brand name</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Parity</td>
</tr>
</tbody>
</table>

¹ Stam has developed a corporate culture that allows to achieve all set environmental goals and has a strong focus on sustainability

² Instead of most competitors Stam is not dependig on a chines supplier – usually without automated production facilities and high default rate – but is able to refer to automated production facilities, guaranteeing a low default rate
Manufacturing facilities and partnerships and customer databases solely provide parity. Design and innovation capabilities create temporary advantage. Patents and trademarks create sustainable competitive advantage.

VRIO Analysis for the European market (2/2)

<table>
<thead>
<tr>
<th></th>
<th>V</th>
<th>R</th>
<th>I</th>
<th>O</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing facilities$^1$</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Parity</td>
</tr>
<tr>
<td>Partnerships and customer databases$^2$</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Parity</td>
</tr>
<tr>
<td>Design and innovation capabilities</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Temporary Advantage</td>
</tr>
<tr>
<td>Patents and trademarks</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Sustainable Competitive Advantage</td>
</tr>
</tbody>
</table>

1 Instead of most competitors Stam has the advantage of having its own manufacturing facilities, therefore not depending on any supplier, controlling quality of the products, being able to quickly adapt to changes in the market and benefit from cost advantage.
2 Stam has developed client partnerships and accumulated contacts for the last 47 years. To develop such a strong network, is not possible at once but takes a lot of time for upcoming competitors.
Stam Portugal should transfer Stam Brazil’s valuable resources and capabilities or take advantage of them to create Competitive Advantage

### Competitive Advantage Adaptation

<table>
<thead>
<tr>
<th>Competitive Advantage</th>
<th>Transfer or Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing and automated production facilities</td>
<td>Cost advantage &amp; control of high quality level</td>
</tr>
<tr>
<td>Sustainable corporate culture</td>
<td>Allows to achieve all set environmental goals</td>
</tr>
<tr>
<td>Reputation and brand name</td>
<td>Strengthens perception &amp; increases perceived value</td>
</tr>
<tr>
<td>Partnerships and customer databases</td>
<td>Existing long-term partnerships with e.g. Leroy Merlin</td>
</tr>
<tr>
<td>Design and innovation capabilities</td>
<td>Allows to attract customers through individual design and innovative products</td>
</tr>
<tr>
<td>Patents and trademarks</td>
<td>Increases advantage of Inimitability</td>
</tr>
<tr>
<td></td>
<td>Positive opportunity cost of not having to produce by themselves or buying from unrelated suppliers</td>
</tr>
<tr>
<td></td>
<td>Asset of being able to answer the increasing awareness of environmental sustainability</td>
</tr>
<tr>
<td></td>
<td>Existing brand name &amp; reputation in Brazil as reference for the European market</td>
</tr>
<tr>
<td></td>
<td>Extend existing partnerships to Europe</td>
</tr>
<tr>
<td></td>
<td>Asset to create a new focus on design and achieve intellectual property</td>
</tr>
<tr>
<td></td>
<td>Intellectual property allows to turn Temporary Advantage into Sustainable Competitive Advantage</td>
</tr>
</tbody>
</table>
Stam Portugal needs to create additional resources to develop functional capabilities and thus being able to achieve Competitive Advantage.

**Resources Stam Portugal needs to develop**

### Additional Resources needed

#### Human resources
- Qualified and motivated employees, motivation and reward systems

#### Organizational resources
- Corporate culture, management / control systems, distribution channels, logistics

#### Physical resources
- Office, warehouses, trucks

#### Intellectual property
- Patents, trademarks on design/mechanisms

### Functional Capabilities within

#### To develop

- Market research
- Financial control

#### Developed

- Human resources Management
- Operations Management
Following the Red and Blue Ocean Strategies, there are 3 plausible scenarios for Stam Portugal to position itself: Price Strategy, Differentiation Strategy and Value Innovation Strategy.

**Red Ocean Strategy**
- **Red Oceans** present the today known market space
- **Competition** for a greater share of limited demand within the existing market space

**Blue Ocean Strategy**
- **Blue Oceans** present the today unknown market space
- **Creation of new demand and identifying a Niche** by opening up a new value-cost frontier beyond the existing industry productivity curve

**Scenarios for Stam Portugal’s Positioning-Strategy**

1) **Price Strategy**
- **Red Ocean**: competing in saturated markets
- Competing through Price
- **Cost Advantage**

2) **Differentiation Strategy**
- **Red Ocean**: competing in saturated markets
- Competing through Differentiation and Focus
- **Differentiation Advantage**

3) **Value Innovation Strategy**
- **Blue Ocean**: creating new demands and market space
- Avoiding competition through radical innovation
- **Cost and Differentiation Advantage**

Sources: [https://www.blueoceanstrategy.com/what-are-red-blue-oceans/](https://www.blueoceanstrategy.com/what-are-red-blue-oceans/)
[https://www.blueoceanstrategy.com/tools/strategy-canvas](https://www.blueoceanstrategy.com/tools/strategy-canvas)
The Strategy Canvas shows that Stam Portugal cannot compete on Price with big international players. However, it is able to compete on Design and Packaging.

Stam cannot mainly compete with big international players on Price.

Stam can compete on Design and Package through design and innovation capabilities.

The Strategy Canvas shows how Stam Portugal can **better and differently meet its customers’ needs** than its competitors. The horizontal axis of the strategy map shows attributes that target customers use to make their **purchasing decision**. The vertical axis shows the **ranking of each attribute** depending on the performance of each evaluated company / group of companies.

Since Stam has the resources and capabilities to differentiate on design and packaging, the company should develop a Differentiation Strategy to position itself in the European market.

### Evaluation of Scenarios for Stam Portugal’s Positioning-Strategy

<table>
<thead>
<tr>
<th>1) Price Strategy</th>
<th>2) Differentiation Strategy</th>
<th>3) Value Innovation Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Stam Portugal <strong>cannot compete on price</strong> with Big International Players in Europe</td>
<td>- Stam Portugal has the resources and capabilities to <strong>differentiate on design and packaging</strong></td>
<td>- Differentiating on the assessed attributes does not allow Stam Portugal to <strong>create new demand and market space</strong></td>
</tr>
</tbody>
</table>

- Since Stam Portugal **cannot compete on price** and does not have the resources and capabilities to create new demand and market space, but continues to sell padlocks as a security tool, the company cannot position itself in a **Price Strategy or Value Innovation Strategy**.
- However, Stam Portugal is able to **differentiate on design and packaging**, due to its design and innovation capabilities.
- Therefore, Stam Portugal should develop a **Differentiation Strategy** based on these attributes to position itself in the European market.
# Agenda

1. **Introduction**
   a. Opportunity Definition  
   b. Company Overview – Stam Brazil  
   c. Product Description – Padlock Segment  
   d. Stam’s Positioning  
   e. Success Factors – Brazil  
   f. Global Strategy  
   g. Product Life cycle  
   h. Industry Analysis – Michael Porters’ Five Forces  
   i. SWOT Analysis

2. **Market Selection**
   a. Country Clustering  
   b. Country ranking  
   c. Results – 5 countries  
   d. Competitive Analysis  
   e. Market Potential Index  
   f. Results – 2 countries & Portugal  
   g. Portugal’s Attractiveness  
   h. PESTLE

3. **Resources & Capabilities**
   a. Stam Resources & Capabilities for the European market  
   b. VRIO  
   c. Competitive Advantage Adaptation  
   d. Resources Stam Portugal needs to develop  
   e. Read Ocean Vs Blue Ocean Strategy  
   f. Strategy Canvas  
   g. Evaluation of Scenarios for Stam Portugal’s Positioning-Strategy

4. **Entry Modes and Channel Positioning**
   a. Strategic Premises  
   b. Entry Modes Analysis for Portugal  
   c. Strategy elaboration at a lower level  
   d. Entry Modes Analysis for France and Spain  
   e. Key Takeaways  
   f. Road Map to Europe  
   g. Customer Segment Analysis  
   h. Customer Segment Decision  
   i. Market Coverage  
   j. Conclusion

5. **Business Plan**
   a. Marketing Plan  
   b. Operational plan  
   c. Financial Plan
In order to choose the best Entry Modes for the 3 selected countries it is necessary to use a complementary approach based on a Strategic Explanation and a Decision Framework.

Methodology – Entry Modes

- **Entry Modes:**
  - Choice of how the company should enter the 3 countries

  **How?**

  1. **Strategic Premises**
     - Consistency between Focused Differentiation strategy and Entry Modes

  2. **Decision Framework**
     - Creation of the Decision Framework
     - Identification of Entry Modes’ differentiation criteria

Decision Framework – 1st way

- Identification of Entry Modes’ differentiation criteria
- Set up of weightings for each variable
- Selection of the Entry Mode with the highest score

Decision Framework – 2nd way

- Identification of Entry Modes’ differentiation criteria
- Set up of weightings for each variable
- Selection of the Entry Mode with the highest score

Channel Positioning:

- Choice of how the company should enter the 3 countries

  How?

  - Creation of the Decision Framework

Choice of Customer Segment

- Customer Segment Analysis

Choice of Distribution Channel

---

1. Appendix 36
In order to be consistent with the Focused Differentiation strategy pursued by Stam, the best solution is to combine different Entry Modes, which together lead to optimal levels of control, knowledge about the market and flexibility.

**Strategic Premises (1/3)**

<table>
<thead>
<tr>
<th>Focused Differentiation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The identified Focused Differentiation strategy has the potential to make Stam build a competitive advantage but the choice about the right Entry Modes is key to let this happen</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Need of consistency between Focused Differentiation strategy and Entry Modes’ selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Being a product with unique characteristics is not enough; final consumers must perceive and appreciate this uniqueness</td>
</tr>
<tr>
<td>- Entry Modes’ decision for the 3 target markets must be consistent with the Focused Differentiation strategy pursued by Stam in Europe</td>
</tr>
</tbody>
</table>

**What makes an Entry Mode consistent with a Focused Differentiation strategy?**

<table>
<thead>
<tr>
<th>High level of control</th>
</tr>
</thead>
<tbody>
<tr>
<td>- It is crucial that the Entry Mode selected gives Stam a high level of control on the foreign operations to guarantee the correct product commercialization and management of the brand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deep Knowledge about the market</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Stam’s differentiating potential is based on unanswered consumers’ needs/preferences</td>
</tr>
<tr>
<td>- It is key to enter the European market in a way that allows to get as much information as possible from the target audience, in order to understand if the consumer actually appreciates the product, if the preferences change over time, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Ability of easily adapt to changes in market’s conditions, trends and consumers’ preferences</td>
</tr>
</tbody>
</table>

- Since each Entry Mode is a trade-off (e.g. control vs. flexibility), it is possible to obtain the best outcome through a **comprehensive strategy**, which combines those different Entry Modes that, together, provide the firm with optimal levels of control, knowledge about the market, and flexibility (i.e. the elements which make an Entry Mode consistent with a Focused Differentiation strategy)
The internationalization process from Brazil to Europe should follow a Double-way strategy

Double-way strategy

- The comprehensive strategy which guarantees consistency with the pursued Focused Differentiation strategy is a Double-way approach consisting in two "ways", and within them, different Entry Modes, able to complement each other

- Thus, Stam should enter the European market following 2 strategic "ways":
  - 1st way: from Brazil to Portugal
  - 2nd way: from Portugal to Spain and France
Our recommendation is a country by country internationalization strategy that starts with Portugal, Spain and France in the first phase, followed by a possible expansion to Belgium and Luxembourg.

**Strategic Premises (3/3)**

<table>
<thead>
<tr>
<th>Internationalization Strategy</th>
<th>Country by Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>Reasons</td>
</tr>
<tr>
<td>- Accumulated knowledge</td>
<td>- Has no market power yet</td>
</tr>
<tr>
<td>- Cross-support of existing operations</td>
<td>- Low economies of scale and scope</td>
</tr>
<tr>
<td>- Better position to overcome risks and uncertainties</td>
<td>- Less resources to invest</td>
</tr>
<tr>
<td>- More resources to invest</td>
<td>- Low bargaining power</td>
</tr>
<tr>
<td>- Better to concentrate on specific market needs</td>
<td>- Enter on a small scale to reduce risks</td>
</tr>
<tr>
<td>- Gain contacts for future expansion</td>
<td>- Check results on first expansion countries and adapt based on consumer behaviour</td>
</tr>
</tbody>
</table>

### Start the Business in Portugal
- Small country, which is good to get experience
- If the company fails, losses are not very high, as if they were in a larger country
- The company has less costs of distribution and more contacts in the country

### Expand to Spain and then France
- Larger markets, associated with more risk for the company as it needs to enter in a larger scale
- More investment on personnel (commercial), SG&A (office in France), distribution costs, etc.

### Future Expansion
Possible expansion to Belgium and Luxembourg, with a great level of attractiveness:
- Belong to the same cluster as Spain and France
- Both are part of the same region, sharing trade incentives
In order to choose the best Entry Modes for the 3 selected countries it is necessary to use a complementary approach based on a Strategic Explanation and a Decision Framework.

Methodology – Entry Modes

Entry Modes:
Choice of how the company should enter the 3 countries

How?

1 Strategic Premises
- Consistency between Focused Differentiation strategy and Entry Modes

2 Decision Framework
- Identification of Entry Modes’ differentiation criteria
- Set up of weightings for each variable
- Selection of the Entry Mode with the highest score

Decision Framework – 1st way
- Identification of Entry Modes’ differentiation criteria
- Set up of weightings for each variable
- Selection of the Entry Mode with the highest score

Decision Framework – 2nd way
- Identification of Entry Modes’ differentiation criteria
- Set up of weightings for each variable
- Selection of the Entry Mode with the highest score

Channel Positioning:
Choice of customer and the distribution channel to reach it

Choice of Customer Segment
- Customer Segment Analysis

Choice of Distribution Channel

Introduction, Market Selection, Resources & Capabilities, Entry Modes and Channel Positioning, Marketing, Operational, Financial

1 Appendix 36
Sales Subsidiary is the option with the highest score being the most suitable strategy for Stam to enter Portugal

Entry Modes Analysis for Portugal

<table>
<thead>
<tr>
<th>Target country</th>
<th>Options</th>
<th>Criteria</th>
<th>Overall assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Degree of control</td>
<td>Resource commitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Weightings</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>Low-control strategy</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Moderate-control strategy</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>High-control strategy</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Joint Venture</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Sales subsidiary</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Why is a SALES SUBSIDIARY the right Entry Mode?

Establishing a Sales subsidiary allows the firm to **achieve:**
- Highest level of control (except for day-to-day operations and certain strategic decisions)\(^1\)
- Relevant reduction in logistics costs
- Privileged access to know-how and relation

**Even if** this leads to:
- Relevant resource commitment\(^2\) (BUT, considered the predictability of the demand, the MNC is able to identify the optimal resource commitment)
- Lowest levels of strategic flexibility (even if there is a reduced need of flexibility connected to the low volatility of this market)

Sources: \(^1\)Anderson and Gatignon, 1986; Calvet, 1984; Caves, 1982; Davidson, 1982; Root, 1987; \(^2\)Vernon, 1983
The strategy Stam Portugal should pursue at subsidiary-level is the one of a World Mandate subsidiary able to achieve decentralized-centralization.

**Strategy elaboration at a lower level**

- **Low Local Responsiveness needed**
- **World Mandate subsidiary**
- **Decentralized-Centralization** Activities are coordinated worldwide but managed regionally by the subsidiary
  - Regional Responsibility
  - Speed of decision making
  - Mandate to sell to the European market

- Stam Portugal will work with the headquarter to develop and implement the strategy\(^1\) in Europe
- Hence, it will operate with *relative autonomy* but, at the same time it will be *integrated* with the *parent firm* and the other subsidiaries (if any in the future)

Sources:
Direct sales and Direct exporting are the options with the highest scores. The best solution for Spain and France comes from a combination of the 2 Entry Modes.

### Entry Modes Analysis for Spain and France

<table>
<thead>
<tr>
<th>Target country</th>
<th>Options</th>
<th>Degree of control</th>
<th>Resource commitment</th>
<th>Reduction in logistics costs</th>
<th>Flexibility from contractual binding</th>
<th>Access to know-how and relations</th>
<th>Knowledge dissemination risk*</th>
<th>Overall assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France and Spain</td>
<td>Low-control strategy</td>
<td>Direct sales</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>0.5</td>
<td>28.5</td>
</tr>
<tr>
<td></td>
<td>Indirect exporting*</td>
<td>0,25</td>
<td>1</td>
<td>3</td>
<td>3.5</td>
<td>1</td>
<td>1</td>
<td>25.25</td>
</tr>
<tr>
<td></td>
<td>Direct exporting**</td>
<td>0,5</td>
<td>1</td>
<td>2.5</td>
<td>3.5</td>
<td>2.5</td>
<td>1</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Moderate-control strategy</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>High-control strategy</td>
<td>3,5</td>
<td>3,5</td>
<td>1</td>
<td>1</td>
<td>3.5</td>
<td>2</td>
<td>25.5</td>
</tr>
</tbody>
</table>

**Why is a combination of DIRECT SALES and DIRECT EXPORTING the right Entry Mode?**

- **Direct sales** is the solution which provides the firm with the highest level of control on the operations and brand management in the foreign markets, given the total absence of intermediaries in both home and target countries.

- However, at a first stage of the internationalization process, when the focal firm has little knowledge about the target market, the experience of a local agent can have a key role for the strategy’s success.

- Hence, the most suitable Entry Mode is a combination of the 2 solutions, hiring a local salesperson for each foreign country. In this way, Stam can benefit from the long-time expertise and relations these local salesperson have in the local market but, at the same time, avoid agency costs having an own employee taking care of the business.


* contracting with an intermediary (export management company, trading company) in the home country

** contracting with an intermediary (agent, distributor, wholesaler) directly in the foreign market
The Entry Modes selected for each "way" work complementarily, guaranteeing consistency with the Focused Differentiation strategy pursued by Stam in Europe.

**Key Takeaways**

### Double-way strategy

**1st way: Sales subsidiary in Portugal**
- **Main advantages:**
  - Highest level of control
  - High market knowledge
- **Main disadvantages:**
  - Lack of flexibility
  - High resource commitment

**2nd way: Mix of Direct sales & Direct exporting for Spain and France**
- **Main advantages:**
  - Limited resource commitment
  - High level of flexibility
- **Main disadvantages:**
  - Medium level of control
  - Limited market knowledge

### Complementarity and Consistency with a Focused Differentiation strategy

The two ways work in a complementary way, leading to an optimal level of all the attributes, which make an Entry Mode’s choice consistent with the development of a **Focused Differentiation strategy**.
Stam should coordinate the operations in Europe from its Sales subsidiary in Portugal and, expand to the target markets through a combination of Direct sales and Direct exporting.

Entry Modes’ Road Map to Europe
Stam can reach its final consumer through 5 different channels: hardware retailers; distributors and wholesalers; self-service retailers; professionals and e-commerce

### Customer Segments

<table>
<thead>
<tr>
<th>Hardware retailers</th>
<th>Distributors and wholesalers</th>
<th>Self-service</th>
<th>Professionals</th>
<th>E-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Building material stores - materials for house improvement</td>
<td>- Sell to small retailers</td>
<td>- Sell in Home centres (Large hardware store selling tools, building materials, and other household items); supermarkets; drugstores, etc.</td>
<td>- Direct sales to the industrial sector</td>
<td>- Direct Sales through online sales platforms such as Ebay or Amazon</td>
</tr>
<tr>
<td>- Sells goods over-the-counter</td>
<td>- Typically located in lower income areas</td>
<td>- Consumers select the product on the shelf and take it to the check out for payment</td>
<td>- B2B segment</td>
<td>- Companies might opt to have a specific website for professionals and another for the typical consumer, as prices practiced vary from segment to segment</td>
</tr>
<tr>
<td>- Specialized salespersons</td>
<td>- Sell selected products (“best sellers”)</td>
<td>- No specialized personnel</td>
<td>- Sales usually happen online or through direct contact with the company’s salespersons</td>
<td></td>
</tr>
<tr>
<td>- DIYs (Do It Yourself) stores</td>
<td>- Convenience stores, such as gas stations; bike stores; automotive stores, etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Sell to consumers to use at home or for business</td>
<td>- Many distributors maintain exclusive buying agreements with padlock brands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 5 largest retailers are: Leroy Merlin (France), The home depot (US), Lowe’s (US), Kingerfisher (UK) and Obi (Germany)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Large and midsized retailers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Although most brands are present in a massive way through online channels, major competitors act more selectively in their physical channels.

### Market Coverage

#### Types of Market Coverage

**Intensity (density or number of stores) to which the products are made available in a certain geographical area**

<table>
<thead>
<tr>
<th>Mass/Intensive</th>
<th>Exclusive</th>
<th>Selective</th>
</tr>
</thead>
<tbody>
<tr>
<td>The product is distributed to nearly all the locations where that type of product is sold</td>
<td>The product distribution is limited to certain selected locations</td>
<td>The product distribution is limited to select stores or exclusive group of resellers</td>
</tr>
<tr>
<td>Suitable for low priced products with huge consumer demand.</td>
<td>This is the case with products with a smaller market size</td>
<td>Selective coverage is ideal for products that target relatively smaller markets, for instance high-end products that have a small customer size</td>
</tr>
<tr>
<td>The distribution cost for such products is very high however huge sales volume keeps the profits running high</td>
<td>As the market size is small the number of locations needed to support the distribution of the product is also smaller</td>
<td>These products are more than often purchased by customers who satisfy most of their needs with high quality, expensive products</td>
</tr>
<tr>
<td>With the advent of internet the effectiveness of these three levels of distribution coverage has been severely challenged as all products sold on internet are distributed by mass coverage</td>
<td>National sellers are more exclusive in terms of market coverage</td>
<td>Efficient and well-trained customer service is essential for satisfying and helping such customers</td>
</tr>
<tr>
<td>Major players such as Master Lock, Abus and Yale sell online, in a mass coverage</td>
<td>Being exclusive in a phase of introduction of brand will prevent the brand from gaining awareness in the market</td>
<td>The major players of this market sell in an exclusive group of retailers only</td>
</tr>
<tr>
<td>Costs are too high for a newly developed company, like Stam, which is expanding to 3 countries</td>
<td></td>
<td>Best way of entering in the padlock market and gain awareness in a cost efficient way</td>
</tr>
</tbody>
</table>

DIY retailers and e-commerce will be considered Stam’s main points of sale within its B2B Strategy

Customer Segment Decision

### Selling only to Hardware Retailers (DIYs)

**Why?**

1. **Inability to compete in the Professional Segment**
   - Takeover of domestic brands in the Professionals segment, mainly because of their reputation and cost advantages that are related to not having to export. Hence, it is difficult to steal market share in this segment without building reputation, gaining experience and establishing a network of contacts that will lead to big business and industrial companies.
   - The Professional segment usually targets **industrial companies** as the main audience of final consumers, which look for different attributes (such as high quality and security) than the ones that Stam is able to compete with.

2. **Inability to compete in the Self-Service segment**
   - The self-service segments, such as home-centres and supermarkets, usually sell only **private-label brands**, being very rare the offering of any other padlock brand.
   - Moreover, given the high number of stores throughout the market, a mass/intensive market coverage would be required, which still represents a very high cost for Stam at this moment.
   - Thus, **DIYs are the perfect channel** to reach Stam’s target audience.

### Selling through Online Channels

**Why?**

- All of the players in the market sell through online channels, either through their own website or through intermediary platforms.
- The **market tendencies on e-commerce**¹ and **competitors benchmark**² show that an online platform is essential for the expansion of the company in the padlock segment in Portugal, Spain and France.

¹ Appendix 41  
² Appendix 40
Since the recommendation for Stam is to enter with a Sales subsidiary in Portugal, which already acts as an intermediary, the most suitable distribution channel would be a Direct one.

Conclusions - Portugal (1/3)

- It was previously decided that the **Entry Mode to Portugal** should be done through a **Sales Subsidiary**. Having an office established in the country allows to increase the knowledge and experience in the market and facilitates all the communication and interactions with the main customers - the DIYs.
- Therefore the subsidiary already acts as an **intermediary**, allowing a connection between the company and its customers, leading to the following recommendation that the most suited **channel for distribution in Portugal** would be through **Direct Distribution**.
There are 3 possible scenarios for distribution that could be used in Spain and France. The first and second ones are through Indirect channels, with 1-tier only, while the third is a Direct Channel

**Conclusions – Spain and France (2/3)**

<table>
<thead>
<tr>
<th>3 Possible Scenarios</th>
<th>Indirect Distribution</th>
<th>Indirect Distribution</th>
<th>Direct Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stam Brazil</td>
<td>Stam Portugal</td>
<td>Distributor</td>
<td>DIY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Final Consumer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1-tier</td>
</tr>
<tr>
<td>Stam Brazil</td>
<td>Stam Portugal</td>
<td>Agent</td>
<td>DIY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Final Consumer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1-tier</td>
</tr>
<tr>
<td>Stam Brazil</td>
<td>Stam Portugal</td>
<td>Sales Office</td>
<td>DIY</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Final Consumer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>With or without sales office</td>
</tr>
</tbody>
</table>

- For Spain and France, there is a larger **need of a salesperson’s physical presence in both countries** to facilitate the communication and reduce cost of travelling between Portugal and the respective country.
- Moreover, a native individual can better understand the perspective of fellow citizens as final consumers.
- As intermediaries, **distributors or agents are** the two best options for the company. Wholesalers were discarded as an option, as this type of intermediary is more suited for professionals, which usually order larger quantities.
- Since the company is entering with a **Focused Differentiation strategy**, the brand positioning and affirmation is very important, and it can easier be achieved if the **salesperson has a professional bond with the company** and the correct incentive to spread the brand’s name through Europe.
When deciding the Channel of Distribution, there are two aspects that need to be taken into consideration:

- The company is entering with a **Focused Differentiation strategy**, which means it is expanding with the brand’s name
- The **Entry Mode** chosen, which is the result of a combination of two possible Entry Modes – **Direct exporting and Direct sales**

Based on these facts, it is understandable that the **knowledge** on the market, as well as on the country, is quite necessary to better succeed in the expansion. For this reason, it is important to have someone that has both knowledge and experience on the market

- However, an intermediary might not always put the company’s interest first, as well as expand the brand’s name in the most proper way

- Therefore the final decision is to go through a **Direct Distribution channel**, establishing a **Sales Office** in both Spain and France, so all of the commercial people will be Stam’s employees

---

**Conclusions – Spain and France (3/3)**
Our main strategic recommendations for Stam are to enter with a subsidiary in Portugal and export through a combination of direct sales and direct exporting to Spain and France, where the company would have sales offices.

**Summary of Strategic Recommendations**

**Market Selection**
- European Countries to Internationalize: **Portugal, Spain and France**
- Logistics Centre: Portugal

**Resources and Capabilities**
- Focused Differentiation Positioning strategy
- Sale as **own brand** with focus on product differentiation

**Entry Modes and Channel Positioning**
- Entry Mode: Portugal - **Sales** Subsidiary; Spain and France - combination of Direct Sales and Direct Exporting
- Customer Segment: **DIYs and online**
- Distribution Channel: Portugal – **Direct Distribution** Channel; Spain and France – **Direct Distribution Channel** with a **Sales Office**
### Agenda

1. Introduction
   a. Opportunity Definition
   b. Company Overview – Stam Brazil
   c. Product Description – Padlock Segment
   d. Stam’s Positioning
   e. Success Factors – Brazil
   f. Global Strategy
   g. Product Life cycle
   h. Industry Analysis – Michael Porters’ Five Forces
   i. SWOT Analysis

2. Market Selection
   a. Country Clustering
   b. Country ranking
   c. Results – 5 countries
   d. Competitive Analysis
   e. Market Potential Index
   f. Results – 2 countries & Portugal
   g. Portugal’s Attractiveness
   h. PESTLE

3. Resources & Capabilities
   a. Stam Resources & Capabilities for the European market
   b. VRIO
   c. Competitive Advantage Adaptation
   d. Resources Stam Portugal needs to develop
   e. Read Ocean Vs Blue Ocean Strategy
   f. Strategy Canvas
   g. Evaluation of Scenarios for Stam Portugal’s Positioning-Strategy

4. Entry Modes and Channel Positioning
   a. Strategic Premises
   b. Entry Modes Analysis for Portugal
   c. Strategy elaboration at a lower level
   d. Entry Modes Analysis for France and Spain
   e. Key Takeaways
   f. Road Map to Europe
   g. Customer Segment Analysis
   h. Customer Segment Decision
   i. Market Coverage
   j. Conclusion

5. Business Plan
   a. Marketing Plan
   b. Operational plan
   c. Financial Plan
A Situation Analysis is the premise to develop a Marketing Strategy by the set-up of Aspiration Decisions and the implementation of the Marketing Mix.
Stam wants to affirm its brand in Europe. Therefore, the Portuguese sales subsidiary would act as coordinator of all the operations in the new market.

Situation Analysis – 5C’s

**Company**

**Stam Portugal**, as newly established company, has a main goal: allowing Stam Brazil to enter the European market and acting as coordinator of all the operations in the continent. Its role as **sales subsidiary** is key to acquire knowledge and settle relations, since Stam is new in the market.

**Customer**

On the physical channel, big **DIY** stores are bridges to reach **final consumers**. These stores act as influencers because, within this particular product category, consumers tend to choose among the exposed options and not to search for a specific brand across different stores. For the online channel our customer is the final consumer, more specifically anyone with a need to secure small value items.

**Competition**

Main competitors are Master Lock, Abus and Yale. These are **big international players** in the European market.

**Context**

Europe is an **attractive** market in terms of demand, but it is also **difficult to enter**. **Portugal**, **Spain** and **France** are the best targets for Stam’s first internationalization phase.
The only product line within Stam’s actual portfolio that would allow the firm to benefit from a clear differentiation advantage, over European competitors, is Life Colors. Stam should enter the target markets with this product line.

Marketing Strategy (1/2)

**Focus Strategy**
Address a relatively narrow niche of potential consumers

**Differentiation Strategy**
Satisfy unanswered consumers’ needs and preferences with unique product features

- Stam’s main goal is to develop a **Focused Differentiation** strategy offering products which are able to answer unsatisfied consumers’ needs and preferences. Indeed, there is not any brand in the market which offers padlocks characterized by a fun and colorful design, at an affordable price.
- **Life Colors** is the only product line within Stam’s portfolio (in the padlock segment) that has this potential.
Stam should enter the European market with Life Colors. It would be recommendable to introduce the other padlock lines only after having gained a certain brand awareness and increased bargaining power towards DIYs.

Marketing Strategy (2/2)

To enter a new market, it is important to have a differentiation advantage. Life Colors is the only line which allows Stam to benefit from it. Introducing the whole portfolio from the beginning, would have more disadvantages than advantages:

- The positive association between Stam and Life Colors would become weaker with the introduction of all the lines and create confusion about brand identity.
- Besides Life Colors, the other lines do not differentiate from competition. Especially in the brass segment, Stam would not be perceived as premium in order to compete with big brands, while a positioning closer to Private Labels would be unprofitable.
- Since the market is highly concentrated and shelf space is limited, it would be very unlikely to be accepted by retailers, which tend to prioritize their own brands.

- Entering a new market with one line only means a lower resource and risk commitment. If the foreign business turns out not to be profitable, exit barriers are lower.
- Stam can take advantage of its presence in Europe to acquire knowledge about the market and better understand its final consumers. According to the information gathered, it would be able to adapt its offering accordingly.
Based on the products’ characteristics, Stam should focus on Demographic Segmentation choosing 2 main Targets: Teens, Millennials and Centennials

**SEGMENTATION CRITERIA**
- **Demographic**
  - Young men and women
- **Geographic**
  - Live in urban areas
- **Behavioural**
  - Have a regular need to protect small value items
- **Psychographic**
  - Choose colourful items that express their personality

**GEN X & BABY BOOMERS**
Men and women, born before 1980. This generation already has established personal and professional lives, meaning that they do not have relevant financial restrictions. They prioritize quality over price and design, preferring simplicity and functionality.

**MILLENNIALS & CENTENNIALS**
Young men and women, born between 1980 and 2000. This is a generation that is becoming more and more independent, starting working and defining its own way of living. The main interests, within their dynamic lives, are traveling and following healthy habits, like going to the gym. Additionally, they are more conscious about consumption and always try making more thoughtful decisions and look for goods with a high quality price ratio.

**TEENS**
Young boys and girls, born after 2000. They like to show their personalities, and to differentiate from others. Thus, customization is a way to stand out. Teens are still completing their studies, hence schools and universities represent a second home where they spend the majority of their time. From this, the need to have a personal space to safe their belongings.
Moreover, even if their parents are the actual purchasers, they have a relevant influence over the final decision.
Stam competes with any padlock on the market. However, with Life Colors, Stam finds a clear gap – high variety of colors at affordable prices – to position itself.

**Aspiration Decisions – Positioning (Competition)**

**Product Type Level**
Competes with combination padlocks

**Product Category Level**
Competes with all types of padlocks

**Product Class Level**
Products of the same industry (ex: lockers, safes, etc.)

**Benefit Level**
Competes with all types of product that transmit a feeling of security (ex: Cameras)

To what concerns the **Life Colors line**, the product mainly competes on the **Product Category Level**, since any padlock can directly substitute Stam’s product.

- Stam is going to enter the European market through a **Focused Differentiation Positioning Strategy**, by focusing on Differentiation
- By looking at the positioning map, it is possible to identify a **clear gap** where Stam could easily position itself. Compared with the other European players present in the market, Stam is the only brand able to offer a **high variety of colors at an affordable price**
- Therefore the differentiation attribute used by Stam would be **high variety of colors**
Stam is able to differentiate from the other European brands because of its variety of colors, unusual sizes, and being proper for a daily use.

Aspiration Decisions – Positioning (Points of Difference & Points of Parity)

Points of Difference

According to Keller, it is important for a company to identify what are the Points of Difference. These should be credible facts that would make the consumer choose the brand over another. It is the brand’s Competitive Advantage.

To an attribute/benefit be considered a Point of Difference it needs to be desirable, deliverable and differentiating.

Points of Parity

Points of Parity are attributes/benefits that do not imply the brand is in a superior position. Their existence is almost mandatory so that the brand can be considered as a legitimate competitor in the category.

To what concerns Stam, there are 4 main Points of Parity

- Original design, with a wide variety of color mixes available
- Unusual sizes
- Proper for daily use (gym/school lockers, bags, small boxes)
- Customizable combination
- Small and light
- Available in different sizes
- Blister packaging

Stam positions itself as the most "Fun and Colorful" brand on the market

Aspiration Decisions – Positioning Statement

**Suitability**
For every person who has a regular need to protect small value items, but at the same time, does not want an expensive solution

**Positioning**
"Fun and Colorful" brand on the market

**Allowability**
To make users express their personality, by choosing between the 27 color mixes available

Keller’s approach: Customer-based brand equity (CBBE) model

For young people who want to protect personal (not necessarily expensive) valuables and care about aesthetics [Target]

Stam is a brand in the security segment offering combination padlocks [Frame of Reference]

Which gives the most appealing and colourful design at an affordable price [Points of Difference]

Because it is an innovative brand, leader in the Brazilian market [Reason to Believe]

The defined Marketing strategy and identified Aspiration Decisions are developed in depth through the Marketing Mix

4 P’s and Survey

All the decisions taken in terms of Product, Price, Place, and Promotion have been confirmed by the primary data collected: a survey conducted among 371 actual and potential padlocks’ purchasers.

4P’s Framework

The Marketing Mix is the “set of marketing tools that the firm uses to pursue its marketing objectives in the target” ⁴

Survey’s Sample

377 respondents

30% of respondents

70% of respondents

Life Colors is a line of 3-digit combination padlocks sold in blisters, available in 27 different color combinations and in 2 different sizes.

**Product – Characteristics**

**Materials**

- Steel shackle
- Brass pins
- Stainless steel springs
- Body and Roller in ZAMAC

**Dimensions**

- 30 mm x 14 mm x 7 mm
- 30 mm x 14 mm x 7 mm

**Packaging**

- Sold exclusively in blisters

- 3 digit, 2 sizes, 1000 possible customizable combinations

- Good quality of materials, small and light

---

27 color combinations
Life Colors is a very versatile padlock being adaptable to various usage occasions and representing a solution for different needs. In particular, it is perfect for lockers, backpacks, and travel luggage.

Product – Consumer Needs and Usage Occasions

Life Colors combination padlocks address some main specific needs which are related to different usage occasions:

- For lockers – in public places such as gyms, schools and offices
- For backpacks – especially in schools and universities
- For travel luggage

Life Colors padlocks respond to the needs of the 87% of padlocks’ buyers

Main padlock usages identified by final consumers

- Safe personal valuables in public places (schools, gyms, offices): 49%
- Close travel bags: 38%
- Other (lock doors, protect expensive items from theft): 12%

What would be the main usage of a Stam Life Colors combination padlock?
Since the preferences among offline and online buyers differ in some aspects, final consumers will be able to find a limited range of colors in physical stores and the whole portfolio on e-commerce sites.

Product – Offering

**Product offering – Offline channel**

Given the costs related to acquire retailer’s shelf space, for the offline channel the brand offering should be composed by a range of 2 to 9 color alternatives for both 20mm and 25mm. In this way, it is still possible to compete with brands like Abus (which offers a maximum of 9 colors per model).

**Product offering – Online channel**

One of the main points of differentiation for Stam is the extreme variety of colors available, hence it is key to offer the entire color portfolio to the e-consumers.

- 73% % Interviewees who chose the selected 9 colors
- 32% % Interviewees willing to pay more for color variety
- 31% % Interviewees who would look for a padlock online and are willing to pay more for color variety
In a long-term perspective, it would be recommendable not to highlight the “Made in Brazil” and to increase brand reliability through a 10 years warranty.

Product – Recommendations (1/3)

Regarding padlocks, “Made in Brazil” is not perceived as higher quality.

Stam should add a warranty, since this represents a competitive POP*. Moreover, having a warranty induces consumers to buy and trust the brand.

Interviewees’ preference in terms of origin when buying a padlock:

- Made in UK: 62%
- Made in US: 14%
- Made in Brazil: 12%
- Made in Germany: 6%
- Made in China: 6%

What interviewees are more influenced by when choosing a padlock:

- Quality Perception: 37%
- Price: 41%
To reach as much consumers as possible, Stam should invest in a TSA line and include customization elements specifically targeting Teens

### Product – Recommendations (2/3)

#### TSA line

Almost all brands on the market have a **TSA line** of padlocks in their portfolio. In the US, the Transportation Security Administration (TSA) requires access to luggage without the passenger being present; to allow travellers to lock their luggage, they have accepted certain locks which they can open and relock. Hence, this represents a **category point of parity** and Stam should consider it as a long-term investment to increase sales.

#### Customization

A way to attract even more consumers is to create new opportunities to **customize** and be creative. Life Colors’ target is made by Millennials and Centennials, and Teens who are willing to pay more to personalize their belongings. It is something that Papaiz already offers in Brazil, but no one is doing in Europe.

**22%**

% Interviewees willing to pay more for variety of decorations
Regarding packaging, Stam should take into consideration the option of modernizing its blisters to stand out on the shelves.

Product – Recommendations (3/3)

A ‘completely different’ packaging

Even if Stam’s actual packaging is widely appreciated by the interviewees, Millennials and Centennials of the tested sample seem to appreciate - almost in the same extent - other alternatives. In particular, option 2 may be a strategic choice helping the company to differentiate, even more, Life Colors padlocks from the competition. Indeed, no brand in the European market has a dynamic and colorful packaging. This choice would be consistent with the Brand Identity Stam should aspire to have and transmit in Europe and with target’s tastes.
Pricing strategy depends on 3 key aspects: final price must be consistent with the company’s cost structure and be appealing for retailers and final consumers in comparison with competitors.

**Price – Influencing Variables**

**Variable Costs**
- The higher the quality of the materials used in the manufacturing processes, the higher the production cost per unit
- Big international players are able to produce with high quality materials, and, at the same time, take advantage of economies of scale. Most of competitors outsource their production to Chinese manufacturers, benefiting from very low labor costs
- Distribution costs are also an important component of variable costs
- Regarding online sales, Amazon’s fee has to be considered as a variable cost
- It’s key to set a price which is sustainable in financial terms *(please see Financial Plan)*

**Retailer’s Margin**
- Since Stam Portugal is new in a very concentrated market and shelf space is limited, the way to get access to retailers’ points of sale is by giving them an incentive
- This incentive consists in giving retailers the opportunity of getting a higher margin selling Stam instead of other brands
- The price the company is able to charge retailers is also influenced by its low bargaining power in negotiating

**Competitors’ Price**
- Being a new brand on the market and, thus, being unable to benefit from brand awareness, Stam needs to set a price to final consumers which is more appealing than competitors
- Brands like Master Lock, Abus and Yale are able to charge higher prices adopting a premium positioning given the reputation they have in the market
- According to the Focused Differentiation strategy pursued by the company, Stam is not competing on price and, hence, it is positioning itself closer to the Big International brands than to Private Labels

**DIY’s margin = 50% of final price to consumer**

**5% below Big International competitors***

*5% below the average price charged by Master Lock, Yale and Abus for products comparable to Life Colors padlocks in each target country
Stam should position itself 5% below competition in terms of price to final consumer and charge €1.2 more for 25 mm, than for 20 mm

### Pricing strategy

<table>
<thead>
<tr>
<th>Key Assumptions</th>
<th>Stam’s Pricing strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>- DIY’s margin equal to 50% of final price</td>
<td><img src="image" alt="Graph showing pricing strategy" /></td>
</tr>
<tr>
<td>- Amazon’s margin equal to 15% of final price</td>
<td><img src="image" alt="Graph showing pricing strategy" /></td>
</tr>
<tr>
<td>- Price to final consumer 5% below the average price charged in the same market by Big International brands selling comparable products</td>
<td><img src="image" alt="Graph showing pricing strategy" /></td>
</tr>
<tr>
<td>- Same price to final consumer offline and online</td>
<td><img src="image" alt="Graph showing pricing strategy" /></td>
</tr>
<tr>
<td>- Price for 25 mm €1.2 higher than the price for 20 mm*</td>
<td><img src="image" alt="Graph showing pricing strategy" /></td>
</tr>
</tbody>
</table>

*According to the conducted survey, consumers are willing to pay more than €1 for the 25 mm option

<table>
<thead>
<tr>
<th>20 mm</th>
<th>Price to Retailer</th>
<th>Price to Final Consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€2.60</td>
<td>€5.21</td>
</tr>
<tr>
<td></td>
<td>€2.74</td>
<td>€5.48</td>
</tr>
<tr>
<td></td>
<td>€3.02</td>
<td>€6.03</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>25 mm</th>
<th>Price to Retailer</th>
<th>Price to Final Consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€3.20</td>
<td>€6.41</td>
</tr>
<tr>
<td></td>
<td>€3.34</td>
<td>€6.68</td>
</tr>
<tr>
<td></td>
<td>€3.62</td>
<td>€7.23</td>
</tr>
</tbody>
</table>
Marketing initiatives have an impact on revenues, generating incremental sales. Given fixed prices, this increment is only expressed in terms of volume growth.

### Marketing effects

**Incremental sales as result of marketing investment**

- Every year, **incremental sales** are recorded as direct consequence of the marketing initiatives pursued during the same year.
- The amount of the incremental financial value obtained depend on the % of revenues invested in **marketing expenses** (1,88%*) and on the return that they generate (ROMI).
- ROMI (Return On Marketing Investment) may have higher or lower expectations according to the different characteristics of the brand and product offered but also to the conditions of industries and markets.
- Within the European industry of padlocks, it would be unrealistic to expect a very high ROMI since the market is highly concentrated and padlocks are, generally speaking, **low-involvement** and **unfrequently purchased products**.

**Volume Growth DIYs**

- The incremental sales generated by marketing investments are caused by **increasing sales volumes** during the same year.
- Hence, from year to year and considering **fixed prices**, sales volumes' growth is partially influenced by ROMI's annual growth (in a range of **0% to 25%**), given a certain % of sales invested in marketing initiatives.

**Volume Growth E-commerce**

*Please go to Appendixes 44-45 for more details*
Our recommendation is for Life Colors padlocks to be sold through Adeo Group. The DIY retailers within this group are the major ones in the 3 national markets.

Selective market coverage

Stam’s main distribution channels to reach final consumers are DIY retailer stores. In order to achieve a selective market coverage, Life Colors padlocks should be sold in the main points of sale. Hence, stipulating a selling agreement with Adeo Group would be the best solution for the following main reasons:

- The Group’s labels serve the largest audience of consumers and have the highest number of stores across the 3 countries, representing a 38% market share in the EU market.

- Adeo is widely present across Europe. This would allow to make negotiation agreements for Portugal, Spain and France more efficiently. Moreover, the current relation with Adeo would be key to enter other markets in the future.
Sales through DIYs will be complemented by an e-commerce strategy. Amazon will be the intermediary to reach the final consumer in the online channel.

**Place – Online Channel**

**Massive market coverage**

Stam can achieve a massive market coverage through its online channel selling via Amazon, the world’s biggest retailer, which has altogether a 25% market share in Europe, more recently, with an annual growth rate of 1.5%. In this way, Stam would have the chance to have:
- **high visibility**
- **more variety** of colors options (entire portfolio sold online)
- **direct access to consumers’ feedback and preferences**
- monitoring on **cross-selling**

Moreover, Stam would take advantage of a growing trend. In fact, online shopping is growing in any industry and for any product category. France, in particular, has the highest potential in terms of online sales. Amazon Spain will serve both Spanish and Portuguese consumers.

![Diagram](https://www.ecommerce-europe.eu)

**E-commerce as growing trend**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of e-shoppers as %population</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRANCE</td>
<td>67%</td>
</tr>
<tr>
<td>SPAIN</td>
<td>42%</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: [https://www.ecommerce-europe.eu](https://www.ecommerce-europe.eu)
After the first 5 years, Stam should consider the idea of starting a business in the vending machine sector, making its padlocks available in public places, in particular at airports.

Future Recommendations

A smart way of selling padlocks

In a long term perspective, Stam should take some risks entering the **vending machine** sector. Since padlocks belong to those types of products which consumers remember of only when needed, being present in vending machines in public places like schools, gyms, airports would increase **sales** and attract consumers’ attention creating **interest** around the brand.

Stam may negotiate agreements with vending machines’ manufacturers that usually license their equipment and provide their clients with maintenance services paying back them a percentage on sales.

- **Schools and Universities**
- **Gyms and swimming pools**
- **Airports**
To effectively reach its target consumers, Stam needs to adopt a push strategy, focusing and investing mainly in in-store communication initiatives.

**Promotion – 6Ms**

**Market**
- **LRTC** (“Lightning rod target customer”)\(^1\)
  - Segment: Millennials and Centennials seeking for colorful items to express their personality
- **Actual Purchasers**: Consumers of any age which are attracted by Life Colors’ design and/or price

**Mission**
- Adopt a marketing communication strategy that will attract consumers adopting a push strategy in the short term and a pull strategy in the long one

**Message**
- “Life is Colors”
  - Colors express personality and who says we cannot express it through a padlock? Any product can benefit from a creative design!

**Media**
- **Offline media** are the most important ones given the nature of this product and the usual consumer behavior towards it but, online media will be adopted to complement the offline to increase brand awareness

**Money**
- 70% of the budget for In-store Communication (extra costs included in retailer’s margin)
- 30% of the budget for Online Communication
- These % will be changed over the years in alignment with the different needs (% of budget on social media will be higher when entering a new market given the relative IT costs)

**Measurement**
- Impact on brand preference will be assessed by sales, while the influence on brand awareness will be measured by the number of social media pages’ likes, post likes and shares, website visits

The need of investing more in in-store communication is due to the nature of padlocks as products. The actual war among competitors takes place on the shelves where Stam is the ‘last one in’.

Promotion – A combination of Foote-Cone-Belding Grid (FCB)\(^1\) and Rossiter-Percy Grid\(^2\)

- Despite this, all padlocks can be considered as low-involvement goods, which require low effort from purchasers during the decision making process.
- It is highly unlikely that consumers have an idea of the brand they want to buy (brand recall is almost rare) before shopping, that they search for information or that they remember any type of advertisement about this category of products. It is more probable that they will make their decision inside the point of sale, either recognizing some brands (Master Lock, Yale and Abus are the ones that have more chances to be recognized) either evaluating the different options on the spot.
- Since Stam is a new brand in the market, it cannot benefit from any type of brand awareness. Hence, it is key to attract and persuade the final consumers when they are looking at the shelves, through In-Store communication.

---


70% of the Marketing Budget will be used to establish an effective communication with consumers inside the point of sale. The main goal is to attract their attention and to make them prefer Stam over the competition.

**Promotion – In-Store Communication**

Given padlocks’ overall low frequency of purchase, the entrance of the consumer in a loyalty loop⁴ is more difficult to achieve in the short term and requires a relevant investment in brand building activities aimed to increase brand awareness. **At this stage, the priority is to win the consumer at the point of sale.**

---

Online Communication will serve as a support to the in-store and will have a strong role at a post-purchase stage. Moreover, all big international players (including Stam Brazil) use these communication channels already.

Promotion – Online Communication

30% Online communication expenses as % Marketing Budget (to be increased to 40% only in years of entrance in new markets)
Marketing initiatives’ development will take place in 3 main steps given the launch of the product in the different markets, in 3 different years

<table>
<thead>
<tr>
<th>Phase - Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: Negotiation agreement with Adeo and Amazon</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 2: Launch of the product in Portugal</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 3: Development of Portuguese social media pages and official website</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 4: Start Marketing initiatives in Portugal</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 5: Launch in Spain</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 6: Development of Spanish social media pages and official website</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 7: Start Marketing initiatives in Spain</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 8: Launch in France</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 9: Development of French social media pages and official website</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 10: Start Marketing initiatives in France</td>
<td>🟠</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Stam’s Operational Plan consists of Company Organisation, Subsidiary Portugal, Supplier and Inventory Management, Distribution and Implementation

Methodology – Operational Plan

1. Company Organization
   - Stam’s Organizational Structure
   - Structure Management Team and Employees
   - Skills, Capabilities and Costs

2. Subsidiary Portugal
   - Location Choice
   - Matosinhos Office and Warehouse Details

3. Supplier and Inventory Management

4. Distribution

5. Implementation
   - Overview
   - Weekly Plan
In 2022 Stam Portugal will be structured by the main subsidiary with its office and warehouse in Portugal and two additional sales offices in Spain and France.

Stam's Organizational Structure – 2022

Stam Portugal will be structured in the **main subsidiary**, with its office and warehouse in Portugal, and 2 additional **sales offices** in Spain and France. This structure will be achieved in a 3-year process. Firstly, the subsidiary in Portugal including Sales + Marketing and Operational Divisions will be opened, secondly the Sales Offices in Spain and France will be added. The Accounting and Logistics Divisions will be outsourced.
The Human Resources of Stam in Europe will consist of 5 people: General Manager, 2 Commercials, Warehouse Manager and Material Responsible. The Accounting of the company will be outsourced.
Matosinhos, the preferred location for Stam Portugal’s sales subsidiary has the advantages of proximity to Leixões port, proximity to Central Europe, proximity to an industrial area and the comparably low rents

Subsidiary Portugal: Location Choice

Due to already existing offices of the shareholders’ other companies and the proximity to Mr. Alcides as one of the three contacts in charge, Matosinhos was given as the preferred location choice for Stam Portugal’s subsidiary

Advantages of Matosinhos

1) **Proximity to international port**: Matosinhos borders directly with the port facilities of Leixões Port, one of the four biggest international ports of Portugal (Sines, Setúbal, Aveiro, Leixões)

2) **Proximity to Central Europe**: Leixões is the most northern Portuguese Port and therefore the closest option to Central Europe and Stam’s aimed Sales Offices in Spain and France

3) **Proximity to industrial area**: Matosinhos has a big industrial area, where Stam Portugal’s potential customers, such as Leroy Merlin and Aki, are located

4) **Rent**: Warehouse/Office rents are comparably low in the Matosinhos area: average square meter prices per monthly rent (estimated): € 3.51, comparing to Lisbon area: € 8.12

Source: https://www.searoutes.com/country-ports/Portugal
The sales subsidiary in Portugal will be a leased joint office warehouse space in the Matosinhos’ industrial area with approx. 500 m² of total area.
Stam Brazil will be Stam Portugal’s only supplier, based on a mutual Exclusivity Agreement. To achieve a successful Inventory Management Stam needs to develop a Inventory Management System

Supplier and Inventory Management

Supplier

**Mutual Exclusivity Agreement:**
- Stam Brazil is Stam Portugal’s only supplier
- Stam Portugal is Stam Brazil’s only distributor in Europe

Inventory Management

**Implementation of Inventory Management System**

**Why?**
Stam needs to maintain a centralized record of every padlock and asset in its control, having a unified source for the location of every padlock, vendor information, specifications, and the total number of every particular item currently in stock

**How?**
- Warehouse segmentation plan
- Easy to read and understand location labels
- Unique padlock identification numbers
- Clearly stated company policies and processes
- Software to monitor and track activities

**Software Recommendation: ZOHO Inventory**

Source: https://www.zoho.com/inventory/?utm_medium=cpc&utm_campaign=inventorymanagement&utm_source=capterra
Stam will have Direct Distribution in Portugal, Spain and France. Therefore, in Madrid and Paris leased Sales Offices will be opened in coworking spaces.

**Direct Distribution in Portugal, Spain and France:**

- **Portugal:** General Manager takes the active role of Commercials for DIY’s and the responsibility for online sales through Amazon.
- **Spain and France:** Sales Offices in Madrid and Paris with each a local Commercial in charge of Business Development and Sales for the DIY sector.

**Office Space in Coworking Space Madrid / Paris**

**Co-working Space**

- Coworking spaces are shared workplaces within an office, for independent activities. Coworkers are usually not employed by the same organization.
- **Advantage:** simplifies establishment of new business relationships, price-quality ratio.

**Terms of Usage**

**Leasing:**

- No budget for investment in real estate / set-up of Stam’s own office space.
- No long-term obligations, but high flexibility.

**Terms of Lease:**

- Monthly booking.

**Costs:**

- Rent: € 450,00 per month per person (estimated).
- Water, electricity, gas: included.
Assessing the given transportation costs from Torrestir, we concluded the following distribution costs:

- 0.67% of Sales for Portugal, and from Portugal to Spain and France

In order to determine the approximate costs of distribution from Matosinhos to DIYs in Spain and France, we contacted several logistics companies and asked for their terms and prices. Due to low prices and favorable delivery options, we suggest Torrestir.

Transportation costs via truck depend on the amount and weight of all loaded Euro pallets. Therefore, we computed the amount of Euro pallets needed and the expected weight for each.

Weight per delivery (assumption of monthly deliveries): estimated quantity sold per year was used to compute the quantity per delivery; through the weighted average we could determine the weight (Kg) per delivery.

Amount and weight of Euro pallets needed:
Due to the Euro pallet’s loaded measurement, approx. 2260 padlocks fit on each pallet, weighting on average 145.42 kg.

Source: https://www.tranpak.com/tools/faq/standard-pallet-size-dimensions
The Implementation of Stam’s Business Model of the Sale’s Subsidiary in Portugal with Sales Offices in Spain and France is divided into 12 phases throughout the years 2019-2025

**Implementation – Overview**

<table>
<thead>
<tr>
<th>Phase - Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: Development of legal requirements and Company Incorporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 2: Hiring Process and Team Building Subsidiary Portugal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 3: Set-up of Stam Portugal - The new European subsidiary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 4: Start Business in Portugal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 5: Hiring Process for Sales Office Madrid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 6: Set-up of Sales Office Spain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 7: Start Business in Spain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 8: Implementation of new Sales Office Spain into Operational Process in Portugal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 9: Hiring Process for Sales Office Paris</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 10: Set-up of Sales Office France</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 11: Start Business in France</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 12: Implementation of new Sales Office France into Operational Process in Portugal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Financial Plan aims to assess the financial viability of the strategic recommendations by projecting the key financial statements in the next 5 years.

Methodology – Financial Plan

1. Objective
   - Assess the financial sustainability of the strategic recommendation in the near future (6 year)
   - Determine Stam’s Business Model in Europe
   - Determine financing needs
   - Build “pro forma” statements, based on assumptions on how the business will perform
   - Compute NPV of the project and key indicators

2. Business Model
   - Revenue Generation (Streams and Projections)
   - Costs Breakdown (Variable and Fixed)
   - Sources of Financing

3. Key Financial Statements
   - Income Statement (P&L): assess profitability of the project
   - Balance Sheet: assess company’s financial position
   - Cash Flow Statement: assess financial viability of the business model

4. Analysis
   - Breakeven Analysis
   - Sensitivity Analysis
   - Ratios (Profitability, Activity, Efficiency, Liquidity)

Evaluation of financial viability:
- NPV > 0
- IRR > Cost of Capital
- Payback Period < 6 years
- ROI > Cost of Capital

*Interest Rate: based on statistics from Banco de Portugal
France has the largest market size of base metals, having a higher expected sales potential, followed by Spain and, lastly, Portugal.

### Business Model – Market Size Estimation: Base Metals Industry

<table>
<thead>
<tr>
<th>Country</th>
<th>Market size (€)¹</th>
<th>Market size (quantity)¹</th>
<th>Expected Sales Potential (Stam PT)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>€ 2.779.247</td>
<td>2.188.383 padlocks</td>
<td>21.290 padlocks</td>
</tr>
<tr>
<td>Spain</td>
<td>€ 23.999.33</td>
<td>4.419.766 padlocks</td>
<td>43.623 padlocks</td>
</tr>
<tr>
<td>Portugal</td>
<td>€ 46.066.93</td>
<td>7.175.535 padlocks</td>
<td>71.836 padlocks</td>
</tr>
</tbody>
</table>

1. All information retrieved from Eurostat: “Sold production, exports and imports by PRODCOM list (NACE Rev. 2) - annual data [DS-066341]”
Through DIY and online sales, Stam PT is expected to reach 0.97% of the total padlock market in Portugal.
The major segments of revenue are in France and Spain, which is caused not only by the higher market share, but also by the larger market size.

### Business Model – Revenue Segmentation (1/2)

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Share per Country</th>
<th>Revenue Streams per Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>1%</td>
<td>52%</td>
</tr>
<tr>
<td>Spain</td>
<td>0.99%</td>
<td>32%</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.97%</td>
<td>16%</td>
</tr>
</tbody>
</table>

The larger market size in Spain and France contributes significantly to the revenue streams.
Revenues provided from 20mm and 25mm padlocks will be equally divided between each other. Channel wise, DIYs are responsible for 76% of the revenue, while the online channel represents only 24%.

**Revenue Streams per Product**

- 20 mm
- 50%
- 50%
- 25 mm

**Revenue Streams per channel**

- DIY
  - Represent all sales made in DIY stores through our retail client - Adeo Group
  - 76%
- Online Sales
  - Represent all sales made in DIY stores through our intermediary - Amazon
  - 24%
Revenues have been increasing throughout the years as Stam’s expansion increases in number of countries.

- Initially, in 2020, revenues derive solely from Portugal, where the company offers the padlocks at a lower price.
- Whilst in 2021, there is the introduction of Spain in the expansion strategy, pushing revenues up.
- The major increase in revenues is in 2022, when Stam reaches France.

The growth rate of revenues is the sum between the CAGR that the market has demonstrated in each country and the impact of marketing expenses.

- We believe this growth rate will remain roughly stable throughout time.

Revenues are expected to increase up to €618k in 2025, as the company expands to a larger number of countries.
Stam’s Variable Costs consist of the padlock purchases from Stam Brazil, Distribution Costs, Amazon’s margin and the Sales Commission to the Commercial Managers

**Business Model - Cost Estimation (1/4)**

### Variable Costs (COGS) Streams

<table>
<thead>
<tr>
<th>1</th>
<th>Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>Padlocks Supplier</strong>: Stam Brazil</td>
<td></td>
</tr>
<tr>
<td>- <strong>Average Portugal Landed Price per padlock</strong>: € 1,14</td>
<td></td>
</tr>
<tr>
<td>- <strong>Average Payment Days</strong>: 60 days</td>
<td></td>
</tr>
<tr>
<td>- The changes in exchange rate from Reais to Euro will be covered by Stam Brazil</td>
<td></td>
</tr>
<tr>
<td>- <strong>1st Order</strong>: € 50,000 (January 2020)*</td>
<td></td>
</tr>
<tr>
<td>- <strong>Payment Days</strong>: 180 days (June 2020)</td>
<td></td>
</tr>
<tr>
<td>- <strong>2nd Order</strong>: € 50,000 (June 2020)*</td>
<td></td>
</tr>
<tr>
<td>- <strong>Payment Days</strong>: 180 days (December 2020)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>Distribution Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>% of Sales</strong>: 0,67% (Portugal, Spain and France)</td>
<td></td>
</tr>
<tr>
<td>- <strong>Rationale</strong>: The same Distribution Costs as a % of Sales was given for all 3 countries. This rationale was based on the fact that the further the country is from Portugal, the higher the revenues, meaning that the distribution costs will also follow this proportion</td>
<td></td>
</tr>
<tr>
<td>- <strong>Average Payment Days</strong>: 30 days</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Sales Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>Sales Commission</strong>: 2% of total sales (in Spain and France)</td>
<td></td>
</tr>
<tr>
<td>- To be paid at the end of each year to the commercial managers</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4</th>
<th>Online Sales Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>Amazon Margin</strong>: 15% (Referral Fee per item sold)</td>
<td></td>
</tr>
<tr>
<td>- The Amazon plan chosen takes into consideration that all of the costs of packaging and distribution will be covered by Stam</td>
<td></td>
</tr>
</tbody>
</table>

* Already pre-established between Stam PT and Stam BR
The Costs of Goods Sold represent around 38% of the total sales, with the major expense coming from the Purchase of the padlocks.

Business Model - Cost Estimation (2/4)
Stam’s Fixed Costs come from the CAPEX, Costs of Instalment and SG&A expenses

**Business Model - Cost Estimation (3/4)**

### Fixed Costs Streams

<table>
<thead>
<tr>
<th>CAPEX</th>
<th>SG&amp;A</th>
</tr>
</thead>
</table>
| - CAPEX: Portugal  
  - Chairs, Paper Basket, Lamps, Chandelier, Computers, Desks, Power Plugs, Printer, Ink, Projector, Office Supplies  
  - CAPEX: Spain and France  
  - Computers | - Personnel Expenses  
- Water, Electricity and Gas (Portugal)  
- Subsidiary, Office and Warehouse Rents  
- Marketing Expenses  
- Amazon Monthly Fee  
- Accounting Outsource |

### Costs of Instalment

- Commercial Registration  
- Name of Society
The SG&A costs (% of sales) will decrease throughout the years, with the Personnel costs constituting the main stream of expenses.
Given the internal conditions of the company and external status of the padlock market, the best source of financing would be a shareholder’s investment.

**Financing Plan**

- **Shareholder’s Investment**
  - **Time:** 2020
  - **Amount:** € 140,000
  - **Shareholders:** Jacob Benhammoun, Alcides Castro and Rogério Faria
  - Most reasonable option, given the high risk of the project

- **Debt Financing**
  - **Time:** 2020
  - **Amount:** € 140,000
  - Very unlikely that such amount will be lent by a bank, given Stam’s lack of collateral in Europe and economic climate surrounding the padlock market (highly concentrated, low growth)

- **Other Investors**
  - **Time:** 2020
  - **Amount:** € 140,000
  - Example: Business Angels, Venture Capital
  - Very unlikely given industry low growth prospects and saturated market

**A shareholder’s investment** is the more realistic source of financing for Stam’s expansion strategy into the European market, given the current internal situation of the company (no collateral, new in the market) and external climate of the padlock market (saturated industry, high concentration of international players, low growth prospects).

* Considering Repayment + Interests: The loan is considered to have a maturity of 10 years, with yearly equal payments; Interest Rate: 8%
The profit per unit varies on the channel it is distributed in, being the main differences in price and retailer margins.

### Profit per unit (1/2)

**Average Price** = € 6.18

- **Retailer Margin**
  - Retailer’s fee on each padlock

- **Profit/unit on DIY**
  - Price received from retailer

- **Imported Padlock Cost**
  - Cost of importing the padlock from Stam Brazil to Portugal

- **Distribution Cost**
  - Cost of distributing the padlocks to the retail stores

- **Amazon Fee**
  - Online Platform fee on each padlock

- **Profit/unit on Online**
  - Price received from online store = Price sold to customer

- **Imported Padlock Cost**
  - Cost of importing the padlock from Stam Brazil to Portugal

- **Distribution Cost**
  - Cost of distributing the padlocks to the retail stores
The profit per unit on online stores is 3 times larger than DIY’s, as price is higher and margins for the seller are lower.

Due to a 50% retailer margin, the profit per unit is smaller in the DIY, although there is more quantity sold. This is the segment with the most revenue, although not the most profitable.

### Adeo

**Profit per unit = € 1,74**

- Distribution Cost: € 0,02
- Imported Padlock Cost: € 1,14
- Price to Retailer: € 2,9

### Amazon

**Profit per unit = € 3,76**

- Distribution Cost: € 0,04
- Imported Padlock Cost: € 1,14
- Amazon Fee: € 0,87
- Price to Final Customer: € 5,81

Amazon’s retailer margin is solely 15% of the price to final consumer, which is much lower than Adeo’s margin. This way, the online segment is the most profitable for Stam.
The company is not likely to reach BEP in the first 2 years, due to Portugal’s dimension.

Breakeven Point Analysis (1/2)

2020

In the first year, Stam is solely present in Portugal. Although Fixed Costs are the lowest as they are estimated to be and the contribution margin is maximized, the dimension of the country does not enable Stam to reach its BEP.

2021

In the following year, as Stam enters Spain, Fixed Costs increase, and contribution margin decreases, but due to the company’s expansion, it is possible to sell more padlocks, reaching breakeven for the first time.

2022

After the entrance in France, the BEP is easily reached, as Fixed Costs and contribution margin become stable and quantity sold is more than enough to cover Fixed costs.
The fact that the company will not reach BEP in 2020 does not represent a risk for the company, as it is compensated in the following years.

Breakeven Price vs. Price in each Channel

- The main reason why the company does not reach BEP in the first year is mostly related with the price to retailer, this means, the padlocks sold to the DIY.
- As the price is much lower than the other segment, and there is still not enough quantity to compensate for the high fixed costs.
- This happens because retailers demand a higher margin than online channels do.
- The online segment is clearing pushing revenues up, due to its high pricing.
Stam will start with a negative Net Income and as it enters France it will become profitable

Key Insights

- The Net Result throughout the years sums up the impact that the entry in each country has on the company’s business and its success
- Stam will start with negative Net Income, given the fact that the revenues in Portugal and Spain are not enough to cover all of the expected expenses necessary
- The entry in the Spanish market already makes the results grow by approximately 68% from 2020 to 2021, which proves the potential that such a bigger market can have, although it does not make the Net Result positive yet
- In 2022, when Stam enters the French market, the Net Result becomes positive and grows by 803%, showing, once again, the market potential of this country
- Throughout the 6-year period, Portugal’s Net Income will be negative, given that the majority of the fixed costs are allocated to this country
- Moreover, in 2025, Portugal will represent about -47% of Stam’s Net Income, Spain and France will represent about 43% and 104%, respectively
The company’s total Assets will be financed mainly by Equity throughout the 6-year period

Results – Financial Statements (2/3)

Key Insights

- At the end of the 6-year period, the company would have Assets of € 566 038, financed mainly by Equity. These Assets are constituted by Inventories (0.77%), Clients Receivables (21.97%), Cash (77.23%) and Fixed Assets (0.04%)
- The company’s Debt is constituted by Accounts Payable to Suppliers (72%), the State Payables (27%) and Distribution Payables (1%)
- The Equity is composed by the Social Capital invested by the shareholders (€ 140.000), the Net Result from each year, the Retained Earnings and the Legal Reserves
- Starting in 2022, the company’s inventories will drop down significantly, after selling all padlocks purchased from Stam Brazil in 2020. From this point onwards, it is assumed order to delivery (in the DIYs), making Cash and Clients Receivables the main accounts for the Assets
- The differences on the company’s Assets each year delineate the effect that the new markets will have, increasing 148% when it enters France (2022)
- Moreover, the D/E stays roughly the same throughout the years, as no capital injection or leverage is assumed
The company will not gain any cash from its sales in the first year, and as it enters Spain and France its Operating Cash Flow becomes positive.

Results – Financial Statements (3/3)

- The company’s Cash Flow is composed by its Operating Cash Flow, Financing Cash Flow andInvesting Cash Flow
- The Cash Flow from Operations is constituted by the cash received from the customers, as well as all of the operating expenses (variables and fixed).
- The Cash Flow from Financing accounts mainly for the investment of € 140,000 from the shareholders, given that no leverage is considered.
- Finally, the Cash Flow from Investing refers only to the purchase of long term investments, which for Stam would only be the Office Materials (Capital Expenditures).

Key Insights

- The company will start with negative Operating cash Flow in the first year, explained by the fact that the operating expenses in Portugal exceed the cash received from customers. However, as the company enters Spain and France, this cash flow becomes positive.
- Moreover, it is interesting to analyze the Operating Cash Flow as a percentage of sales, as this shows how many € of cash are generated for every € of sales. As expected, in the first year, the company does not gain any money from the sale of padlocks, increasing as it enters Spain and France, and builds its presence in these markets.
If the expected scenario occurs, Stam’s internationalization strategy to Europe will be financially viable.

Results – Financial Viability

- NPV = € 158,742
  - This indicates that the projected earnings exceed the anticipated costs generated in the 6-year period
- IRR = 45%
  - Wacc = 10,96%
  - The IRR is the rate of growth the project is expected to generate. An investment is profitable when its IRR is greater than the firm’s cost of capital
- ROIC = 85,01%
  - Wacc = 10,96%
  - The average ROIC throughout the 6 years projected is greater than the firm’s cost of capital, meaning that value is being created
- Payback Period = 3,42 Years
  - Stam will recover the investment made in Europe in 3,42 years
- Payback < 6 Period

- If the expected scenario occurs, Stam’s internationalization to Europe will generate a positive NPV and a IRR higher than the company’s cost of capital, meaning that the projected earnings will be enough to cover the expected costs and that the company will be creating value
- Therefore, the project would be financially viable
Although the first 2 years will be financially difficult for Stam, the company will start making profits in 2022.

Results - Ratios (1/3)

Profitability Ratios

- Throughout the first 3 years, as the company enters the new markets, the ROA is increasing, meaning that Stam becomes more efficient in converting the money to purchase assets into profits.
- The ROA of 0.21 at the end of year 6, indicates that every € invested by the company generates 21 cents of net income.

- Stam’s gross margin stays more or less the same through the 6-year period, with an average of 63%, meaning that after Stam pays its variable, it still has 63% of its revenues to cover the remaining operating costs.
- This gross margin is quite high, given that on average in comparable industries, this metric is around 35%.

- The company’s Net Profit Margin is negative in the first 2 years, given the negative Net Income, explained by the fact that the company’s revenues are not enough to cover its expenses.
- When the company enters the French market this metric increases significantly, as the Net Income becomes positive.

Source: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/margin.html (Retail Building Supply)
It would take Stam approximately 20 days to turn its initial cash investment in inventory back into cash.

**Activity’s Efficiency Ratios**

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Period</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Collection Period</td>
<td>(2025)</td>
<td>73 days</td>
</tr>
<tr>
<td>Average Payable Period</td>
<td>(2025)</td>
<td>60 days</td>
</tr>
<tr>
<td>Average Inventory Period</td>
<td>(2025)</td>
<td>7 days</td>
</tr>
</tbody>
</table>

**Cash Conversion Cycle**

\[
CCC = \text{Avg. Collection Period} + \text{Avg. Inventory Period} - \text{Avg. Payable Period} = 20 \text{ Days}
\]

- Given that Stam is going to buy €100,000 on purchases from Stam Brazil in 2020, the padlocks are held in inventory until the company is able to sell them all.
- After this, it was assumed that the company works with order to delivery in the DIYs*, being necessary a small quantity of backup stock in the warehouse for the online sales.

* The company works with Order to Delivery with the ADEO Group in Brazil.
Stam will always have enough cash and liquid assets to meet its short-term obligations, throughout the 6-year period.

**Results - Ratios (3/3)**

### Liquidity Ratios

#### Current Ratio

- In the 6-year period, the company has an **average current ratio of 13.6**, meaning that it has enough capital on hand to meet its short-term obligations if they were due at once, remaining solvent.

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>40.0</td>
</tr>
<tr>
<td>2021</td>
<td>9.1</td>
</tr>
<tr>
<td>2022</td>
<td>5.3</td>
</tr>
<tr>
<td>2023</td>
<td>7.5</td>
</tr>
<tr>
<td>2024</td>
<td>8.9</td>
</tr>
<tr>
<td>2025</td>
<td>11.1</td>
</tr>
</tbody>
</table>

#### Quick Ratio

- In the 6-year period, the company has an **average quick ratio of 7.56**, meaning that it has € 7.5 of liquid assets (assets that can be quickly converted to cash in the short-term) to cover each € 1 of current liabilities.

<table>
<thead>
<tr>
<th>Year</th>
<th>Quick Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>8.7</td>
</tr>
<tr>
<td>2021</td>
<td>8.9</td>
</tr>
<tr>
<td>2022</td>
<td>5.2</td>
</tr>
<tr>
<td>2023</td>
<td>2.6</td>
</tr>
<tr>
<td>2024</td>
<td>8.8</td>
</tr>
<tr>
<td>2025</td>
<td>11.0</td>
</tr>
</tbody>
</table>

#### Cash Ratio

- In the 6-year period, the company has an **average cash ratio of 4.6**, meaning that, overall, there is more cash than current liabilities.
- This metric, throughout the 6-year period, is always higher than 1, indicating that there is **sufficient cash on hand to pay the current liabilities**, without having to sell or liquidate other assets.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1.5</td>
</tr>
<tr>
<td>2021</td>
<td>3.5</td>
</tr>
<tr>
<td>2022</td>
<td>2.7</td>
</tr>
<tr>
<td>2023</td>
<td>4.9</td>
</tr>
<tr>
<td>2024</td>
<td>6.4</td>
</tr>
<tr>
<td>2025</td>
<td>8.5</td>
</tr>
</tbody>
</table>
The differences on the company’s NPV point the importance of negotiating the retailer’s margin with the Adeo Group

Sensitivity Analysis (1/3) – Retailer Margin (%)

<table>
<thead>
<tr>
<th>Retailer Margin (%)</th>
<th>NPV</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>€238,043</td>
<td>61%</td>
</tr>
<tr>
<td>50% (Base Scenario)</td>
<td>€158,742</td>
<td>45%</td>
</tr>
<tr>
<td>55%</td>
<td>€79,523</td>
<td>29%</td>
</tr>
<tr>
<td>60%</td>
<td>€486,92</td>
<td>11%</td>
</tr>
</tbody>
</table>

Payback Period (years)

<table>
<thead>
<tr>
<th>Retailer Margin (%)</th>
<th>Payback Period (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>4.99</td>
</tr>
<tr>
<td>50% (Base Scenario)</td>
<td>3.95</td>
</tr>
<tr>
<td>55%</td>
<td>3.42</td>
</tr>
<tr>
<td>60%</td>
<td>3.09</td>
</tr>
</tbody>
</table>

Key Insights

- As expected, the lower the retailer margin is, the better the results for the company
- By looking at the differences in the NPV, it is easy to understand the importance of negotiating the margin as much as possible with the Adeo Group. In fact, from the base scenario (50%) to a retailer margin of 45%, the NPV increases 50%. Contrarily, an increase to 55% and 60% gives a much lower NPV
- The Internal Rate of Return (IRR) also points the importance of the Retailer Margin, as the IRR in the case of 60% retailer margin is almost the same as the company’s cost of capital (10.96%), meaning that the company would be creating very little value

* Comparison with major competitor (Master Lock)
As market presence increases, there are more CFs, increasing NPV, IRR and decreasing Payback Period

**Sensitivity Analysis (2/3) – Market Share**

<table>
<thead>
<tr>
<th></th>
<th>NPV</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-5%</td>
<td>32.71%</td>
</tr>
<tr>
<td></td>
<td>-2%</td>
<td>40.22%</td>
</tr>
<tr>
<td>Base Scenario</td>
<td>+2%</td>
<td>45.33%</td>
</tr>
<tr>
<td></td>
<td>+5%</td>
<td>50.44%</td>
</tr>
<tr>
<td></td>
<td>-5%</td>
<td>57.98%</td>
</tr>
<tr>
<td></td>
<td>-2%</td>
<td>Base Scenario</td>
</tr>
<tr>
<td></td>
<td>+2%</td>
<td>+2% MP</td>
</tr>
<tr>
<td></td>
<td>+5%</td>
<td>+5% MP</td>
</tr>
</tbody>
</table>

**Key Insights**

- As the market presence of the company increases, so does its NPV
- The more stores the products are available in, the more sales there are for the company, leading to higher Cash Flows
- The Market presence assumed in our base scenario is likely to change throughout the years, as it includes the market share of Adeo Group
- With the same rationale for NPV, IRR is also higher when the market presence increases
- The payback period decreases as market presence increases also due to the fact that there are larger Cash Flows
### Key Insights

- Through this analysis it is possible to conclude that for the company to generate more value, the market share would need to increase, as well as the price.

- When market share decreases up to 5% it is not possible for the company to create more value for any given prices.

- While when it increases 5%, in all pricing options the company is able to create more value.

- We can conclude that market share is the most volatile variable and that small changes affect the whole profitability of the company.

### NPV

<table>
<thead>
<tr>
<th>Price / Market share</th>
<th>-5% variation</th>
<th>-2% variation</th>
<th>0% variation</th>
<th>+2% variation</th>
<th>+5% variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5% variation</td>
<td>€ 42,223,52</td>
<td>€ 76,805,91</td>
<td>€ 101,029,81</td>
<td>€ 125,748,24</td>
<td>€ 162,840,20</td>
</tr>
<tr>
<td>-2% variation</td>
<td>€ 74,438,22</td>
<td>€ 110,438,65</td>
<td>€ 135,650,89</td>
<td>€ 161,374,93</td>
<td>€ 199,971,96</td>
</tr>
<tr>
<td>0% variation</td>
<td>€ 95,931,21</td>
<td>€ 132,873,02</td>
<td>€ 158,742,21</td>
<td>€ 185,135,15</td>
<td>€ 224,733,90</td>
</tr>
<tr>
<td>+2% variation</td>
<td>€ 117,434,21</td>
<td>€ 155,315,16</td>
<td>€ 181,840,19</td>
<td>€ 208,901,15</td>
<td>€ 249,500,64</td>
</tr>
<tr>
<td>+5% variation</td>
<td>€ 149,703,36</td>
<td>€ 188,989,96</td>
<td>€ 216,497,21</td>
<td>€ 244,558,96</td>
<td>€ 286,658,11</td>
</tr>
</tbody>
</table>

### IRR

<table>
<thead>
<tr>
<th>Price / Market share</th>
<th>-5% variation</th>
<th>-2% variation</th>
<th>0% variation</th>
<th>+2% variation</th>
<th>+5% variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5% variation</td>
<td>21%</td>
<td>29%</td>
<td>34%</td>
<td>39%</td>
<td>46%</td>
</tr>
<tr>
<td>-2% variation</td>
<td>28%</td>
<td>36%</td>
<td>41%</td>
<td>46%</td>
<td>53%</td>
</tr>
<tr>
<td>0% variation</td>
<td>33%</td>
<td>40%</td>
<td>45%</td>
<td>50%</td>
<td>58%</td>
</tr>
<tr>
<td>+2% variation</td>
<td>37%</td>
<td>45%</td>
<td>50%</td>
<td>55%</td>
<td>63%</td>
</tr>
<tr>
<td>+5% variation</td>
<td>44%</td>
<td>51%</td>
<td>56%</td>
<td>62%</td>
<td>70%</td>
</tr>
</tbody>
</table>

### Payback Period (years)

<table>
<thead>
<tr>
<th>Price / Market share</th>
<th>-5% variation</th>
<th>-2% variation</th>
<th>0% variation</th>
<th>+2% variation</th>
<th>+5% variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5% variation</td>
<td>4,33</td>
<td>3,97</td>
<td>3,78</td>
<td>3,61</td>
<td>3,41</td>
</tr>
<tr>
<td>-2% variation</td>
<td>3,99</td>
<td>3,70</td>
<td>3,54</td>
<td>3,41</td>
<td>3,24</td>
</tr>
<tr>
<td>0% variation</td>
<td>3,81</td>
<td>3,56</td>
<td>3,42</td>
<td>3,30</td>
<td>3,15</td>
</tr>
<tr>
<td>+2% variation</td>
<td>3,65</td>
<td>3,43</td>
<td>3,31</td>
<td>3,20</td>
<td>3,06</td>
</tr>
<tr>
<td>+5% variation</td>
<td>3,46</td>
<td>3,27</td>
<td>3,17</td>
<td>3,07</td>
<td>2,96</td>
</tr>
</tbody>
</table>
Stam Portugal’s subsidiary will be located in Matosinhos. It will focus on the commercialization of the Life Colors padlocks line, and it can expect revenues from its activity from 2022 forward.

### Key Takeways

#### MARKETING PLAN
- **Product**: Life Colors line
- **Target Segments**: Teens and Millennials & Centennials
- **Level of Competition**: Product Category Level
- **Needs satisfied**: Main needs of consumers (to lock lockers and travel bags)
- **Place**: all DIYs of the retailer group Adeo and online platform, Amazon
- **Price to final consumer**: €5.21 - €7.23 (according to size and country)
- **Prices to DIY**: €2.60 – €3.62 (according to size and country)
- **Promotion**: in store (aisle interrupters and danglers) and online promotion (development of social media and company’s website)

#### OPERATIONAL PLAN
- **Portugal**: Sales Subsidiary
- **Spain and France**: 2 Sales Offices
- **Starts with 2 employees**: General Manager and Warehouse Manager
- **Location of Sales Subsidiary**: Matosinhos, near the port of Aveiro
- **Sales Offices**: Co-working Spaces
- **Supplier**: Only Stam Brazil
- **Transportation**: Via truck, through Torrestir company

#### FINANCIAL PLAN
- **Market**: FR has the biggest Market Size, as well as, Expected Sales Potential
- **Market share**: 0.97% in PT, 0.99% in SP and 1% in FR
- **Sales Point**: Sales on DIYs represent 76% of revenues, while online sales represent 24%.
- **Product Sizes**: Two sizes will be sold in equal proportion (50/50)
- **Company’s margin**: Much higher in the online sales
- **BEP**: Will only be reached in the 2nd year, as sales in PT are too low
- **Sensitivity Analysis**: NPV is positive in every scenario. The company can only create more value if price and market share increase simultaneously
- **Profits**: Only from 2022 onwards
The strategic and financial projections suggest a highly volatile market, making the entry of the company dependent on the risk that it is willing to take

**Final Recommendation**

<table>
<thead>
<tr>
<th>Financially</th>
<th>Strategically</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="+" alt="Positive Base Scenario" /></td>
<td><img src="+" alt="Extended set of resources and capabilities" /> that can be transferred from Brazil and developed in the European market</td>
</tr>
<tr>
<td><img src="+" alt="Positive Base Scenario" /></td>
<td><img src="+" alt="Possibility of entering with a Focused Differentiation positioning strategy" /> by competing with design attributes, which brings something new into the padlock market</td>
</tr>
<tr>
<td><img src="-" alt="High Volatility" /></td>
<td><img src="-" alt="Highly saturated market" /> It is very risky to enter a highly saturated market, where further growth can only be achieved through new product improvements or by taking existing market share from competitors</td>
</tr>
<tr>
<td><img src="-" alt="High Initial Investment" /></td>
<td><img src="-" alt="Big International Players" /> The European market is characterized by a takeover of big international players, which have acquired great reputation, know-how and established connections, making it difficult for Stam to steal market share</td>
</tr>
<tr>
<td><img src="-" alt="Negative Short-Term Profits" /></td>
<td></td>
</tr>
<tr>
<td><img src="-" alt="Negative Short-Term Profits" /></td>
<td></td>
</tr>
</tbody>
</table>

1) **Risk-Averse and Short-Term Oriented**

- The entry on the European market is not recommended if the company is not willing to take high risks or is expecting short-term high profits

2) **Risk-Taker and Long-Term Oriented**

- The entry on the European market is recommended if the company is willing to take high risks and focuses on the creation of a long-term presence, despite the possible losses in the beginning of the expansion

---

*The expected base scenario is financially profitable for Stam, allowing the company to obtain a positive NPV of €158,742.*

*A slight increase on the retailers margin or decrease on the expected market share puts Stam on a position of a very low NPV.*

*Expected scenario based on a €140,000 shareholder’s investment, which is a very high amount, given the company’s initial suggestion (€ 10,000).*

*The company will experience negative profits in the first 2 years.*

*Extended set of resources and capabilities that can be transferred from Brazil and developed in the European market.*

*Possibility of entering with a Focused Differentiation positioning strategy, by competing with design attributes, which brings something new into the padlock market.*