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FIELD LAB: INTERNATIONALIZATION OF R1

INERNATIONAL ENTRY STRATEGY

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Abstract

Expanding into an international market is a complex undertaking for small enterprises operating in the office and home furniture and supplies sector. This dissertation aims to present a comprehensive analytical approach tailored to the specific needs of R1, a trading and distribution of office furniture and supplies based in Portugal. The strategy will encompass the identification of a suitable target market for expansion, the selection of an appropriate market entry method, the formulation of an effective marketing strategy, and the establishment of a financial forecast to support these endeavours.

Keywords: Internationalization, Market Selection, Strategic Analysis, Entry Strategy, Germany

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Executive Summary

Companies seeking expansion face the intricate task of exploring diverse international markets. This research delves into R1, a Portuguese office furniture and supplies' distributor, preparedness for an international expansion. It investigates which market is most suitable and through which means this expansion can be realized. To accomplish this objective, the study employs two complementary decision-making methodologies: country clustering and ranking. After conducting an exhaustive qualitative and quantitative analysis, the research identifies Germany as the most promising market. To further bolster this market selection, the study also formulates a comprehensive marketing plan and a financial forecast, demonstrating how R1 can achieve sustained growth as its presence expands in an international market.

a) Target Market Identification: the group will identify the most suitable target market for R1´s international expansion, considering factors such as market potential, cultural alignment, and growth prospects.

b) Market Entry Strategy: After the analysis of the internal and external factors, and of the possible entry modes, a strategic market entry method will be carefully selected, aligning with R1's goals and resources.

c) Marketing Plan: A marketing strategy will be developed to position the company effectively within the chosen market. This blueprint will encompass branding, messaging, and promotional tactics to enhance market recognition and customer engagement.

d) Financial Forecast: A financial forecast will be created to provide a solid foundation for firm´s global expansion endeavours, aligned with the previous steps. This forecast will enable prudent resource allocation and risk management throughout the expansion process.

By implementing this comprehensive approach, R1 will be equipped to navigate the complexities of global expansion, seize new opportunities, and achieve sustained growth in the competitive office and home furniture and supplies industry.

1. Introduction

1.1. Objectives and Scope

The focus of this study centres on the critical theme of internationalization, a strategic endeavour that holds substantial implications for enterprises aiming to transcend domestic boundaries (Yeoh, 2004). In this context, the group will examine the intricate process of a potential international expansion, particularly as it pertains to small and medium-sized enterprises (SMEs), of R1, an office/home furniture, and supplies distributor, located in Portugal.

Kubíčková, Votoupalová & Toulová (2014), highlight the dual drivers of SME internationalization: firstly, it arises from the recognition of limited internal demand within their home markets, and secondly, it is fuelled by the anticipation of augmented revenues and growth prospects that can be realized through global operations.

The paper delves into various internationalization modes, highlighting how "exports have been the most common form of SME internationalization, though a growing number serve foreign markets via 'constellation and investment modes', i.e., interorganizational networks, alliances, and subsidiaries (Dimitratos et al., 2003; Stoian, Dimitratos & Plakoyiannaki, 2018) as well as factors influencing these decisions, such as foreign trade regulations, the presence of niche markets, and the development of information technologies" (Laufs & Schwens, 2014).

As Zahoor, Al-Tabbaa, Khan and Wood (2020) indicate, definitions of SME are "based on the number of employees, revenues, or both. While the number of employees has been the most applied criterion, the maximum thresholds vary between the US, the European Union (EU), China and other nations from which research samples are drawn. In the EU and the UK, the threshold is 250 employees and an annual turnover not exceeding 50 million Euros" (European Commission, 2015). R1 currently counts with an approximately 30-member workforce and so falls within the SME category, which typically faces challenges related to resource constraints “such as finance and detailed foreign market information” (Buckley, 1989; Kahiya & Dean, 2016; Knight, 2001; OECD, 2018).

Given R1's limitations in terms of human resources and knowledge in international expansion, this paper serves as a roadmap to facilitate and guide its internationalization efforts.

This paper aims to guide R1’s international expansion, acknowledging the influence of institutional and cultural conditions in foreign markets (Child & Rodrigues, 2011; Vendrell-Herrero, Gomes, Mellahi & Child, 2017).”, as well as the role of leadership and personal connections (Jones & Casulli, 2014; Masango & Marinova, 2014; Musteen et al., 2014).

2. Literature Review

2.1. Internationalization: definition and origins

Backed by trade openness and financial liberalization as well as significant technological progress, the globalization movement greatly intensified in the 1990s (Crafts, 2006). This has not only led to “international integration of capital and product markets” (Dixit and Jayarman, 2001), but also to a noticeable rise in firms’ internationalization efforts (Dixit and Jayarman, 2001). Nevertheless, the theoretical study of this process far predates this moment in time, with multiple articles on the motivation, processes, and outcomes of international expansion having been published (Calof & Viviers, 1995; Kubíčková, Votoupalová, Toulová, 2004) constituting three main streams of theoretical thought:

The first one, developed by Jan Johanson and Jan-Erik Vahlne, (Johanson & Vahlne, 1977), the Uppsala model, focuses on an entity’s gradual approach to out-of-home-market expansion, initially opting for lower strategies, as starting with exporting via an agent and establishing a sales subsidiary, and only at later stages is production in the host country considered. The model highlights the importance of knowledge development.

The second one, launched by John H. Dunning, the OLI Framework (Dunning, 1988) is based on three main components. I) Ownership Advantage: The company's resources or capabilities that are proprietary and not easy (or cheaply) replicated (CFI, 2022); ii) Location Advantage: Takes into consideration the capabilities, technological skills, or natural resources that firm can access by expanding internationally (CFI, 2022; Sridharan, 2021); and iii) Internalization Advantage: This aspect examines the extent to which a company can leverage its internal organization, processes, and capabilities to gain a competitive advantage in foreign markets (CFI, 2022).

Lastly, introduced by David J. Teece, Gary Pisano, and Amy Shuen, the Dynamic Capabilities Perspective focuses on the firm's capability of delivering abnormal returns, consequence of its ability to adapt to variabilities in the external market by way of its capacity to integrate, build, and reconfigure internal and external resources/competences (Teece, 2010).

Nevertheless, while motives for expansion may be similar to other larger institutions, challenges for SMEs can be unique as their limited size may contribute to some specific constraints. According to Kubíčková (2014), key drivers for expansion include foreign demand for their products, lack of demand in the domestic market, the possibility of increasing its customer base, and the chance to boost sales.

However, limited financial capabilities may hinder their ability to invest in the proper technologies, infrastructure, and even marketing strategies. Limited access to the right human resources may also put it at a disadvantage when dealing with cultural and legal aspects. Fletcher (2013) and Casillas (2009) highlight the difficulties arising from limited access to information, impacting decision-making and competitive edge.

Regarding country selection, factors such as affordability, tax and employment guidelines, cultural and language aspects, currency and exchange rates (Volopay, 2022), legal environment

(Stevens, 2019) and market potential (Serviap Global, 2023) are crucial. These elements are pivotal in strategizing successful international ventures for SMEs.

In conclusion, the study on internationalization, while gaining momentum in recent decades, has historical roots in models like the Uppsala model, the OLI framework, and the Dynamic Capabilities. These frameworks provide a foundation for understanding expansion strategies, but SMEs present unique challenges. Their smaller size often leads to distinctive hurdles, such as limited access to information and technology, despite sharing common motives for internationalization with larger firms, like seeking new clients. This complexity underscores the need for tailored approaches in SME internationalization strategies.

3. Methodology

This study employed Mixed Methods Research, integrating “both qualitative and quantitative data” for a comprehensive understanding (Doyle, Brady & Byrne, 2009). Quantitative research primarily involves gathering and analysing numerical data, whereas qualitative research focuses on narrative or experiential information (Hayes et al., 2013). The reason for choosing this research method is that “the use of quantitative and qualitative approaches in combination provides a better understanding of research problems and complex phenomena than either approach alone” (Creswell & Plano Clark, 2007).

The first aim was to thoroughly understand R1's current operations, operations, structure, and market positioning and to grasp the company’s future expectations, specifically regarding the present Internationalization Project. This data was obtained through a series of multiple interviews and sustained communication that persisted over a period of four months. Interviews serve as a valuable means of data collection due to their ability to access information that might not be readily available through written records or observations, they revel learning outcomes, and impact data but also the practical applications and real-life scenarios of the subject matter

(Stawarski & Phillips, 2008). The second objective was to identify the market with the greatest potential for expansion and create an Internationalization Strategy Plan. For this, quantitative criteria regarding Political, Economic, Social, Technological, Environmental, Logistics & Infrastructure, Country-specific and Demand-related variables were collected from reliable databases, such as World Bank (worldbank.org) and Statista (statista.com) and employing a hierarchical cluster analysis in SPSS.

Moreover, throughout the entire process, information sourced from reliable databases, academic articles, research studies, scholarly books, and industry reports was also utilized to gain further insights. Excel was also employed for conducting statistical tests and organizing data systematically.

The study concluded with triangulation of outcomes, which is the "combination of at least two or more theoretical perspectives, methodological approaches, data sources, investigators, or data analysis methods" (Thurmond, 2001), to ensure coherent and reliable findings.

4. Strategic Analysis of The Company Situation

4.1. Firm Overview and Project Background

4.1.1. Profile And Management

R1 is a Portuguese company, with a little over 25 years of experience that offers a wide range of products and services for office and home needs. Established in 1995, the company has evolved from a computer-equipped copy center to a diverse manufacturer and distributor in the office/home furniture and supplies sector while maintaining full Portuguese capital and ownership. The company has transformed and diversified its business units from stationeries to office supplies, whiteboards, office/home furniture and audio-visual equipment. Its extensive product portfolio enables R1 to effectively meet the needs of a broad spectrum of customers and markets, serving both individual consumers and businesses, although with a predominant focus on the latter.

Regarding organizations, change involves difference “in how an organization function,
who its members and leaders are, what form it takes, or how it allocates its resources” (Huber & Glick, 1993). From the perspective of organizational development, change is “a set of behavioural science-based theories, values, strategies, and techniques aimed at the planned change of the organizational work setting for the purpose of enhancing individual development and improving organizational performance, through the alteration of organizational members' on-the-job behaviours” (Porras, & Robertson, 1992). R1’s remarkable ability to adapt and thrive in accordance with prevailing market trends serves as a testament to its competence, flexibility, and proactive approach. Notably, the company's steadfast commitment to custom-made products, prompt delivery, product assembly, and a flexible returns policy underscores its unwavering commitment to customer satisfaction and customer-centric ethos. Argyris and Schön (1978) introduce a third type of learning - deutero learning. It describes an organization's ability to constantly adapt to changing contexts. In other words, its ability “to learn how to learn” (Argyris, & Schön, 1978). What originally began as a modest family-owned business has rapidly expanded its scale and currently counts with almost 30 employees. The staff can be categorized into two primary divisions: Warehouse and Logistics & Administrative (commercial, planning and marketing). The founder remains as the largest shareholder within the company.

R1 has one individual responsible for the international markets department. It has grown significantly over the years and now operates from expansive facilities in Portugal, with additional reach across Europe (France, Spain, Switzerland, Belgium, Netherlands), Africa (Angola, Mozambique, Senegal, Cabo Verde), and India.

R1 has achieved recognition and success through various means. The "PME Lider" award in 2021, which acknowledges the merit of national SMEs with superior economic-financial performance, reflects recognition of its leadership and management practices. Its competitive advantage lies on high quality products, product assembly, custom-made products, a wide variety of goods, a physical showroom (the largest in the Northern region of the country with a little over 4000 m^2) and its online presence.

The company’s expansion strategy has been driven by factors such as revenue growth, diversification to reduce risk, economies of scale, reputation building, and strategic partnerships. Currently, the company intends to invest in new markets and further expand its international distribution network.

Regarding Corporate Social Responsibility (CSR), the mention of trends such as sustainability, eco-friendly products, and technology integration in the office and home furniture industry shows an awareness of the evolving market landscape and societal expectations. While acknowledging these societal and market shifts, the firm has yet to fully implement these concepts. Drucker (1984) emphasized CSR transforms social challenges into economic and human benefits. Moreover, stakeholders increasingly expect businesses to engage in societal issues and consider their broader impact (Kok et al., 2001), highlighting the need for proactive CSR engagement.

In September 2022, R1 took a significant step toward fulfilling its CSR commitments by entering a collaborative partnership with AISP - Associação de Imigrantes Senegaleses em Portugal, an association that supports the integration of Senegalese immigrants in the most diverse areas related to social security, job offers and many others. Most recently, already in 2023, the organization extended its CSR efforts by formalizing another collaboration, this time with Adoloscere – Associação de apoio à criança e ao adolescente. Adoloscere actively promotes the welfare and quality of life for children, adolescents, families, and communities.

Following an upward trend, this initiative currently supports people from different 17 nationalities. The enterprise also joined efforts with Instituto Português do Sangue, encouraging its employees and clients to donate blood. The AEB – Associação Empresarial de Braga partnership marks the strengthening of the corporate sector and innovation in the work environments of companies based in Braga. Under the terms of this collaboration, members of AEB stand to benefit from advantageous discounts on the procurement of R1 Office products, further fostering corporate cohesion and sustainable practices in the region. Finally, the company is also responsible for promoting health and well-being initiatives for its employees and customers.

4.1.2. Product & Business Portfolio

Decisions regarding product portfolios impact companies in several key ways: (1) define the set of product projects that enables the implementation of the business strategy, (2) decide on resource allocations and investments among the different product projects, and (3) select and prioritize product development projects (Cooper et al., 1999). The company's revenue source initially started as a service-based operation, primarily focusing on copying services and self-service computer access. However, as the company expanded, it underwent a significant transformation, transitioning into a product-oriented entity. This transformation was largely influenced by technological advancements in the business landscape as well as a shift in consumers' needs. The company's initial product portfolio predominantly consisted of stationery items. Nonetheless, with the advent of e-commerce and the integration of technological innovations into its business model, the company experienced rapid diversification. This diversification included an extensive array of product categories, including but not limited to: Custom-made furniture, lockers, whiteboards, Stationery, Office Supplies, Office Furniture, Office Chairs, Home, Decoration, and Garden, Appliances, Computing and

Electronics, Screens and Projectors, Audio-visual Supports, Children and School, Cosmetics and Beauty, Fashion and Accessories, Games, Sports, and Leisure, Health and Fitness, Food, Drinks, and Gourmet, Construction, DIY, Automotive and finally, Pets.

4.1.3. Operations

An operation analysis of R1 reveals a multifaceted approach. The company's primary focus is now on larger projects, while utilizing its supplementary services, which still represent the main source of income, to generate revenues. In essence, R1 operates as a distribution firm, and its operational workflow can be categorized into three primary stages. Firstly, orders are placed through the website and are then processed within the administrative services. The company’s website serves as a central platform for product display and engagement with potential clients. Online tools may be integrated into the website to facilitate budgeting and customization processes. R1's website allows for retail purchases, budget requests, and inquiries about custom services. The budgeting process, a key initial step where financial plans are developed to outline the costs associated and potential margins, involves outlining costs and margins, crucial for estimating expenses and resource allocation. The physical showroom complements this by serving as a tangible representation of the company's product range, particularly for clients who prefer in-person viewing, personal interaction or immediate transactions (Shopkick, n.d.). Showroom visits can help clients gain a better understanding of the available options and foster trust (Garamantis, 2023). The order is then communicated to the warehouse or manufacturers. Effective information flow is vital to ensure that the required products are sourced or manufactured to meet project demands.

Finally, the delivery process varies based on location. For local buyers, the company may assign its team members to handle assembly and delivery. For international or further away projects, R1 relies on outsourcing services, ensuring efficiency and adherence to project timelines.

The operational sequence, if followed correctly, ensures a seamless transition from project inception to delivery, underscoring the company's dedication to providing tailored solutions for its clients' unique requirements.

R1 ensures and establishes its global connections through international fairs such as Batimat (Paris), Sencom (Senegal), and Istanbul Furniture Fair (Istanbul). These fairs provide a platform for networking, showcasing products, and initiating discussions with potential clients interested in new projects. It allows access to key stakeholders in the respective industries.

4.1.4. Segmentation, Targeting and Positioning

The potential consumer pool is far from homogeneous, with consumers presenting different desires resulting in different reactions to the Four Marketing P’s - Product, Price, Promotion, and Place. To address this issue, companies often make use of consumer segmentation to create more cohesive groups to better promote and sell their products. This is important as resources are often limited, and it avoids the aggregation bias, where a company tries to cater to everyone and ends with a product perfect for no one. Segmentation is done based on several factors, namely Demographics, Psychographics, Lifestyle or Geography (Annmarie Hanlon, 2022), though the crucial point is to create segments where consumers have different needs. This is to facilitate the process of analysing their attractiveness based on size, profitability, accessibility, the companies’ resources, and so on.

R1 operates in a wide array of markets, reselling goods from office supplies to COVID-19 protection gear, nevertheless, with this study, the group will focus on its furniture part of the business. As such, the group has identified a total of four major segments considering the two potential markets it can serve - home furniture and office furniture. For the home furniture side, those are private consumers, governmental or other low budget large-scale projects, and hotels or other high budget large-scale projects. For the office furniture, it is simply the office market.

While these segments require distinct offerings, from clients in France to government incentives in Senegal, R1 tends to benefit large-scale projects involving customizable furniture.

R1 was compared with some potential competitors operating in the national market, IKEA, Archipassport, BoConcept, and MCL, distributing them in a positioning map (**Figure 1**) according to two criteria: their focus on price and differentiation and their inclination to operate in the B2C or B2B space.

As mentioned previously, R1 specializes in customizable furniture at affordable prices, primarily focusing on the B2B sector with large-scale projects for private and institutional clients. Although they have offered a range of products, including furniture, decor, and cosmetics, to individual consumers, their growth is geared towards business partnerships. However, in the upscale market segment, companies like BoConcept and Archipassport, known for their high-quality and unique offerings, pose significant competition to R1, especially in furnishing homes, hotels, and offices. BoConcept offers a wide range of furniture products and interior design services focusing on "transforming places in in more extraordinary places" (BoConcept). With more than 120 materials options to choose from, the Danish company allows customer to customize every piece to their exact liking. Archipassport, while having a somewhat overlapping offering, goes one step further, offering more than 300 thousand products across 3500 brands. Besides offering high-end home furniture and related products, the Italian company has the important distinction of also creating customizable kitchens, and office spaces (Archiproducts), directly competing with R1's main areas of interest. By organizing a prominent, attention grabbing, worldwide design competition, Archipassport also creates for itself a unique competitive advantage where it can have large customers come to them instead of the other way around. IKEA has managed to excel in both fields, with unique and relatively affordable products, both for the home and the office, possibly forming one of the most compelling cases against R1. Creating and popularizing the Ready-to-Assemble furniture trend, the Swedish company design allowed public-transport-riding-customers to easily shop at their store, and when delivered, reduced products' shipping costs (Journal of Physics, 2019). Furthermore, by assembling their own furniture, clients have reported a sense of accomplishment and esteem, driving overall sales (Newsletter Pro). While the company has a very well-known furniture selling business, other business areas include kitchen design, houses and flats, and solar PV systems (IKEA), (Topalov, 2016), all in an effort to improve diversification and business resilience. Besides the very well-known B2C operations' side, IKEA also has B2B operations, offering design, planning, delivery, and assembly services. (IKEA Business). While all the previously mentioned entities may pose as obstacles to R1's expansion plans, MCL may pose the most acute challenge as its operations largely overlap with the former entity's plans, working both in the B2B and B2C spheres. Its operations largely consist of customized kitchens, partitions & furniture, and doors & cladding, with strong ties to its industrial producers as well with its industrial clients. The company has worked with large educational, health, and sport entities, and is now expanding its distributions centres across Portugal to better access its clients (MCL media).

4.1.5. Strategy

Strategy, often subdivided into Business Level or Corporate level, can be defined as the multitude of steps that guarantee the workings of a company and, preferably, create and sustain some kind of competitive advantage (Institute for Strategy & Competitiveness - Harvard Business School, n.d). While the former tries to answer the question of "How to adapt the existing product to gain market share or increase profitability", and focuses on a single market, the latter tries to answer the question of "What business should the firm get in to?", defining the actions that shape the boundaries of the firm. As defined by Markides (2004), "a company has to decide on three main issues: who will be its targeted customers (…); what products or services it will offer its chosen customers (…); and how it will go about achieving all this– what activities it will perform (…)" (LBS, 2004). R1, as an intermediary in the furniture business, has set out to supply large-scale projects with what it has identified as a market opportunity to offer custom sized furniture. While private customers have been catered to in the past, bigger operations guarantee revenue streams and reduce overall transportation costs for the company. Its net of trusted and closely connected national furniture producers assures high quality products at reasonable prices, though its main advantage lies with the connection it creates with the client. Through its presence at construction expositions and fairs, R1 can showcase its products and services to a wide range of potential clients, and, by offering customizable furniture, it can tailor its solutions to the specific needs of each client. This competitive advantage has allowed R1 to become a significant provider of furniture for large-scale projects. Moreover, with client receivable accounts balance having a consistent growth year-over-year, R1 may be financing its clients as a way of growing its business.

4.1.6. Financial Overview

The office and home furniture industry are a dynamic and competitive sector known for its cyclicality and challenges in supply chain management. This section conducts a comprehensive financial analysis of R1, spanning the period from 2020 to 2022. The study aims to provide an understanding of R1's financial performance and its ability to navigate the industry's challenges and opportunities.

R1's revenue drivers can be divided into various segments, with a noteworthy 11% increase from 2020 to 2022. In the latter year the company reached a little over three million in revenues (**Figure 2**). Although net income and EBITDA experienced substantial growth, 45% and 39% respectively, its costs maintained relatively stable, with a slight decrease in employee expenses and a marginal decrease in material costs, which, as of 2022, together accounted for approximately 69% of their total expenses (**Figure 3**). This indicates efficiency in cost management and revenue generation, positioning the company favourably within the industry. The balance sheet highlights a significant rise in total assets, 19%, primarily attributed to tangible fixed assets (584% increase). Tangible fixed assets are likely linked to investments in property, plant, and equipment (PP&E) to support company´s operations. It is also important to notice the receivables account increase. Although with a slight decrease, the collection period (133 days), which measures the average number of days it takes for a company to collect payments from customers after a sale, exceeds the industry average of 30 to 60 days. This means increased risk of delayed or non-payments, cash flow restraints and credit risk. It implies the firm is paying to its suppliers before receiving the payments from its customers, which impacts the company´s financial ability to meet its obligations. This requires optimal cash-flow management and sufficient net working capital (decreased in 2022) to cover operational expenses. Additionally, customer relationships must be managed with care to balance the advantages of flexible payment terms with the need for timely collections. When executed well, this strategy can become a distinctive competitive advantage in the marketplace. However, a failure to do so can have detrimental consequences to its financial stability and long-term viability.

It's worth noting a substantial spike in cash retention in 2020, driven by uncertainties related to the COVID-19 pandemic. The rise in equity and liabilities stemmed from heightened current liabilities and increased shareholder funds.

Inventory turnover is a crucial metric in evaluating how efficiently a company manages its inventory and it’s negatively correlated with the average holding period. Both metrics are crucial for businesses to strike a balance between having enough inventory to meet customer demand and avoiding excessive holding costs. A higher ratio generally indicates efficient inventory management. Remarkably, R1's inventory turnover has consistently exceeded industry averages since 2020, suggesting exemplary inventory control and operational efficiency.

Although with significant decreases, the firm consistently exhibits liquidity ratios, current and quick ratios, above industry benchmarks, hitting its highest in 2020, due again to pandemic-related uncertainties and postponed investment decisions. R1´s current ratio of 1.59 implies R1's ability to comfortably meet short-term obligations with its readily available assets. The 49% decrease, compared with 2020, can be explained by the increase in current liabilities and the decrease in current assets. It may also suggest a more efficient utilization of its assets.

Throughout the 3-year period, the company's capital structure witnessed a notable shift (**Figure 4**). The gearing ratio, which assesses the proportion of a company's capital financed by debt relative to equity, surged from 104% in 2020 to 55% in 2023. This decrease reflects less reliance on debt financing as a capital source. While debt can provide opportunities for growth and benefit leverage returns, it also means the company would have to make regular interest and principal payments (436% increase for the interest coverage ratio, a clear indicator of the company´s ability to cover interest expenses), which would strain cash flow and increase financial risk. This trend indicates an enhanced capacity to meet financial obligations from internal sources and a lower dependency on external creditors (higher equity-to-liability and financial autonomy ratios) and might have a positive impact in the firm´s ability to request further credit from financial institutions.

Profitability metrics, such as return on equity (ROE) and return on assets (ROA), reflect a competitive performance. With a 6% ROE increase from 2020 to 2022, R1 managed to end the latter year with a respectable 22.2% ROE, still above industry standards of 10% to 20%. Typically ranging from 5% to 15%, the firm´s ROA went up by 22%, reaching 9% in 2022 (**Figure 5**). The variation is primarily due to a higher profitability increase (45%) compared to the slight increase of assets (only 19%). This suggests that the assets are being more efficiently utilized to generate revenue, potentially due to factors such as excessive idle capacity or obsolete inventory. The higher ROA is backed by the increase in asset turnover, indicating improved asset efficiency in generating revenue. Profit margins improved from 7.4% to 9.7%, indicating increased profitability and a higher percentage of revenue that remains as the firm's profit after accounting for various costs and expenditures. Finally, to assess the sensitivity of R1´s operating income (also known as earnings before interest and taxes, or EBIT) to changes in its sales/revenues, the degree of leverage ratio (DOL) was considered. The high 3.4 DOL value indicates that the company has higher fixed costs relative to variable costs. This means that small changes in sales can lead to more significant changes in operating income and a higher exposure to sales fluctuations.

The industry presents inherent risks, including cyclical demand patterns, supply chain disruptions, intense competition, raw material price fluctuations, and the potential for producers/suppliers to sell directly to customers. Additionally, intellectual property protection, environmental regulations, and geopolitical factors introduce complexities that require diligent management, especially when considering an international expansion.

4.2. Market & Industry Analysis

4.2.1. PESTEL Analysis

Regarding the **Political** realm, globalization has witnessed a shift in focus towards trade tensions, rising protectionism, and growing public resistance, in recent years (McKinsey, 2019). Additionally, there has been an increase of political backlashes within certain countries (McKinsey, 2019), namely, the wars in Ukraine and in the Middle East as well as the ongoing tensions between Kosovo and Serbia and Armenia and Azerbaijan (Moens, Barigazzi, Posaner, 2023).

Economically, there has been a significant shift in the global economic landscape, with McKinsey (2019) noting that economic power is moving away from traditional Western centres like Europe and North America towards the East (primarily Asia) and the South (parts of Africa and Latin America). This transformation is driven by the rapid growth of emerging economies like China and India, which have become major players in the global economy.

According to EuroNews (2023), the current global inflation scenario is marked by varied trends across different regions. In the UK, inflation has shown a decline to a two-year low in November, while Hungary's central bank has concluded the year with another rate cut. The Eurozone is experiencing a mix of inflation rates, with energy prices offering some relief in certain areas. Conversely, in France, inflation is on a downward path, yet food prices remain high. The European Central Bank (ECB) is holding steady on interest rates, expecting inflation to decline in 2024. Meanwhile, the US Federal Reserve is maintaining current rates but anticipates potential cuts in 2024.

Additionally, as previously mentioned, several crises are currently posing a significant risk to the world economy. It is anticipated that the global real GDP per capita growth rate will decelerate in 2023 (United Nations, 2023).

Within the **Social** sphere, the world is experiencing a demographic shift towards an aging population, marked by declining birth rates and an increasing number of elderly individuals. This shift has profound implications for economic growth, workforce productivity, and government finances (McKinsey, 2017).

Given that the global real GDP per capita growth rate is expected to decelerate in 2023, an increasing number of workers are being forced into the informal job sector (United Nations, 2023).

In the domain of **Technology**, global value chains are undergoing a transformative evolution driven by automation and advanced technologies (McKinsey, 2019). On top of that, the rise of

AI (particularly generative AI) is poised to reshape business operations by accelerating development and making AI accessible to non-technical users (McKinsey, 2023). Companies are advised to adopt a balanced approach to technology investment, incorporating both established and emerging technologies to drive innovation and long-term growth.

On the **Environmental** front, consumers increasingly favour brands committed to D&I (Deloitte, 2021) and ESG initiatives (McKinsey & NielsenIQ, 2023). Furthermore, European Union (EU) companies must adhere to a series of policies and regulations aimed at curbing industrial pollution, including directives such as the Industrial Emissions Directive (IED) and the EU Emissions Trading System (EU ETS). Manufacturers are under increasing pressure to reduce their greenhouse gas emissions, making sustainability a top priority.

Legally, noncompliance risk has become a major concern for manufacturers operating in multiple countries and jurisdictions (Siemens, n.d.). Compliance is crucial for achieving strategic objectives such as producing competitive products, ensuring sustainable profitability, and driving business growth. This challenge is compounded by the diverse and sometimes conflicting demands of regulatory bodies, even within the same country. For instance, in the United States, manufacturers must navigate quality standards and regulations set by multiple agencies like the FDA, EPA, OSHA, and SEC, among others. Similarly, EU companies must adhere to a complex web of environmental regulations (European Environment Agency, 2022).

4.2.2. Porter's Five Forces

<u>i. Competition in the industry</u>

Competition between companies poses a motivator to strive for excellence in the business (Indeed, 2023). Betting on product differentiation through new designs or better materials could be the key to being competitive in these sectors. Because of its long existence, the office and home furniture markets are highly competitive and have many players. However, it turns out to be a fragmented market in the sense that the biggest companies in the industry do not dominate it completely. With so many homes, hotels, companies, and offices being furnished every day, there still seems to be enough demand to justify new entries into the market. The larger and most established companies benefit mostly from their reputation on the market and economies of scale, with all the benefits that come along with it. To conclude, considering all the mentioned factors, the competition in this industry is medium to high.

ii. Potential of new entrants in the industry

"This threat depends on the size of a series of barriers to entry, including economies of scale, the cost of building brand awareness, to accessing distribution channels, to government restrictions.", (Harvard Business School). When dealing with potential entrants in the industry, the group must analyse the main barriers when starting a business in that specific sector. The size of the investment required is one of the most important aspects to keep in mind here. To enter the furniture industry there is a medium to high investment required. Not only to buy or produce the selling items but also to cover other significant costs such as distribution and marketing expenses. Another relevant indicator to analyse is the regulatory barriers to entering this industry. As mentioned earlier, in the analysis, the new entrants in the industry could have problems when dealing with political factors such as tariffs, legislation, trade policies, and customs procedures. In the case of this specific industry, the political and economic barriers highly depend on the country. In the last few years (after COVID-19), the office furniture industry has benefited from some trends. The increase in the open spaces offices, the valuing of innovation and original designs, the increase in the employment rate, and the expansion of sales through online channels, are all factors that result in an expected growing demand over the next years which will consequently give space to new entrants in the office furniture industry. Therefore, although there are significant barriers to entering the industry, the expected growth of this market and its trends results in a moderate to high potential for new entrants in the industry.

iii. Power of suppliers: Moderate to low

Barry Balebuff argues that “only recently have people begun to recognize that working with suppliers is just as important as listening to customers.” (Kontchou, 2019). In the home and office furniture industries, the main suppliers are the producers and designers. When analysing the bargaining power with suppliers, it is essential to consider that most of the companies deal directly with them. This ends up being a disadvantage for the company once the suppliers can negotiate better than without this close relationship. Another important factor in this industry is that the price of the furniture is highly dependent on the price of the materials and on the designs of the furniture itself. This means that the suppliers end up having a high control over the production, and prices of their products. On the other hand, even large players in the furniture industry don’t necessarily pressure supplier exclusivity. This is largely because they try to avoid frequent changes as the vetting process is long and costly, and it also improves economies of scale, reducing costs. Therefore, the group can conclude that the furniture companies end up having moderate to low bargaining power regarding its suppliers.

iv. Power of customers

The improvement and increase in access to information over the years have become global and a force for consumers: through the Internet it is simple to compare almost every product on the market, complicating the supplier’s job. In the case of the B2B furniture industry, it often works based on budgeting, which means that consumers' bargaining power is quite high and there is a high price elasticity. Another factor that benefits them is that it is a market with many players and similar products. On the other hand, one factor that can reduce the client's bargaining power is product differentiation. In the real estate market, the main deciding factor is often the design of the product. The company operates with the possibility of their clients having a large credit period, giving them the chance to pay after a long time, a factor that increases their bargaining power. Taking all these factors into account, the group can conclude that customers have a high bargaining power in the furniture industry.

v. Threat of substitute products

The threat of substitutes is especially high in dynamic and recent markets, for which furniture is neither. The need for the latter, albeit under different materials and designs, has existed for centuries. Signature pieces like tables, beds, and shelves, have been used for so long because they, like most furniture, have a generally simple principle of holding, and/or allowing the use of, objects or people. Any item with this functionality will simply be classified as such so the threat of substitutes is practically non-existent. While office supplies exist in a similarly stable marketplace, the rise of digital has made objects such as pens, pencils, notebooks, clips, folders, etc. unnecessary. This translates into a higher threat of substitutes, especially after COVID-19 has popularized remote work and geographically separate teams, as it becomes unpractical to share such large volumes of documents in any physical way.

4.2.3. Consumer Trends and Forecasts

The furniture industry is experiencing rapid growth, due to factors such as demographics, economic performance, and broader global trends that influence societies worldwide (Ratnasingam et al., 2022). Additionally, external factors including climate change, the adoption of circular economy practices, and the rapid expansion of the digital economy are profoundly reshaping how businesses operate within the furniture sector (Ratnasingam et al., 2022). In this section, the group will explore the primary trends that are currently influencing the global furniture industry.

i. Customization and Tailoring

The furniture industry is experiencing a significant shift in consumer expectations, with customers no longer satisfied with one-size-fits-all solutions and seeking furniture pieces that align with their unique preferences and lifestyles (Wang et al., 2017). Millennials are driving this trend, as they favour authenticity, self-expression, and personalization, and they are accustomed to product customization (CBI Ministry of Foreign Affairs, 2023). As younger generations begin to buy homes and move out on their own, customization will prevail as the key differentiator.

ii. Remote Office Trend

The Covid-19 pandemic has led to a significant increase in the number of people working from home. Given that a considerable amount of people still wants to continue working fully or partially remotely after the pandemic, the need for flexibility could be a longer-lasting trend (CBI Ministry of Foreign Affairs, 2023). This has consequently led to a surge in demand for small office-home office (SOHO) furniture (Ross, 2016; Schwab, 2018; Ratnasingam, 2019), which is typically compact, space-saving, and designed to be functional and comfortable.

iii. Increase in Demand for Sustainable Options

The industry is undergoing a significant transformation, driven by the increasing awareness of environmental responsibility and thus, the demand for sustainable, eco-friendly products aligned with the Sustainable Development Goals (Forbes, 2023). Moreover, sustainable manufacturing practices, including recycling, waste reduction, minimizing carbon footprints and a shift towards a circular economy are becoming integral to the industry's core (Ross, 2016; Schwab, 2018; Ratnasingam, 2019) as consumers are now more mindful than ever of their environmental impact and seek ways to make responsible choices when furnishing their homes.

4.2.4. Country Specific Advantages (Porter's Diamond)

The Porter's Diamond model set to measure a country's industries' competitiveness in the global market, and for this purpose it sets out 4 main areas of evaluation: Factor conditions, Demand conditions, Related and Supporting Industries, and Firm Strategy, Structure, and Rivalry. Factor Conditions are in reference to the necessary requirements for production, namely natural resources, skilled labour, and infrastructure quality. An increasing forested area in Portugal, covering more than a third of the overall territory, with large portions covered by pine trees, eucalypti, oak trees, and chestnut trees guarantees that the country performs well on the natural resources' variable (Florestas, 2023). It is also reported by CEDEFOP that, while employment up until 2025 is expected to only increase marginally, most job opportunities are set to be found in skilled agricultural, forestry and fishery works. In fact, this area is expected to represent 26% of total job opportunities by 2025, more than 4 times the EU average of just around 6%. Also, important to highlight is the country's improvement on workers with high-level qualifications, rising from 23,9% in 2015 to an estimated 33% in 2030 (CEDEFOP, 2015). Infrastructure quality is yet another area where Portugal comes out very favourably. According to the World Economic Forum, it ranked above the mean in all major categories worldwide, coming in 4th in Road Quality, 26th on Railroad quality, 40th on Port infrastructure quality, 35th on Air transport infrastructure quality and 36th on Electricity Supply Quality. This puts the country just outside the top ten, in 11th, in overall infrastructure quality (World Economic Forum, 2012).

Demand conditions, as the name indicates, measure the demand for the products at hand. While Portugal's population has been somewhat stagnant for some years (PORDATA, 2021), recent data suggests that the construction sector is picking up steam, with available data suggesting positive year-over-year growth from 2022 to 2023 (INE). Moreover, while the resident population in Portugal has been steady, tourism has been flourishing, with more than one hundred hotels set to open between June 2023 and June 2024, representing more than fifteen thousand new rooms (Lodging Econometrics, 2023).

Related and Supporting Industries are significant in Portugal. The furniture sector represents more than five thousand and two hundred enterprises, with a significant number of them in the country's northern region, employing some thirty thousand workers. It is also important to highlight that a significant portion of these enterprises' business is international, meaning a relatively large percentage of exported products, but more importantly, it signifies that any national company would also be competing with international players. Lastly, the Firm Strategy, Structure, and Rivalry refer to the country's conditions regarding firm creation and overall business activity. This may be the aspect in which, overall, Portugal does not come across exceedingly well, as it ranks 39th worldwide in the Ease of Doing Business rankings, only marginally improving its score from the previous year (The World Bank, 2020). At 63rd, 60th, and 119th, the country performs especially poorly on Starting a Business, dealing with construction permits, and getting credit, respectively, with the latter two indicators potentially giving a significant source of insecurity for R1's potential operation in the national market.

Overall, Portugal shows potential for further and growing operations in R1's business area. A growing construction and tourist sector, coupled with skilled labour and numerous potential partners strengthen the country’s position in the sector, nevertheless, a stagnant population and non-ideal business environment may stall some expansions.

4.3. Firm-Specific Advantages

4.3.1. Resources and Competences

The Resourced-Based View theory argues that a company can outperform other companies by the way it combines its resources (Dul, & Neumann, 2007). According to Barney (1999), a resource or capability can create a sustainable competitive advantage if it is valuable, rare, difficult to imitate, and exploitable by the organization. Resources, competencies, and capabilities can also be categorized as either distinctive or threshold. Distinctive resources are uniquely valuable to a specific firm and support differentiation. On the other hand, threshold resources are industry-specific and commonly shared among competitors (Camuffo, Gerli, & Gubitta, 2012). For the R1, its threshold capabilities include a diversified product portfolio, the establishment and maintenance of trustworthy partnerships, outsourced production, and an online strategy – factors that are commonly found within the industry. R1's distinctive capabilities are its ability to provide customized and tailored furniture pieces and its ability to finance clients (**Table 1**).

4.3.2. Firm-specific Competitive Advantages

To assess the success factors in R1's internal and external environments, a VRIO analysis is applied (Murcia et al., 2022) (**Table 2**). According to Barney (1999), to achieve a sustainable competitive advantage, companies should leverage resources that are valuable, rare, inimitable, and organized. Resources and capabilities are considered valuable if they enable the organization to address critical success factors in its business environment. Rarity comes into play when competitors are unlikely to possess similar resources, while inimitability refers to resources that are challenging for competitors to replicate. Moreover, resources must be well-organized, requiring effective internal structures to exploit and leverage them. R1's VRIO analysis reveals that having a diverse product portfolio, the ability to establish and maintain trustworthy long-term partnerships, outsourcing production and maintaining an optimized online presence are all capabilities that are valuable and well-organized. However, they do not provide R1 with a distinct competitive advantage, only parity. Therefore, the company should prioritize other resources and capabilities to attain a sustainable competitive edge. Conversely, possessing specialized knowledge in international management is a valuable, rare, and well-organized resource, offering significant benefits but providing only a temporary competitive advantage. Lastly, the ability to customize and tailor furniture represents a resource that is valuable, rare, inimitable, and well-organized. R1 should capitalize this resource in a way that extends beyond the boundaries of the firm.

4.4. Diagnosis for Project

4.4.1. Motives

Internationalisation is one of the most important challenges for businesses (Deloitte, 2023). It offers SMEs like R1 an opportunity to remain competitive and achieve long-term profitability. However, achieving this entails making astute strategic decisions while deftly navigating resource constraints (Kubíčková, Votoupalová, & Toulová, 2014). R1's main driver for international expansion lies in market-seeking opportunities (Dunning, 1985), as the company aims to enter host countries' local markets (Wadhwa, et. al. 2011). Simultaneously, the company leverages its ability to meet an international demand for customized and tailored services.

4.4.2. SWOT Matrix

When analysing the company, it was possible to highlight four **strengths**: Long-standing presence in the Portuguese market; Custom-made furniture; Direct and strong relationships with producers and customers; and Storage space**.** As mentioned in the firm overview, R1 has been operating in the Portuguese market since 1995. With this, the company has been able to build up its reputation, obtain large and regular clients, and naturally acquire a significant market share in the areas in which it operates. The company's commitment to selling custom-made home and office furniture has been another important asset for R1. “According to Deloitte, 42% of customers prefer to purchase furniture from companies that give them the opportunity to customize products,” (Marano, 2021). this is the main reason why custom-made furniture has increasingly become part of the company's path and, as it fills a gap in the market, it is considered a strength of the company. According to Forbes, “Keep Your Customers Close and Your Suppliers Closer” (Forbes, 2016) should be a priority principle in every company, and the company's third strength is exactly this, strong and direct relationships with producers and customers. Having started out as a family business, these close relationships have always been part of the company's DNA. Most of its producers are located close to R1's showroom, which offers the advantage of having a physical, close, and personal relationship in which the company can follow the entire production process closely. As far as the relationship with its customers is concerned, in most cases R1 works on a B2B basis. As such, the company uses its website and showroom as sales channels and, for larger-scale customers, it uses furniture fairs to create contacts and potential leads. At these fairs, the company representatives can present its products and values directly to potential customers. Thus, creating personal and direct relationships with them.

By carrying out an internal analysis of the company, the group was also able to find four **weaknesses**: Little to no emphasis on sustainable products; Outdated website design; Not controlling the entire manufacturing process; and Dependence on Outsourcing to deliver products and to assemble furniture. In a world where “78 percent of US consumers say that a sustainable lifestyle is important to them” (NielsenIQ, 2020), not considering it relevant and not having eco-friendly products is a weakness these days. With all the ESG measures that have been implemented, any company has an ethical duty to follow them and to show concern for this issue. Furthermore, "more and more consumers are seeking sustainable and eco-friendly products "(Forbes, 2023), so it is essential that companies follow this path, otherwise, they will lose a large proportion of potential customers to competitors and end up with a bad reputation in the market. Although production costs on sustainable products still tend to be higher, the trade-off of having them remains highly positive. The current R1 Website presents an outdated and confusing design and therefore constitutes a weakness for the company. In an industry where online sales are very important; the website is an essential tool for obtaining customers. Although R1 holds a close and direct relationship with most of the producers of its products, it is ultimately a weakness that the company doesn't produce them itself. Dependence on producers creates the possibility of losing control of things like the time and quality of product production, the increase in furniture prices, possible miscommunication when creating custom-made furniture, the need for transportation, and even supply chain risks. All these possible problems that the company faces mean that there is less control over its business, and it is always at risk. If there is a problem with a product, although it may be the producer's fault, it will be R1's name that will be tarnished.

As for the company's external analysis, three **opportunities** were identified for R1 to grow in this market, such as office, home, custom-made, and home office furniture markets growth forecast for the coming years; Strong relations with developing countries (Senegal); and growth demand for sustainable products. When entering a market, it's essential to analyse its expected growth as this can play a crucial role in defining the future of companies. As for the industries in which R1 operates, this expected growth is a very positive factor for the company's future. The home furniture market is expected to grow annually by 5.03% (CAGR 2023-2028)

(Statista, 2023), the office furniture market is expected to grow annually by 8.5 % (CAGR 2021-2026) (Statista 2022), the custom-made furniture market is expected to grow annually by 12.21% (CAGR 2022-2028) (Market Growth Reports,2022) and the home-office furniture market is expected to grow annually by 4.80% (CAGR 2023-2028) (Statista, 2023). “Successful companies develop strategies for doing business in emerging markets that are different from those they use at home and often find novel ways of implementing them, too.” (Harvard Business Review, 2005), and this is exactly what R1 has been doing and intends to pursue. Through furniture fairs all over the world, the company gets to know potential customers and presents its products to them. R1 has already been at fairs in emerging countries, such as Saudi Arabia, and Senegal. In Senegal, the company already has a local intermediary who lives there to conduct business in the country. “Sustainability is the biggest economic opportunity of our times” (World Business Council for Sustainable Development, 2020), and yet, R1 and many other companies are still not exploiting it. As mentioned in one of the company's weaknesses, there has been a very high increase in demand for eco-friendly furniture.

In terms of **Threats**, the high number of competitors, and the price fluctuation of raw materials were the most relevant ones when performing the external analysis. According to the European Commission, due to the presence of countries with very low production prices, the market ends up being highly competitive for most European countries. Over the years, with the globalization process, countries like China have started shipping all over the world more and more easily and charging prices that are unbeatable in Europe. Online sales were another sector that increased the sector's competitiveness. Due to the ease of display and reduced costs associated with this new sales channel, there has been a huge increase in industry players. The fluctuating prices of natural materials have been a worrying threat to many sectors. The COVID-19 pandemic and the war in Ukraine were two recent events that caused the prices of various materials to rise exponentially. For example, because of the disruptions caused by the pandemic, the price of metal in the United States has increased by 250% (BCG, 2022). Although these events have had a huge impact on the price of materials, they depend on countless other factors, such as supply and demand, regulation, geopolitics, inflation, natural causes, and the functioning of value chains. A perfect example for the furniture industry is the fluctuating price of wood. According to Statista, in April 2021 a thousand board feet cost 1,500 US dollars, and two years later, in April 2023, the value dropped to 351.8 US dollars per thousand board feet.

4.4.3. Porter´s Generic Strategies and FSA-CSA Matrix

According to Porter, “Consumers tend to be more price sensitive if they are purchasing products that are undifferentiated, expensive relative to their incomes, or of a sort where quality is not particularly important to them.” (Porter, 1980). Based on this idea, the Porter's Generic Strategies framework (**Figure 6**) was developed, in which the main source of the company's competitive advantage is defined. The model is divided into three categories: Cost Leadership, Differentiation, and Focus, where Focus is divided into cost focus and differentiation focus. When using this model to analyse R1’s competitive position, due to the wide range of products it offers, it can be difficult to define just one generic strategy for achieving a competitive advantage. However, considering custom-made furniture and the long credit periods offered to clients as their main priorities and differentiation features, the focus will be on that segment in the analysis. Based on the consumer trends and on the frameworks previously used for the internal and external evaluation of the company, such as the VRIO and SWOT analysis, the customization and tailoring of furniture and the long credit periods offered to clients due to a close relationship with them are among the most relevant aspects in terms of the company's competitive position. The group can therefore consider R1's competitive strategy to be towards a "Differentiation Focus".

When entering a foreign market, a company must be able to identify the sources of its competitive advantage, whether at company or country level (Hillemann & Gestrin, 2016). To this end, the application of the FSA-CSA matrix (**Figure 7**) makes it possible to identify these firm or country-specific factors and realise whether the company's competitive advantage comes more from its factors as a firm, the country in which it operates, both, or neither. The matrix is divided into four quadrants, quadrant 1 represents a weak company-specific advantage and a strong country-specific advantage, quadrant 2 represents a weak company-specific advantage and a weak country-specific advantage, quadrant 3 represents a strong company-specific advantage and a strong country-specific advantage, and quadrant 4 represents a strong company-specific advantage and a weak country-specific advantage. As for the positive differentiating firm factors for R1, the most important ones are the differentiation of the product (custom-made furniture) and the extended payment terms to retain more customers. Regarding the specific factors coming from the country where R1 operates (Portugal), the geographical proximity to the manufacturers is the only relevant factor country-wise, since this proximity allows for better communication and monitoring of the products to be sold by the company. We can therefore conclude that the company stands out for its strong firm-specific advantage and weak country-specific advantage, thus fitting better into quadrant 4 of the matrix.

4.4.4. Overall Readiness

R1 has exhibited notable adaptability and proactivity in line with market trends, emphasizing custom-made products, prompt delivery, product assembly, and an extended credit policy to prioritize customer satisfaction. Despite the absence of a formalized organizational structure, the company has extended its services across diverse geographical regions, spanning from

Europe to the African continent. The company is already well established in Portugal and has been officially recognized for its superior management and financial practices. Its competitive edge lies in the strong client/manufacturer relationships, extended payment deadlines and custom-made products/projects. R1 has taken vital steps towards meeting societal expectations forging collaborative partnerships with several support-driven organizations and community-care institutions. The firm currently outsources delivery services for larger distances, which means the international expansion would not necessarily require many operational changes. The business model is not directly impacted by the origin or destination of orders and deliveries. Moreover, apart from the potential requirements for brand representatives or ambassadors in the new target countries, there will be no need for immediate human capital reinforcements.

The VRIO, SWOT and Porter´s Generic Strategy frameworks underscore the company´s reliance on diversification and customer or manufacturer relationships, which may reveal a strong disadvantage when compared to a lower pricing strategy. This implies a slow penetration process, contingent on the success of international trade fairs in developing relationships with local partners, distributors, and government agencies to establish credibility and support in the new market. Furthermore, the firm would be competing against already well-established competitors. Over the long-term, improved brand reputation through heavy marketing efforts and fruitful partnerships, with a great emphasis on the latter, may facilitate a marketplace consolidation. It is advisable for R1 to consider remodelling its current outdated website, which can be very overwhelming and not that explicit.

From a financial perspective, the expansion does not require substantial financial outlays and thus entails limited financial risks. However, it faces challenges in managing its working capital, particularly with a collection period exceeding the industry norm. This predicament, especially pertinent in developing nations, may represent an increased risk of further delayed or non-payments at all. Unfortunately, these emerging markets represent a significant portion of expansion opportunities, given the rising levels of construction and infrastructure investments. In contrast, the company has undergone a notable shift in its capital structure from a debt-reliance model to one more reliant on equity financing, thereby enhancing its financial stability and ability to meet its obligations. Since the group does not know the origin of the invested capital, we cannot conclude if there was a dilution of ownership or not. Although in a very competitive and cyclical industry, R1 managed to demonstrate strong revenue growth, improved cost efficiency, and substantially increased its net income. It is also important to consider the inherent risks associated with an international expansion, including demand fluctuations, supply chain disruptions, competition, and exchange rates variations.

5. Geographical Analysis

5.1. Chapter Overview

This chapter delves into a comprehensive selection process aimed at identifying the most suitable country and optimal geographical location for the expansion of R1's operations. This multifaceted approach initiates with a strategic country clustering analysis as the foundational step in the decision-making process. Subsequently, a ranking procedure is undertaken, where the high-performing nations will emerge as primary candidates and one country will be named as the optimal choice. The main goal of the process is to determine the country that exhibits the most promising attributes and advantageous factors for facilitating R1's international expansion. Through an examination of diverse criteria, encompassing economic, socio-cultural, and market-related/industry aspects, among others, the aim is to identify the singular country that not only aligns with R1's business aspirations but also presents a set of characteristics conducive to the successful establishment and sustainable growth of R1's operations within its borders.

5.2. Variable Selection Criteria

Since R1 originally expressed full openness to every market, a total of 266 countries and regions taken from World Data Bank were considered. The following phase entailed an elimination strategy, wherein 160 of these countries and regions were systematically excluded. The exclusion criteria were structured to filter out nations facing ongoing conflicts (World Population Review, 2023) and countries characterized by a substantial absence of pertinent data, marked by at least a 30% deficiency in the selected variables. Additionally, nations exhibiting simultaneously low GDP per capita [GDP per capita (current US$) (2022)] unfavourable ease of doing business indices [Ease of doing business score (0 = lowest performance to 100 = best performance) (2022)], and elevated rates of political instability and violence or terrorism (Political Stability and Absence of Violence/Terrorism: Estimate) were purposefully disregarded. Finally, sixty-three countries were left (**Table 3**). The aim was to narrow down the pool of prospective countries to those displaying a favourable overall environment, where R1 would be able to thrive. This selective process laid the groundwork for a more refined analysis focused on countries demonstrating the potential to offer conducive settings for R1's expansion efforts. Initially, a total of 34 variables were considered, subdivided in 6 distinct categories: political, economic, technological, environmental, logistics and infrastructures and industry/country specific (**Table 4).** Subsequently, a Pearson correlation analysis was performed (**Figure 8**) which assesses the “strength of the linear relation between two jointly normally distributed variables” (Forthofer, Lee & Hernandez, 2007). Reducing the number of correlated variables allows for a more focused selection of variables that are diverse and contribute uniquely to the analysis (Hair, 2009). It ensures that the clusters formed are based on distinct and meaningful differences among countries. For those reasons, variables exhibiting a Pearson correlation higher than 0.8, considered as highly correlated (**Figure 9**), were subject to further analysis. The objective was to retain only one of each of the closely related indicators. The outcomes of the Pearson correlation analysis revealed noteworthy associations between several variables within the dataset. A substantial correlation was observed between population growth and two distinct parameters: Industrial design applications by resident and urban land area (Pearson correlation scores of 0.97 and 0.99, respectively). Since a Total Population variable was already being considered, the decision was made to exclude the population growth variable from further analysis. Additionally, the Pearson analysis concluded that the GDP was positively correlated with two other parameters: the Furniture Market Size (Revenues 2022) and Urban Land Area, exhibiting Pearson correlation coefficients of 0.95 and 0.8, respectively. Given the presence of two other GDP-related metrics, namely GDP per capita and GDP per capita growth, a strategic decision was taken to eliminate the GDP variable. Finally, the correlation analysis identified a positive correlation between the ease of doing business and the Political Stability and Absence of Violence/Terrorism variable (Person correlation score of 0.99). Since the latter was already considered as a country exclusion factor and owning to its significance in assessing favourable business environments, the decision was made to keep the first one. Contrary to any initial assumptions, it's important to note that countries with larger population sizes do not consistently exhibit proportionally higher Furniture Market sizes or revenues associated with the furniture industry.

Following the comprehensive final analysis and meticulous elimination process, the team has selected 30 pivotal indicators and variables for in-depth consideration, each providing valuable insights into various facets of potential markets:

i. Political Variables

These variables are crucial in evaluating the governance and business climate of a country. They shed light on the quality of governance, legal frameworks, democratic practices, and anti-corruption measures. Key metrics include:

- Ease of doing business score (0 = lowest performance to 100 = best performance, 2022)
- Rule of Law: Percentile Rank
- Democracy Index (2022)
- Control of Corruption: Percentile Rank

ii. Economic Variables

Tailored to the company's risk-aware business approach, this expanded set of variables offers a deeper insight into the economic environment, impacting operations in prospective markets. They include:

- Tariff rate, applied, weighted mean, all products (%, 2020)
- Net investment in nonfinancial assets (current LCU, 2016)
- GDP per capita (current US$, 2022)
- GDP per capita growth (annual %, 2022)
- Revenue Growth (2019-2022)
- Official exchange rate (LCU per US$, period average)
- Taxes on international trade (% of revenue, 2020)
- Tax revenue (% of GDP, 2020)
- Inflation, consumer prices (annual, %)
- Economic Freedom Index (2023)
- Consumer Price Index (2010 = 100)

iii. Social Variables

A focused social variable is included to gauge societal well-being and labour dynamics, crucial for understanding the social context and its implications for national development and stability.

- Unemployment, total (% of total labour force, 2022) (modelled ILO estimate)

iv. Technological Variables

These variables provide a window into each society's technological advancement and integration, essential for assessing technological readiness and its impact on societal advancement in various countries.

- Individuals using the Internet (% of population, 2021)

v. Environmental Variables:

Essential for evaluating a country's capability to bolster the company's business strategy, these metrics encompass infrastructure quality and logistics efficiency, key for smooth transportation and trade.

- Environmental Performance Index
- SDG Index (2023)

vi. Logistics and Infrastructure Variables

Essential for evaluating a country's capability to bolster the company's business strategy, these metrics encompass infrastructure quality and logistics efficiency, key for smooth transportation and trade.

- Logistics Performance

vii. Country Specific Variables

Offering insights into the unique characteristics of each country, these variables contribute to a thorough analysis of factors that shape a country's attractiveness and standing.

- Population growth (2021-2022)
- Tourism (2019)

viii. Demand-Related Variables

These industry-specific variables are pivotal for understanding market dynamics and consumer demand, providing a comprehensive overview of market trends, trade scenarios, and technological advancements.

- Furniture; parts imports by country in 2019. Trade Value 1000USD
- Revenue of the furniture market worldwide from 2014 to 2027
- New businesses registered (number)
- Industrial design applications (resident, by count)
- E-commerce index (2020)
- ICT Development (2017)
- Trade freedom Index

ix. Supply-Related Variables

Given the company's commitment to collaborating with Portuguese suppliers and exclusively sourcing raw materials from Portugal, supply-related variables are not considered in this analysis. This aligns with R1's strategic focus on cost-efficiency and nurturing strong partnerships.

5.3. Missing Values

The significance of the clustering analysis "depends heavily on the accuracy of the database and on the chosen sample data" (Brown & Kros, 2003). To mitigate their adverse effects on the integrity and validity of results, the uncomplete datasets had to be properly addressed, as ignoring missing values can "introduce bias into the models being evaluated and lead to inaccurate data mining conclusions" (Brown & Kros, 2003). Moreover, the absence of information could have distorted relationships between variables, impacting the accuracy of similarity measures crucial for cluster formation. Considering the dataset characteristics, the multiple imputation method in SPSS was deemed most suitable. As stated in IBM SPSS Missing Values 28 (2021), the process begins by identifying the variables with missing values within the dataset. Unlike single imputation methods, multiple imputation generates several "complete" datasets, each containing different plausible values for the missing data, thereby incorporating the uncertainty inherent in any estimation of missing values. These values are estimated using statistical models that consider the relationships and patterns present in the non-missing data, ensuring that the imputed values are as realistic as possible. Once these multiple datasets are created, each one undergoes independent analysis as if it were a complete dataset with no missing values. After conducting the analyses, SPSS pools the results from all the imputed datasets. This pooling involves averaging the outcomes from each dataset to produce a single, consolidated set of results.

All thirty variables within the dataset exhibited instances of missing values and only a limited subset of ten countries, out of the sixty-two, possessed complete information across all variables. The overall proportion of missing data amounted to approximately 8.33%. An analysis performed through the SPSS software, revealed an absence of any pattern in the distribution of the missing values suggesting that missingness is not influenced by the dataset's other variables and, among the variables assessed, Taxes Trade, Furniture Importations, and Economic Freedom emerged as the parameters experiencing the highest percentages of missing data.

5.4. Standardization of the Variables

“If variables are measured on different scales, variables with large values contribute more to the distance measure than variables with small values” (Roelandt & den Hertog, 1999). As to avoid domination of criterion, the group decided to utilize a Multiple Criteria Decision Analysis (MCDA). MCDA is a "family of techniques that aid decision makers in formally structuring multi-faceted decisions and evaluating the alternatives to systematically compare different countries by evaluating the impact of individual variables" (Greene, Devillers, Luther, & Eddy, 2011). This method involves standardizing raw data, ensuring a uniform scale for all values. The results are stated in **Figure 10**. In MCDA, the transformation of data values depends on whether the criteria are categorized as beneficial or non-beneficial. For beneficial criteria, such as GDP per capita, higher values directly contribute to a higher rank. To normalize such criteria, the following formula is used (Dung, & Do, 2022):

$$nij = [xij/\max xij]$$

$Where$:

nij represents the scaled final value of country j $f$or variable i;

xij represents the raw data value of country j for variable i;

$\max xij$ represents the maximum value for variable i.

In contrast, non-beneficial criteria like Inflation are inversely related to higher ranks, wherein lower values indicate a higher rank. To normalize such criteria, the following formula is used (Dung, H. T., & Do, 2022):

$$nij = [\min xij/xij]$$

$Where$:

nij represents the scaled final value of country j $f$or variable i;

xij represents the raw data value of country j for variable i;

$\min xij$ represents the minimum value for variable i.

OBS.: It is important to note that a Linear normalization method, as such, would not have been possible "if if there exists xij = 0 or max(xij) = 0" (Dung, & Do, 2022). However, that was not the case for any criteria.

5.5. Country Clustering

A cluster analysis is a statistical method used to "discover natural groupings of items or variables" and it is based on "some similarity (or dissimilarity) matrix or the original input text data" (Kim, 2009). This method aims to "find commonalities between data elements that are otherwise unlabelled and uncategorized", with the main goal being "to find distinct groups or "clusters" within a data set" (Talabis, McPherson, Miyamoto, Martin, Kaye, 2015). It aids in understanding the structure of data, discovering relationships, and making sense of complex datasets without predefined categories.

To perform the analysis two clustering methods were considered. The hierarchical clustering and k-means clustering methods are both unguided techniques employed for grouping similar data points together. However, they differ in their approach to forming clusters and their suitability for various scenarios. When analysing countries, the number of distinct groups or clusters they might naturally fall into is often not known in advance. Contrary to the k-means clustering, which partitions the data into a predefined number (k) of clusters, the hierarchical clustering does not require the number of clusters to be predefined, making it suitable for an exploratory analysis. Moreover, the dendrogram provides a visual representation of the clustering process, showing the relationships between clusters at different levels of similarity. Therefore, the hierarchical method is applied. Among the array of available alternatives such as between-groups linkage, nearest neighbour, furthest neighbour, centroid clustering, median clustering, and Ward's method, the choice was directed towards the latter. Its capacity to handle varying cluster sizes, while minimizing within-cluster variance, can be meaningful when analysing diverse attributes across countries. The analysis identified 8 different clusters within the 62-countires data set (**Table 5**).

5.6. Country Ranking Analysis

To select the best candidates for R1's international expansion, as detailed in Sections 6.2 and 6.3, the group evaluated each country using thirty-four carefully chosen variables. These variables were selected to illustrate both potential positive and negative impacts on the furniture business. Where data was missing, we employed SPSS' imputation method to fill in the gaps. In the second step of our methodology, each criterion received a specific weight, reflecting its importance and aiding in the comparison of diverse factors. The group organized these criteria into categories, each assigned a weight between 1% and 7%. This approach allowed for a more refined adjustment of the scores. For instance, categories with a minor yet notable influence on the furniture sector, such as "official exchange rate" and "Net investment in nonfinancial assets," were assigned the lowest weights of 1%. In contrast, categories with greater relevance, including "Furniture; parts imports by country," "Industrial design applications," and the "E-commerce index," were weighted at or above 6%. Notably, Considering the limited number of applicable Demand variables identified, the team collectively decided to increase their weights, ensuring they accurately represented their importance, constituting 39% of the total weight. In the third and final step, the group aggregated these adjusted scores for each criterion to calculate a Performance Score for each country (**Figure 11**). This score served as a basis for the rank (**Table 6**), providing a structured and weighted assessment of their respective potential for R1's international expansion.

5.7. Selection of Potential Markets

R1's decision to target Germany for its international expansion, given the options of Luxembourg, the UK, and Singapore, is grounded in a strategic alignment with its current operational strengths and future aspirations. Germany emerges as the ideal destination due to several compelling reasons that resonate with R1's business model and growth objectives.

Germany's geographical and cultural proximity to Portugal, R1's home base, is a significant advantage, as according to Schmitt & Biesebroeck (2013), physical distance raises many transaction costs, such as transportation, logistics, and the costs or difficulties in meeting delivery schedules. Additionally, “Germany and Portugal have close political and economic relations reaching back many years” (Krebs, 2022). In the political realm, “both countries represent the same European, democratic values and are largely aligned in key political questions”. From an economic standpoint, “Germany is not only one of Portugal´s most important trading partners but also the largest foreign employer in the country” (Auswärtiges, 2022). In addition, both Germany and Portugal are integral members of the European Union, which strengthens their business collaborations and partnerships. This relationship offers advantages such as reduced trade barriers and access to funding opportunities, smoothing the path for Portuguese companies like R1 in their expansion endeavours. Furthermore, to foster and strengthen collaboration between the two countries a mutual agreement was signed in 2019 outlining a Work Plan aimed at enhancing bilateral cooperation across various domains, including European and foreign policy, internal administration, economic affairs, climate and environment, innovation, equality, development, social affairs, mobility, and transport (Portuguese Government Portal). Such historical backdrop provides a stable and predictable framework for business operations, particularly beneficial for R1 as it looks to expand internationally.

A significant aspect of this relationship is the German market's consistent appreciation for Portuguese craftsmanship, especially in furniture, which will be mentioned later in section 9. German consumers prioritize “visual appearance, price, and quality in furniture acquisition, followed by functionality and ecological aspects” (Inkeri, Minna & Toppinen, 2015). While Portuguese consumers value “functionality, sustainability, and affordability” (Statista, 2023)

This shared sensibility means that Portuguese furniture, known for quality and know-how (Machado & Fernades, 2004), is likely to be well-received in the German market. Furthermore, the presence of a substantial Portuguese community in Germany presents an added advantage. Globally, Germany is in the seventh position in the ranking of countries with the highest number of Portuguese residents (Rinke & Flores, 2007). Migrants often retain a preference for products from their homeland. As noted by Sahak, Newman & Yani-de-Soriano (2015) “the stronger the migrant consumers’ association to their origin identity, the higher their willingness to purchase homeland products”. This offers R1 a ready customer base that appreciates and values Portuguese furniture for its quality and cultural significance. Lastly, the robust tourism exchange between the two nations has facilitated greater cultural understanding and appreciation. According to Statista (2023), around 0.98 million Germans have travelled to Portugal on vacation in the last twelve months (Statista, 2023).

These cultural and economic ties between Germany and Portugal, coupled with an existing affinity for Portuguese style and quality in the German market, create an ideal environment for R1's expansion efforts, leveraging the established market presence and benefiting from the shared design sensibilities and economic collaboration within the European Union framework. The existing demand and appreciation for Portuguese furniture in Germany, evidenced by high import rates, provide a ready market for R1's offerings. As stated by the United Nations COMTRADE (2023) was around one hundred and six million dollars. This aligns perfectly with R1’s strategy of leveraging existing markets and building upon established consumer preferences. Furthermore, Germany's role as a hub for furniture industry fairs is particularly advantageous for R1, which prioritizes partnerships and collaborations established through such events. These fairs offer invaluable opportunities for networking, showcasing products, and forging new business relationships. The ability to engage directly with potential partners and customers at these events can significantly boost R1's market entry and brand recognition in Germany.

Financial and operational prudence also guide this decision. Given R1's limited financial stability and the lack of a standardized international expansion model, venturing into a known, stable, and geographically closer market like Germany is a lower-risk strategy. This approach is particularly sensible for R1, which relies heavily on e-commerce and online presence for sales and communication. Germany's well-established digital infrastructure and high internet usage rates present an ideal landscape for expanding R1's e-commerce footprint. In contrast, Luxembourg's political, economic, and regulatory stability (Luxembourg for Finance, 2023) presents an attractive environment for business ventures. However, its limited growth potential is a significant concern for R1. As reported by the Global Entrepreneurship Monitor (2022), Luxembourg's status as one of the world's wealthiest economies also comes with significant challenges with high barriers to entry for new players. The country's small population and market size (Global Entrepreneurship Monitor, 2022) mean that the scalability of R1's operations would be inherently restricted. The domestic market may quickly become saturated, leaving little room for expansion within the country.

Turning to the UK, the post-Brexit landscape has introduced a new level of complexity and unpredictability. The UK's departure from the EU has resulted in new trade regulations, which could lead to increased costs and delays due to customs checks, tariffs, and non-tariff barriers (Jozepa, 2023). Moreover, the ongoing political flux has the potential to lead to further regulatory changes, creating an unstable environment for long-term business planning. For a company like R1, which relies on the seamless movement of goods and materials, these factors could disrupt supply chains and inflate operational costs. Additionally, the current socio-political climate in the UK may affect consumer confidence and, consequently, spending in sectors such as furniture, which often mirrors the broader economic trends.

Singapore, despite its robust economy and status as a leading business hub (EDB Singapore, 2023) presents a different set of challenges. The geographical distance between Portugal and Singapore significantly increases shipping times and costs, impacting the agility with which R1 can respond to market demands and manage inventory. Cultural differences, as seen in **Figure 12**, could also mean that R1 would need to significantly adapt its product offerings to suit local tastes and preferences, which could be a costly and resource-intensive process. Furthermore, the high level of competition in Singapore's retail sector (Yap, 1996) means R1 would need to invest heavily in marketing and customer acquisition strategies to gain a foothold. This is a substantial undertaking for a company currently facing financial and operational constraints. Singapore's strict regulation (Stanfort Academy Singapore, 2023) can also pose a challenge, as it requires a deep understanding of local laws and regulations, which R1 may not be equipped to navigate without substantial investment in local expertise.

In each of these markets, the challenges presented are not necessarily insuperable. However, would require resources and capabilities that R1 may not currently possess. For this reason, it is essential that the company selects a market that not only has growth opportunities but also matches its strengths in operations and can be effectively served considering the company's current financial and logistical capabilities. Germany, with its larger market size, cultural and economic ties to Portugal, and leading role in the European furniture industry, remains the more strategic and prudent choice for R1's current international expansion. Looking ahead, Germany not only offers immediate alignment with R1's operational capabilities and market strategies but also serves as a strategic launchpad for future expansion. Success in the German market can provide R1 with critical insights into international operations, enhance its financial stability, and refine its expansion strategies. These gains would be helpful in exploring more distant and diverse markets in the future, such as those in Asia or the rest of Europe. By starting with Germany, R1 sets a foundation for sustainable growth, ensuring that each step of international expansion is built on experience, knowledge, and financial robustness. This careful, strategic approach positions R1 to navigate the complexities of global expansion successfully, turning challenges into stepping stones for future ventures.

5.8. Limitations

The comprehensive approach to country selection and geographical analysis in R1's international expansion project is laudable, yet it is not without its limitations. A critical concern is the quality of the data used. Inaccuracies or incomplete datasets can significantly skew results, leading to unreliable interpretations. Particularly concerning is the handling of missing values, which constitute about 8.33% of the data. The accuracy of imputation in such scenarios is challenging, introducing uncertainty that may affect the reliability of outcomes. The increased computational complexity and resource demands for managing significant amounts of missing data also pose practical constraints in terms of time and computing resources.

The focus exclusively on the furniture segment, while aligned with R1's business, limits the scope of the analysis. This narrow focus potentially overlooks broader market dynamics. Additionally, the disruptive impact of the COVID-19 pandemic, especially on data from 2020, adds another layer of complexity and potential distortion.

The subjective selection of variables introduces bias, as certain important factors may have been excluded or irrelevant ones included. The absence of data on countries beyond top performers further constrains the analysis. Clustering algorithms, although useful for creating homogeneous groups, may not account for significant internal diversity within each cluster, which can limit the practical application of the results. The dynamic nature of countries, with continuous shifts in economic, political, and social landscapes, introduces uncertainties that might not be fully captured within the analysis. Outliers or extreme values in the dataset could also disproportionately influence the ranking results. These factors underscore the necessity for ongoing monitoring and reassessment of R1's expansion strategy to adapt to changing conditions and ensure the continued success of its international ventures.

5.9. Conclusion

In conclusion, R1's international expansion project, underpinned by a detailed geographical analysis, has culminated in a well-considered decision to prioritize Germany as the primary target market. This choice is the product of a multifaceted approach involving strategic country clustering, rigorous ranking procedures, and a careful evaluation of a wide array of variables. Despite initially favouring the UK, the analysis ultimately revealed Germany as the more suitable destination, considering its stable political and economic environment, significant role in the European furniture industry, and alignment with R1's strategic objectives.

However, this decision is not without its limitations. The quality of data and the handling of missing values, which accounted for about 8.33% of the dataset, posed significant challenges, potentially impacting the accuracy and reliability of the results. The project's focus on the furniture segment, while consistent with R1's business model, limited the breadth of the analysis and may have overlooked broader market dynamics. The subjective selection of variables and the exclusion of data on countries beyond the top performers further constrained the analysis.

Moreover, the impact of the COVID-19 pandemic, particularly on data from 2020, added complexity and potential distortion to the findings. The clustering algorithms, while effective in creating homogeneous groups, may not have fully accounted for the significant internal diversity within each cluster. Additionally, the dynamic nature of countries, with continuous shifts in economic, political, and social landscapes, presents uncertainties that might not have been fully captured in the analysis.

Despite these challenges, R1's strategic decision to focus on Germany reflects a cautious yet proactive approach towards investing in unfamiliar markets. It acknowledges the inherent risks and complexities of international expansion, balancing them against the potential for growth and success. As R1 embarks on this ambitious journey, the company's experience in international operations, combined with its strategic, data-driven approach, will be crucial in navigating the challenges ahead. Continuous monitoring, adaptability, and reassessment of the expansion strategy will be vital in maintaining the trajectory towards a successful international venture. This project, while a significant milestone, is just the beginning of a dynamic and evolving journey in the global market landscape.

6. International Entry Strategy

6.1. Selection Criteria

After choosing the target county, it is essential to analyse the relevant factors (**Table 7**) in the process of choosing the entry method (Mariadoss, 2017). The criteria to be considered at this stage of the process are direct factors, indirect factors, the characteristics of the desired mode of entry, and transaction-specific factors (Hollensen, 2002) (**Figure 13**). Depending on the results of this set of trade-offs, the entry mode decision will result in one of three options: Hierarchical modes (Mergers & Acquisitions and Greenfield Investments), which require large amounts of resources but on the other hand, offer more control; Intermediate modes (Strategic Alliances, Joint Ventures, Franchising, and Licensing), with high resources requirement and offer medium control; and Export modes (Direct exporting and Indirect exporting), which are less compromising in terms of resources, but in comparison with the other modes, have less control on the company operations.

The Internal factors are those that concern the company and are important to develop and implement strategies in line with them (David, 2022). According to Hollensen, the most relevant internal factors to analyse are the firm size, international experience, product complexity, and product differentiation advantage. The size of the company is related to the resource availability (Koch, 2001; Hollensen, 1988). SMEs, such as R1, generally have fewer resources available and are therefore likely to opt for an export entry method. On the other hand, large companies, which usually have more resources to invest, opt for hierarchical or intermediate entry methods. The company's international experience is relevant in terms of controlling operations and having more knowledge of processes and how to do them properly. With such experience, companies commit more resources in an effective and controlled manner (Chen & Mujtaba, 2007). Companies like R1, with low international experience, not only will use their resources more insecurely, in most cases will need support from a local partner. The other two internal factors are related to the company's products or services, namely its complexity and its differentiation average. The type of product is extremely important when deciding on the entry method, as physical products are more likely to be sold by export methods, thus improving production control in terms of costs and quantities. When it comes to services, Blomstermo (2006) argue that there are soft services and hard services. Soft services are those that are produced and consumed at the same time by the consumer and therefore have no tangible aspect. This type of service usually requires a hierarchical or intermediate entry mode to guarantee a high level of control. Hard services are those in which production and consumption can be separated and are often combined with a tangible aspect. These cases don't require as much control and so companies usually opt for an export mode. Product differentiation is another internal factor to consider. Visual differences, the length of the guarantee, the way it is sold, marketing and even after-sales services are all highly relevant to selecting the perfect entry method. Product differentiation is also a powerful tool when it comes to gaining a competitive advantage and enables the company to increase prices and profit margins, being an important part of R1's business.

According to Svend Hollensen, the external factors relate to the most important characteristics of the country host and its market, namely: the main socio-cultural differences between countries; the level of risk relative to demand; the size of the market, and its growth; the direct and indirect trade barriers; the levels of intensity and number of competitors; and the number of intermediaries relevant to the export of products (Hollensen, 2007). When it comes to internationalization in a business, socio-cultural differences become particularly relevant in all their influencing aspects. According to Dow and Larimo (2009), although language differences are thought to be among the most significant, religious differences, political differences and disparities in industrial development are even more important. Thus, differences in culture, religion, democracy, economic systems, and business practices end up having an extreme impact on the process of choosing an entry method. If the differences between the company's country and the host country are high, there is a tendency to follow a more exporting strategy. In cases where the differences between countries are not highly relevant and do not jeopardize the business, the company can opt for a hierarchical or intermediate entry method as it faces fewer obstacles and consequently fewer risks. Regarding country and demand risks, countries with unpredictable political and economic environments increase the risks of entering these markets. In these cases, companies opt for more flexible entry methods, with less resource commitments (Lu & Fiore, 2011). Therefore, the political and economic analysis of the host country becomes crucial for the perception of the country's risk and consequently for the appropriate choice of entry method. Another external factor to analyse is the market size and growth. Although it depends on various factors such as the size of the country, consumer purchasing power, GDP per capita, and even current political events, market size can be defined as the number of sales of a certain industry in a year. In this way, the company can estimate the sales potential in the country in which it intends to operate (Melendez, 2019). Trade barriers also affect the process of internationalization and are the regulation and political restrictions like tariffs, quotas, and licenses (European Commission). International market entry methods are greatly impacted by both direct and indirect trade regulations. Entry decisions are influenced by product standards, laws, and preferences for local suppliers; these factors encourage joint ventures or contractual arrangements (intermediate modes). Choosing the right strategy also depends on the competition intensity. In countries with less competition, there is less risk and companies may opt for higher resource investments (Intermediate and Hierarchical modes). In markets where the intensity of competition is high, the resource commitment is usually lower, making firms tend to opt for export entry modes. The last external factor to analyse is the number of relevant intermediaries available. In concentrated markets, the number of export intermediaries is usually small, which removes most of the bargaining power (Hollensen, 2002). Therefore, in the most saturated markets, companies tend to opt for hierarchical methods so as not to be subject to the small and strong number of intermediaries available. In addition to these factors, other external factors that the group considered relevant in the case of this company's internationalization were analysed, namely, the number and location of furniture fairs, and a complete PESTEL analysis of the host country. Regarding the above-mentioned external factors, an in-depth analysis was performed in the previous chapter related to the country overview.

Each entry mode has different desired mode characteristics. In this sense, the selection of the mode depends on how much risk-averse, control, and flexibility the company is disposed to obtain. If the company is risk-averse and intends to have a low resource commitment, it will be more likely to opt for an export method. If the company is more willing to take risks, make bigger investments and prioritize control, it will tend to opt for a hierarchical or intermediate method (Puljeva & Widén, 2007). Bradley (2002) states that companies, regarding the selected entry method, seek a balance between control and resource commitment. Indirect exporting is one technique that offers less resource investment but less control. Maximum control is offered by fully owned subsidiaries, but they also need significant resources (Root, 1994). Regarding flexibility, it depends heavily on how the company intends to operate abroad. If the firm desires more freedom, the company should opt for export methods. Otherwise, in the case of intermediary and hierarchical methods, flexibility is much lower, as in most cases it involves a substantial equity investment (Hollensen, 2002)

The last indicators to consider before selecting the method of entry into the new market are the factors specific to the transaction. At this stage, transaction costs and the tacit nature of know-how are analysed to support the choice of entry method, as transaction attributes and resource alignment highly affect the performance of the company. In cases where know-how is difficult to transfer, there needs to be more control, thus, companies select entry methods that guarantee it.

6.2. Analysis of Alternative Entry Modes

A company that intends to internationalize has several entry methods. These methods can be divided into three categories: Hierarchical modes, Intermediate modes, and Export modes. Since R1 has shown a preference for selecting an export method, these will be analysed in greater depth.

Hierarchical entry modes are types of entry modes that increase the parent company's control over its international operations (Tihanyi et al., 2005), which is particularly crucial in markets with significant cultural differences (Barkema & Vermeulen, 1998). These entirely equity-owned methods are Mergers & Acquisitions, and Greenfield investments. M&A are a quick way of establishing the company into a foreign market (Mariadoss, 2017), which, although it requires an extreme use of financial and non-financial resources, brings with it a great deal of control and security in the investment. Greenfield investments represent an operating establishment created from scratch, completely adapted to the local environment. As such, it is a highly specialized and controlled entry method. However, it is a complex a costly process, as the company as to build everything from scratch and acquire complete knowledge about a foreign country (Mariadoss, 2017).

Intermediate methods differ from hierarchical methods in the fact that in these, the company does not have complete ownership (Hollensen 2002). Intermediate entry methods work as a partnership between the local company and the company from the foreign country to enter the market with more control, knowledge, and reduced risk. These entry methods are Contracting manufacturing, Licensing, Franchising, and Joint ventures/strategic alliances. Contract manufacturing is, as the name suggests, the outsourcing of a producer in the country where the company is entering (Root 1994). This reduces transport costs and guarantees the highest level of specialization in the production. However, direct control over production no longer prevails. Licensing is another way for the company to transfer production to a foreign country, in which case the production is transferred in exchange for royalties. In addition, the contract may include R&D cooperation between the two parties, a patent, transfer of know-how, and even an equity exchange, and that can create know-how spreading risk (Koch, 2001). In Licensing, as more value chain functions are transferred, the manufacturing contract is usually made long-term. The third intermediate entry method is Franchising, and it is when a corporation permits a person, referred to as a franchisee, to operate a location of their business model and brand in their local market is known as a franchisor. In exchange for an agreed-upon franchise fee and royalties based on sales, the franchisor grants the franchisee the sole right to operate the franchise location while maintaining ownership of the overarching business and trademarks (Rodriguez, 2022). One of the main differences between Licensing and Franchising is that in Licensing the agreement only applies the products, and in Franchising the agreement covers the entire business. The last intermediate entry modes are joint ventures and strategic alliances. These are defined as a partnership between two companies, that come together intending to work together (Hargrave, 2023). Through this type of partnership, there is a sharing of skills, technologies, and experience in the foreign market, thus speeding up the process of entering the new market (Kuo et al., 2012). The main difference between these two strategies is that in a joint venture the two companies come together to create a new joint entity, while in a strategic alliance the two companies come together only to work together but do not create such a shared company.

The third and final category of entry modes mentioned by Hollensen are the export entry modes. The process of shipping products or delivering services, directly or indirectly, to another country is known as an export entry mode (Ordorica, 2023). It is the most common way to enter a foreign market when the company has little experience in this matter, as it has low commitment requirements and has low risks compared to other entry methods (Mariadoss, 2018). The desire for an export entry mode arises from the desire to increase sales, by unsolicited orders from overseas purchasers, or by domestic consumers going global. In this first phase, fifty to seventy percent on the companies chose export modes for internationalizing (Bell, 1995). This encourages businesses to investigate global markets and evaluate their prospects for expansion. Although at first, the company's operations are home-based, this entry mode is often the first step towards establishing foreign-based operations in the long term. In cases when there are considerable scale economies or a few numbers of global clients, production may be concentrated in one or a few locations, with products then exported to other markets. As a normal practice in export modes, companies operate in their own countries and need intermediaries to get the products to their customers. The type and number of intermediaries might affect the structure of exporting, as many possible combinations depend on the desired company characteristics. To choose which export channels to use, there are two main types of export methods: Indirect export and Direct export.

Indirect exporting happens when the company uses another independent organization as a third party to export its products (Netherlands Chamber of Commerce, n.d.). In this type of export, the company ends up not having any direct contact with the foreign country, as their products end up being sold to the final client and transported by the other organization. This entry method is mostly used by companies that don't intend to prioritize export sales and is sometimes even used to sell leftover stock. Indirect exporting is also characterized by the minimal use of resources and often serves as a way for companies less experienced in international markets to do a few tests before investing in a larger volume (Shah, 2023). However, this method of exporting based on third parties carries some associated risks. The main risk of this export method is associated with a lack of control. Depending on the way companies use this strategy, it loses control over how the product is sold, how it is transported, the image it transmits to consumers, the price charged, and the channels in which it is sold. Regarding the different ways of practicing indirect exporting, companies have five options, the use of an export buying agent, a broker, an export management company, a trading company, and a pick-a-back (Hollensen, 2002). Located in the home country of the exporter, an export buying agent is a foreign buyer's representative who assists the buyers with finding possible sellers and settling on prices. A broker is an agent whose main function is to bring together a seller and a buyer to close deals. Export management companies are entities that specialize in exported products and their job is to find buyers for the products of their client companies. Through sales volume, export management companies achieve significant economies of scale which makes their business more profitable. Another option on indirect exporting is by using a Trading company. This type of companies offers services that simplify and guarantee all the technicalities of the process. Shipping, warehousing, financing for both parties, guaranteeing smooth transactions, and more

(Llamazares, 2016). The last way of practicing indirect exporting is by a “pick-a-back”, also known as piggybacking. Piggybacking happens when an SME with little international experience joins a larger company with that kind of experience. In this method, the company exports the small company's products and acts on its behalf (Export.Gov, 2016). In this way, the SME takes advantage of the carrier's established export facilities and doesn't have to spend any resources on the matter.

While in indirect export methods, the exporter uses a third company as intermediary to that facilitate the process, in direct export methods this doesn't happen. Direct export is when a company exports its products or services directly to a buyer, distributor, or importer in a foreign country, without the support of others. Over time, with the natural growth of companies, indirect exporting methods begin to limit the portability of the exported products. By having to pay part of the revenue to partners, when the volume of exports begins to increase, direct exporting becomes more financially attractive. Another favourable factor in this type of export is the direct contact with customers, which allows for the creation of long-standing relationships and greater control (Allianz Trade). However, direct exporting is an extremely demanding process. To execute it, the company must arrange contacts and buyers in the foreign country, develop a marketing strategy adapted to the local reality, carry out extensive research into the market, and deal with all the documentation and transportation of the products to be exported. Direct export methods are carried out through agents and distributors in the country where the company is exporting, who act as intermediaries in this process. Distributors buy the stock from the exporter and then sell it on their behalf at a higher price than they bought it for. As a result, they have a great deal of freedom to choose the price and the customer they sell to. Agents are an independent company or person who arranges buyers for the exported products in the importing country and gets paid by a commission. The agent is in the foreign country and their main job is to find customers and get in touch with them, after this phase, the exporting company sends the products, and the whole transaction is handled by the two parties (seller and buyer).

To best integrate into the foreign market, companies have to formulate an internationalization strategy that is aligned with internal and external conditions (OpenStax, n.d.). In this sense, business activities such as marketing, operations and post-sales service must be properly adapted so that the entry into the new market is successful. Depending on the beforementioned internal and external factors, the company can choose to follow a strategy of standardization or adaptation. Standardization involves keeping the product, processes, marketing and all other business activities unchanged when entering a new market. This strategic option has advantages such as reduced operating costs and the delivery of the best product and marketing ideas (Levitt 1983). On the other hand, the adaptation strategy is about adjusting the company's processes to external factors such as consumer needs, purchasing power, laws, regulations and technology, so that the company can integrate easier into the foreign market (Terpstra & Sarathy, 2000). Some of the advantages of this internationalization strategy are marketing efficiency, improved local image and better adaptation to customers (Alwazir, 2013). Although the two strategies have opposing philosophies, the coexistence of the two strategies together can be a viable third option. Understanding in which business activities adapt or standardize the company's product, marketing and operations can become the most balanced strategy (Vrontis & Thrassou, 2007).

6.3. Entry Mode Strategy

6.3.1. Entry Mode Selection

The entry mode decision is mainly based on the list of the earlier mentioned factors, R1's objectives, R1’s expectations, and its monetary and non-monetary resources. Regarding the most relevant factors, R1 is an SME with little international experience that primarily sells custom-made home and office furniture in a B2B context. R1 can be considered a risk-averse company, that desires to keep control over its operations and financials. As for the company's objectives, a requirement mentioned in meetings with R1 is the existence of furniture fairs in the country to be invested in and that these fairs have to be integrated into the entry method. R1's current international experience is mainly in Senegal by direct exporting, where the company makes contacts through a furniture fair. After this point, and with the help of a local agent paid by a commission, R1 earns clients that in the future originate projects, leading to the furniture exportation. Thus, following the analysed factors and the company's objectives, the direct export entry mode is the best fit for R1. Being an SME and operating mostly at a national level, R1 does not want to commit a large number of resources to invest in internationalization. As such, direct export, with the support of a local agent, is the right combination for the company's entry mode in international markets. Working as a B2B, exporting large quantities at a time, and only shipping the products once there is a client and a signed project, R1 ends up having low costs and risks with this entry mode. Another advantage arising from direct exporting is the high level of control over the operations, as R1 has direct contact with its clients and all the other shareholders. However, when dealing directly with the buyer, a business model restructuration is required, as it is necessary to conduct a detailed market analysis regarding the differences between countries (Chapter 7), develop a marketing plan personalized to the German reality (Chapter 9), hire a local agent aligned with R1's objectives, outsource transportation services, handle all documents directly with the client, among others.

Keeping in line with the entry method, the internalization strategy to be implemented will be a combination of adaptation and standardization. To a large extent, as mentioned above, there will be an adaptation of the company's activities in the foreign market, such as the marketing plan. However, aspects such as the product, price and company image will remain standardized as the differences between Portugal and Germany are not significant in most factors.

The transportation logistics to be employed depend on factors such as the desired delivery time and transportation costs. R1 sells high-volume products, the transportation method that best suits is container shipping, as it is one of the cheapest transporting methods. In this case, the products are shipped by boat from the port of Vigo to the Hamburg port, with the estimated delivery time of nine days (Fluent Cargo). In cases of higher time pressure and lower product volume, transporting goods by air is a more viable option due to its speed. In this case, the goods depart from Francisco de Sá Carneiro Airport and land in Dusseldorf with an estimated delivery time of twenty-nine hours (Fluent Cargo). However, this delivery method ends up having a higher cost.

6.3.2. Potential Partner Selection

In a direct export entry mode, to be able to establish a connection between the seller and the buyer, it is essential to have one or more agents in the importing country to act as a sales intermediary. To achieve this, the agent needs to be in Germany and have contacts in the construction, home, and office furniture markets. As compensation for this sales representative, a commission of 5% on the project value will be agreed upon. Given that agent commissions typically range between 5% and 10% (Hollensen, 2002), and the custom-made furniture B2B projects carried out by R1 tend to have a high average price, it is considered that 5% is a fair commission to offer to the sales representative.

There are several intermediaries' possibilities to consider for the entry mode to be undertaken, and being paid on commission, there is no barrier preventing R1 from working with multiple agents. Thus, the objective will be to form partnerships with individual agents, real estate agencies, construction companies, and electricity companies. A commissioned individual known as a salles representative, who is knowledgeable about custom-made furniture and the market characteristics of the target country, that can handle tasks such as market research, identify possible customers, negotiate deals, and facilitate sales. This agent will be selected at one of the first furniture fairs in Germany where the company is present, considering it to be the perfect venue for this type of interactions. Another possible intermediary for R1 would be real estate firms that actively promotes custom-made furniture for the houses they manage, collecting a commission on each successful sale. This collaboration could include displaying a furniture catalogue and suggesting R1 when it comes to furnishing for their clients. Construction companies, too, can function as commissioned agents by recommending R1 and incorporating custom-made furniture into their new projects. Each successful sale generated by the agreement earns the furniture manufacturer a commission, and joint marketing efforts emphasize the seamless integration of R1's furniture into construction projects, creating a beneficial synergy for both companies. Collaborating with electricity companies would be another agent option for R1, as it entails developing custom-made furniture solutions that are in sync with modern technical requirements.

The commission-based approach links the exporting agent's interests with the success of the R1 in the foreign market in each situation, encouraging a mutually beneficial partnership based on synergies that favour both sides in terms of revenues. To maximize the efficiency of these collaborations requires regular communication, explicit agreements, and common marketing plans.

7. Conclusion

Regarded as a proactive company, R1 strategically aligned itself with market trends, and emphasized customer-centric approaches. It has established a solid foothold in Portugal, and it is recognized for its superior management practices and client relationships.

However, despite these strengths, R1 faces inherent operational risks stemming from geopolitical uncertainties impacting inflation rates and vulnerability to commodity prices and transportation costs. While outsourcing delivery services mitigates some risks, dependencies on furniture events and the effectiveness of sales and marketing representatives pose potential threats to market penetration and revenue generation. Moreover, navigating the distributor role in supply channels demands leveraging expertise while mitigating the risk of suppliers bypassing R1 and directly engaging with end consumers.

Additionally, the limitations in data quality, narrow focus on the furniture segment, and subjective variable selection introduce complexities and biases that could impact the reliability of the expansion strategy. The dynamic nature of countries and the ever-evolving global landscape further accentuate these uncertainties.

To strengthen its competitive edge, R1 should consider exploring sustainable alternatives. Leveraging these emerging trends aligns with R1's commitment to adaptability and resonates with evolving consumer preferences.

Direct exportations pose as a low-risk, low-investment market entry strategy. The projected positive NPV, with a payback period of less than two years, offer promising prospects for R1's considerations. However, the scenario analysis underscores the need for caution, revealing potential risks in adverse market conditions.

In conclusion, by leveraging partnerships, and modernizing the company's online presence, R1 can ensure a successful expansion strategy in the complex and ever-evolving global market landscape. This approach will enable R1 to navigate challenges effectively, capitalize on opportunities, and establish a sustainable foothold in targeted international markets.

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9. Appendix

List of Abbreviations

AI - Artificial Intelligence

B2B - Business-to-Business

B2C – Business to Consumer

CAGR - Compound Annual Growth Rate

CAPEX – Capital Expenditure

CIT – Corporate Income Tax

COGS – Cost of Goods Sold

CRM – Customer Relationship Management

CSR – Corporate Social Responsibility

D&I – Diversity and Inclusion

DDM - Data Driven Marketing

DNA - Deoxyribonucleic acid

DOL – Degree of Leverage

EBIT – Earnings before Interest and Taxes

EBITDA – Earnings before Interest, Taxes, Depreciation and Amortization

EMU – Economic and Monetary Union

ESG – Environmental, Social and Governance

ETS – Emissions Trading Systems

EU - European Union

FCF – Free Cash Flow

FRG - Federal Republic of Germany

GDP - Gross Domestic Product

ICT - Information and Communication Technology

IED – Industrial Emissions Directive

ILO - International Labour Organization

IRR – Internal Rate of Return

LCU – Local Currency Units

M&A – Mergers and Acquisitions

MCDA – Multiple Criteria Decision Analysis

NPV – Net present Value

NWC - Net Working Capital

OECD - The Organization for Economic Cooperation and Development

PESTEL – Political, Economic, Social, Technological, Environmental and Legal

PP&E – Property, Plant and Equipment

PV - Photovoltaic

R&D – Research and Development

ROA – Return on Assets

ROE – Return on Equity

ROS – Return on Sales

SDG - Sustainable Development Goals

SEO - Search Engine Optimization

SMART – Specific, Measurable, Achievable, Realistic, and Timely

SME's - Small and Medium-sized Enterprises

SOHO – Small Office Home Office

SPSS - Statistical Package for the Social Sciences

STP – Segmentation, Targeting and Positioning

SWOT – Strengths, Weaknesses, Opportunities and Threats

UK - United Kingdom

US - United States

VRIO - Value, Rarity, Imitability, and Organization

WACC – Weighted Average Cost of Capital

WU - Western Union

List of Tables

Type of Capabilities	Competencies/Resources
Threshold Capabilities	**Diversified Product Portfolio** Allows for revenue diversification, expanded customer bases, and cross-selling opportunities by offering a wider range of products
	Outsourced Production By outsourcing production, R1 can benefit from cost reductions, scalability (quickly adjust resources based on business needs), reduced risk, and cost predictability
	Establishment and Maintenance of Trustworthy Partnerships Crucial for business operations, facilitating collaborations and alliances vital for industry competitiveness. Aids in the resource of Ability to Finance Clients
	Online Strategy Essential due to R1's way of working mostly as an e-commerce business. Contributes to the company's visibility and accessibility online
Distinctive Abilities	**Customized and Tailored Furniture Pieces** Sets R1 apart by offering unique and personalized furniture solutions that cater to individual customer preferences
	Ability to Finance Clients This allows clients not to pay R1 in advance while the company pays suppliers first. This is a form of collaboration in the financial aspect. It alleviates financial constraints for clients, fostering trust and a good relationship between R1 and its customers

Table 1: Strategic Capabilities

	Valuable	Rare	Inimitable	Organized	Conclusion
Diversified Product Portfolio	Allows for revenue diversification, expanded customer bases, and cross-selling opportunities, globally	In this industry, the majority of companies also provide an extensive selection of products	R1 does not engage in manufacturing, so, it is relatively easy to find companies that specialize in producing a wide range of products, thereby facilitating the creation of a diversified	Having a diversified product portfolio aligns with the company's overall strategic goals, as it facilitates smoother market penetration in international markets and	**Competitive Parity** Although this is an important resource, it does not allow R1 to distinguish itself from its competitors. For this reason, the company

			product portfolio	broadens the customer base	should focus on other resources and capabilities that can bring a sustainable competitive advantage
Ability to establish and maintain partnerships	A trustworthy and diversifiable supply chain allows for product diversity	In this industry, forming partnerships is common and expected, to leverage lower prices	Although R1's competitors (particularly international) can establish the same partnerships, few do. International manufacturers do not have the same level of cost-efficiency and skilled workforce as Portuguese manufacturers	By teaming up with new assembly partners who have advanced technical knowledge, we're set to boost the quality of our final products. Plus, this means R1 can smoothly handle a potential increase in orders thanks to the added production capacity	**Competitive Parity** Although this is an important resource, it does not allow R1 to distinguish itself from its competitors. For this reason, the company should focus on other resources and capabilities that can bring a sustainable competitive advantage
Outsourced Production	By outsourcing production, R1 can benefit from cost-reductions, scalability (quickly adjust resources based on business needs), reduced risk and cost predictability	It is common for companies with a diversified portfolio to build partnerships with manufacturers	This process can easily be imitable by competitors	Outsourcing allows start-ups to move and make decisions faster, which contributes to greater efficiency levels and a better service, as the company can focus on strategic/core decisions, instead of the manufacturing process	**Competitive Parity** Although this is an important resource, it does not allow R1 to distinguish itself from its competitors. For this reason, the company should focus on other resources and capabilities that can bring a sustainable competitive advantage
International Management	The company has some degree of	This capability is nor rare as furniture	For a company to become international,	R1 has formed partnerships with	C**ompetitive Parity**

	knowledge of working abroad and with international entities. This expertise proves extremely useful when considering the broader context of international expansion	companies are usually expanded internationally and/or have operations abroad	it is usually necessary for it to undergo substantial transformations and highly invest on information and resources, making it hard to imitate	international organization, which the company can leverage on by applying its knowledge of doing business abroad in a bigger scale	This capability is beneficial for R1's international expansion plans, but similar capabilities might be present among competitors in due to the commonality of international expansion strategies
Financing clients	Financing clients can be valuable as it allows R1 to attract more business by offering financing options to its clients. It enables them to make larger purchases without immediate payment	The capability to finance clients, particularly in the B2B furniture industry, might not be exceedingly rare, as some competitors may also offer similar financing options. However, executing this strategy effectively and at scale could be less common	It can be challenging to imitate due to the risk involved. Establishing a system where R1 pays suppliers before receiving payment from clients requires robust financial stability, risk assessment, and strong relationships with both suppliers and clients.	For this to work, R1 would need a well-structured financial system, stringent credit policies, risk management protocols, and efficient collection procedures and to proactively monitor client payments, which the company does not currently seem to have	**Temporary Competitive Advantage** This can provide a temporary edge over competitors by attracting more customers in the short term. However, in the long run, R1 may face significant financial risks due to delayed leading to potential bankruptcy or financial instability
Customization and Tailoring	R1 provides the possibility of personalizing furniture, which allows it to distinguish itself from competitors and build a stronger relationship with its customers.	According to R1, there is a gap in the market for companies offering this type of service	To be able to offer this service, companies would have to make severe changes on their catalogues, supply chains and overall strategies, which is not feasible in the short-term	R1 is still not taking full advantage of this capability by offering this service and is not fully capitalizing on this distinctiveness.	C**ompetitive Parity** Although this capability sets it apart to some extent, R1 needs to further exploit this capability in order for it to develop into a sustainable competitive advantage

Table 2: VRIO Analysis

United Arab Emirates	Finland	Mauritius
Armenia	France	Malaysia
Australia	United Kingdom	Netherlands
Austria	Georgia	Norway
Azerbaijan	Greece	New Zealand
Belgium	Hong Kong SAR, China	Oman
Bahrain	Hungary	Poland
Bahamas, The	Ireland	Portugal
Belarus	Iceland	Qatar
Barbados	Italy	Rwanda
Brunei Darussalam	Japan	Saudi Arabia
Botswana	Kazakhstan	Singapore
Canada	Korea, Rep.	Serbia
Switzerland	Kuwait	Slovak Republic
China	Lithuania	Slovenia
Cyprus	Luxembourg	Sweden
Czechia	Latvia	Thailand
Germany	Moldova	Turkiye
Denmark	North Macedonia	Uruguay
Spain	Malta	United States
Estonia	Montenegro	

Table 3: Countries considered after the elimination process

Category	Indicator	Definition
Political	Ease of Doing Business Score (2022)	Measures the overall regulatory environment's ease for starting and operating a business, where a higher score signifies more business-friendly regulations.
	Rule of Law: Percentile Rank	Quantifies public trust and adherence to the legal framework, including contract enforcement, property rights, and the prevalence of crime and violence.
	Democracy Index (2022)	Evaluates the level of democracy, political freedoms, and civil liberties, scored from authoritarian to full democracy.
	Control of Corruption: Percentile Rank	Assesses the degree of corruption within public sectors, with higher ranks indicating lower corruption levels.
	Political Stability and Absence of Violence/Terrorism: Estimate	Estimates the likelihood of political unrest, violence, or terrorism, influencing a country's stability and security.
Economic	Tariff Rate, Applied, Weighted Mean, All Products (2020)	Represents the average tariff rate imposed on all imported goods, adjusted for the relative importance of each product in trade.
	Net Investment in Nonfinancial Assets (2016)	Measures the total capital investment in physical and nonfinancial assets, such as infrastructure and equipment
	GDP (current US$) (2022)	Indicates the total market value of all goods and services produced within a country in a given year, expressed in US dollars.
	GDP per Capita (current US$) (2022)	Represents the gross domestic product divided by the mid-year population, providing an average economic output per person.
	GDP per Capita Growth (Annual %) (2022)	Indicates the year-over-year percentage change in GDP per capita, reflecting economic growth or decline.
	Revenue Growth (2019-2022)	Measures the change in total governmental or corporate revenue over the specified period, indicating economic performance.
	Official Exchange Rate (LCU per US$, Period Average)	The average rate at which the local currency is exchanged for the US dollar over a given period, impacting international trade and investment.
	Taxes on International Trade (% of Revenue) (2020)	Indicates the proportion of national revenue generated from taxes on international trade, including customs duties and import tariffs.
	Tax Revenue (% of GDP) (2020)	Reflects the total amount of taxes collected by the government as a percentage of the Gross Domestic Product.
	Inflation, Consumer Prices (Annual %)	Measures the rate of price increase for consumer goods and services, indicating the inflation rate over a year.
	Economic Freedom Index 2023	Assesses the level of economic freedom in a country based on factors like regulatory efficiency, rule of law, and open markets.
	Consumer Price Index (2010 = 100)	Tracks the change in the price level of a basket of consumer goods and services, serving as an indicator of inflation and purchasing power.
Social	Unemployment, Total (% of Total Labor Force) (2022)	Reflects the proportion of the labor force that is jobless, yet actively looking for work
Technological	Individuals Using the Internet (% of Population) (2021)	Indicates the percentage of the population that accessed the internet over a recent period, showcasing digital connectivity.
Environmental	Environmental Performance Index	A comprehensive metric evaluating a country's efforts in environmental health and ecosystem protection.
	2023 SDG Index	Measures a nation's progress towards achieving the United Nations Sustainable Development Goals, reflecting commitment to global challenges.
Logistics & Infrastructure	Logistics Performance	Evaluates the efficiency and effectiveness of a country's trade logistics, crucial for international commerce.
	Infrastructure Quality Index 2019 Top 100	Assesses the condition and effectiveness of critical infrastructure in supporting economic and social activities.
Country Specific	Population Growth (2021-2022)	The rate at which the population of a country increases or decreases annually.
	International Tourism, Number of Arrivals (2019)	Counts the number of international visitors for stays up to one year, indicating the scale of tourism.
	Total Population (2022)	The complete count of individuals residing in a country, regardless of legal status or citizenship.
Demand-Related	Furniture; Parts Imports by Country in 2019. Trade Value 1000USD	Measures the import value of furniture and parts, in thousands of US dollars, indicating market demand.
	Revenue of the Furniture Market Worldwide 2022	The total global revenue generated by furniture sales in the year 2022, providing an overview of the industry's economic scale.
	New Businesses Registered (Number)	The count of newly registered limited liability corporations (or their equivalent) within a calendar year.
	Industrial Design Applications, Resident, by Count	Applications for industrial design registration made to national or regional Intellectual Property (IP) offices, counted by the number.
	E-commerce Index (2020)	Measures a country's readiness for internet purchasing based on factors correlated with online buying.
	ICT Development 2017	A composite index combining 11 indicators to monitor and compare a country's developments in information and communication technology.
	Trade Freedom Index	Measures the absence of tariff and non-tariff obstacles impacting the import and export of goods and services.
	Urban Land Area (sq. km)	Represents the total urban land area in square kilometres, determined by population counts, settlement locations, and nighttime lights.

Table 4: Initial Variables Selected

Cluster	Cluster Composition	Characteristics

1	Qatar, Malaysia, UAE, Barbados, Oman, Bahrain, Saudi Arabia, Kuwait	Largely represented by Arab countries, the reasoning for the grouping is presumably the very similar SDG, Economic freedom, Environmental performance, and trade freedom indexes values, which happen to never be more than 10pp off the general average. The cluster is also characterized by having values at or above double the general average on tariff rates, GDP per capital growth, and official exchange rate. On the other hand, all of the above register no more than a third of the general average on Furniture revenue and revenue growth, and new businesses registered. Notably, not one country on this cluster exceeds 103 industrial application compared to the general average of 20817
2	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, North Macedonia, Montenegro, Mauritius, Serbia, Thailand, Turkiye	This cluster is characterized by a GDP per capita, Infrastructure Quality Index & Control of Corruption which are in all representing countries lower than the average calculated. Additionally, this cluster presents overall high scores of Inflation & Economic freedom, which lead to their low ranking scores.
3	Australia, Luxembourg, Singapore, Denmark, Canada, Iceland, Netherlands, Sweden, Ireland, Switzerland, New Zealand, Norway, Austria,	Represented by predominantly developed nations, this cluster showcases notable revenue growth within the furniture industry and boast elevated levels of GDP per capita. Nonetheless, these countries exhibit low net investment in non-financial assets and low industrial design applications, per resident.
4	Uruguay, Hong Kong SAR (China), Finland, Belgium, Estonia, Portugal, Czechia, Slovenia, Brunei Darussalam, Lithuania, Malta, Cyprus, Italy, Hungary, Poland, Slovak Republic, Latvia, Greece	Represented almost only by European countries, this group stands out negatively mostly in terms of economic indicators, namely: revenue, net investments in non-financial assets and industrial design applications. In the other indicators, these countries are in line with the world average.
5	Bahamas, Botswana, Rwanda	These countries are distinguished by high unemployment rates, substantial tariff rates and exponential population and GDP per capita growth. The 3 countries exhibit a significant low revenue growth in the furniture industry, high taxes on international trade and relatively low furniture parts imports.
6	China	This cluster is solely represented by the People’s Republic of China. It registers some notable numbers, more than 3 times above the general average in revenue growth, 4 times in new businesses registered, 5 times in tourism, 8 times in revenue, and 37 times in industrial design applications. On the other hand, is registered no more than 20% the average on inflation and population growth.
7	United Kingdom, Germany, France, United States, Spain, Japan	Cluster 7 is made up of six countries that stood out positively in some key indicators, namely: Tourism; Revenue; imported furniture; and new business registered. Not standing out negatively in any indicator, this cluster can be considered a group of developed countries with great potential for business.
8	Korea, Republic	This cluster is composed by one single Asian country, ranking number 31. South Korea achieves favourable scores in Net investment in nonfinancial assets (26.316.000.000.000$), Exchange rates (1291,45) and ICT development (8,85). On the other hand, the country presents unfavourable scores in Tariff Rates (5,48), Population Growth (0,00), Revenue Growth (-0.23) & Taxes on international trade (1.3%).

Table 5: Clusters and their characteristics

1 United Kingdom
2 Germany
3 Australia
4 Luxembourg
5 Singapore
6 Denmark
7 France
8 Canada
9 Iceland
10 Netherlands
11 Sweden
12 Ireland
13 Switzerland
14 New Zealand
15 United States
16 Norway
17 Austria
18 Qatar
19 Spain
20 Japan
21 Hong Kong SAR, China
22 China
23 Finland
24 Belgium
25 Estonia
26 Portugal
27 Malaysia
28 Czechia
29 Slovenia
30 Brunei Darussalam
31 Korea, Rep.
32 Lithuania
33 United Arab Emirates
34 Malta
35 Cyprus
36 Italy
37 Hungary
38 Barbados
39 Poland
40 Slovak Republic
41 Bahamas, The
42 Uruguay
43 Latvia
44 Oman
45 Botswana
46 Turkiye
47 Bahrain
48 Saudi Arabia
49 Greece
50 Mauritius
51 Kuwait
52 Kazakhstan
53 Armenia
54 Serbia
55 Georgia
56 North Macedonia
57 Montenegro
58 Thailand
59 Rwanda
60 Azerbaijan
61 Moldova
62 Belarus

Table 6: Final country ranking

Factor	Level	Explanation
Firm size	Low	Has around 30 employers.
International experience	Low	In the past R1 did one project in France and one project in Senegal, both were custom-made furniture.
Product Complexity	Medium	Although furniture is a simple product, having it custom-made adds to its complexity.
Product differentiation advantage	High	R1's internationalization focus is on custom-made furniture.
Socio-cultural differences	Low	Portugal and Germany are both European countries that live in a relatively shared reality, with similar consumer habits.
Demand uncertainty	Low	During the selection of countries, variables related to demand were analyzed, which showed a very high demand for furniture in Germany.

Size and growth of the market	High	Germany has a high tendency to import furniture, which is expected to grow. In addition, the country's GDP per capita is quite high.
Direct and indirect trade barriers	Low	Being part of the European Union, the trade barriers between Portugal and Germany are of no concern.
Levels of intensity and number of competitors	Medium	There are a considerable number of competitors in the German market, however the high demand for furniture remains.
Number of intermediaries relevant to export	High	The products will be transported by contracting transport companies, and if the client wishes, an on-site assembly team will be outsourced.
Risk-averse	High	The company does not intend to prioritize internationalization and does not intend to spend a lot of resources on the process.
Control	Medium	Due to the lack of resources, it will have to give up control of operations.
Flexibility	High	By investing prudently in the process, the associated flexibility will be high to control the company's finances.
Tacit nature of know-how	High	With a focus on selling made-to-measure merchandise, the know-how is extremely specialized.
Opportunistic behaviours	Medium	By manufacturing in Portugal, it is unlikely that R1 will be a target of opportunists. However, there is the possibility of designs being copied.

Table 7: Factors to choose the entry mode.

Specific Goal	Measurable	Achievable	Realistic	Timely
Improve the conversion rate by 7% on both external marketplaces and the company's website within the first 5 years.	Track conversion rates through analytics tools, A/B testing, and customer behavior analysis to identify optimization opportunities.	Enhance user experience, streamline checkout processes, and offer localized payment options to align with German preferences.	Invest in website optimization, customer service improvements, and targeted marketing strategies to boost conversion rates.	Implement changes immediately and regularly assess progress to meet the 7% increase within the first 5 years.
Create a brand strategy that resonates with German consumers	Measure brand perception through surveys, customer feedback, and market research to ensure alignment with the intended brand image.	Incorporate a "Testimonials" page on the company's website that showcases R1's versatile furniture solutions for diverse needs.	Tailor brand message and services to reflect the desired image and the consumers' needs.	Review brand coherence quarterly to ensure continuous alignment with market preferences and

				make necessary adjustments.
Increase product desirability by 10% in the German market over the next 5 years by emphasizing unique value propositions.	Monitor customer engagement metrics, surveys, and sales data to assess brand awareness, brand recognition and the desirability of products.	Focus on continuous improvement based on the markets' needs, storytelling, and targeted marketing to position products as desirable.	Strategically communicate unique selling points, craftsmanship, and customization options to elevate the perceived value of the products.	Launch targeted marketing campaigns emphasizing unique aspects and reassess desirability quarterly to meet the 10% increase goal.
Develop and deploy a scalable strategy adaptable not only for Germany but also for other European and global markets within 36 months.	Measure strategy effectiveness by tracking sales growth and brand awareness in different markets compared to the German market.	Customize marketing tactics and adjust distribution channels for each target market while upholding core brand values.	Invest in market research, localization, and strategic partnerships to ensure scalable and effective expansion.	Initiate strategy development upon entering the German market, progressively refining it for other markets within the designated timeframe

Table 8: Marketing objectives using the SMART-approach

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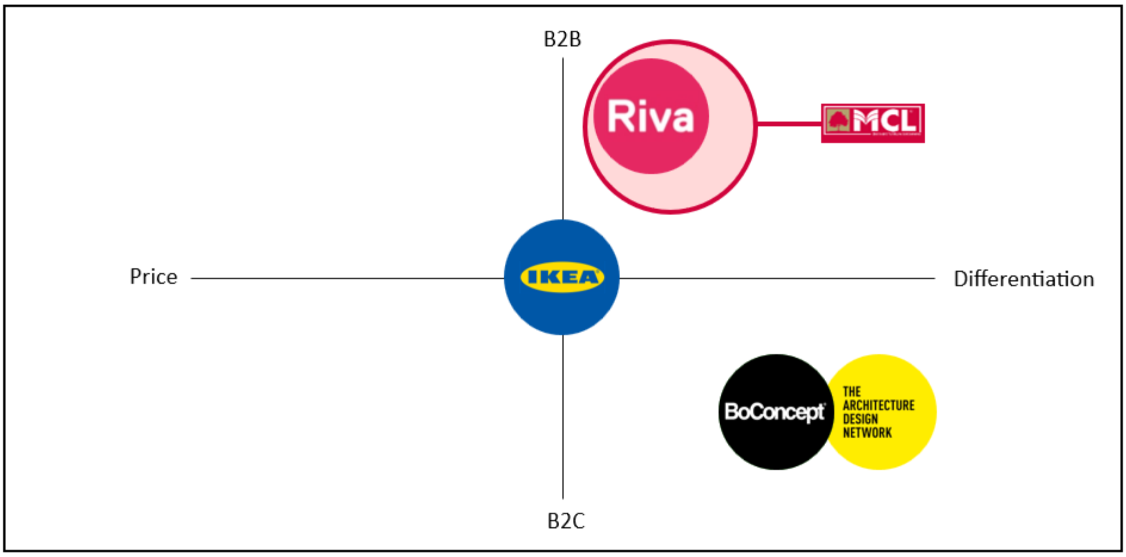

Figure 1: R1, IKEA, Archipassport, BoConcept, and MCL positioning map

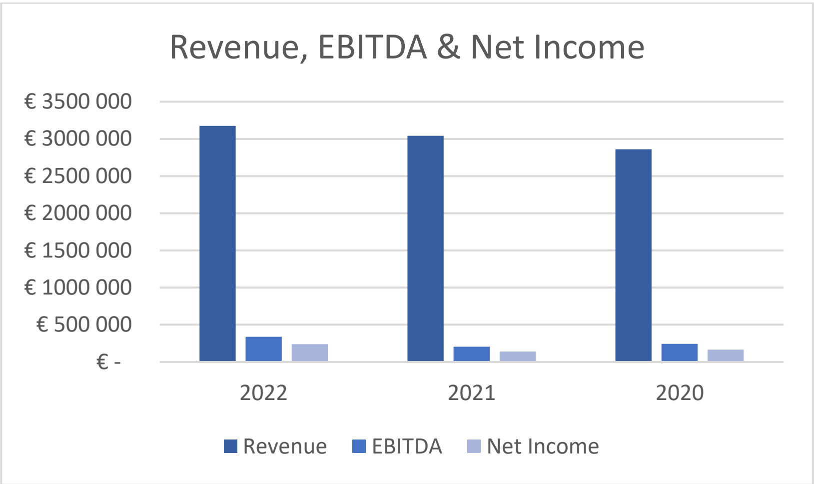

Figure 2: Revenue, EBITDA and Net Income

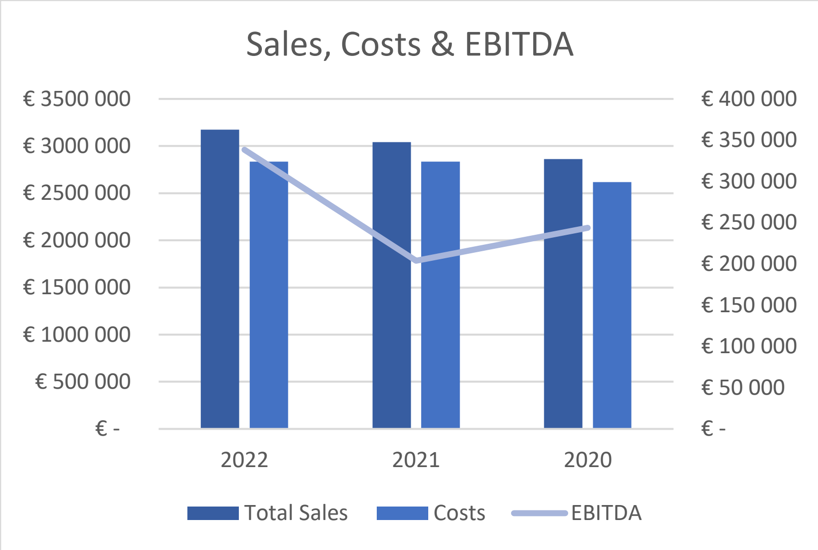

Figure 3: Total Sales and Costs & EBITDA

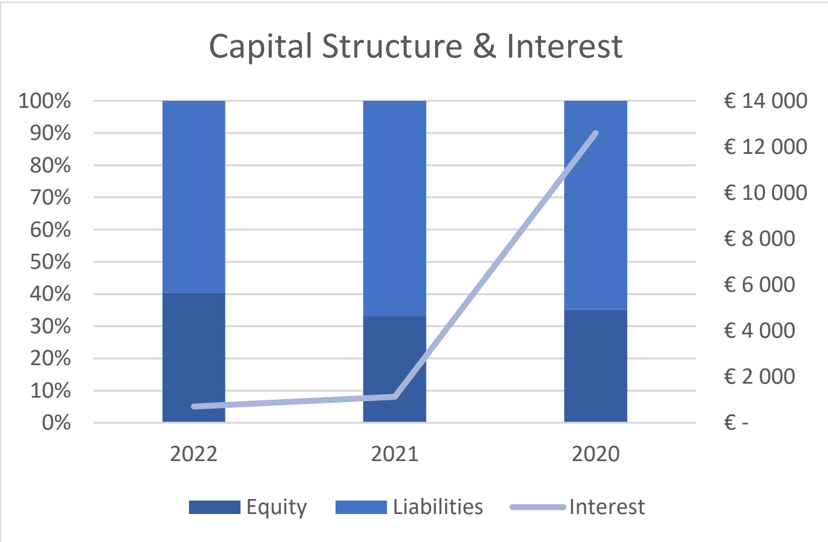

Figure 4: R1´s Capital Structure and Interest Expenses

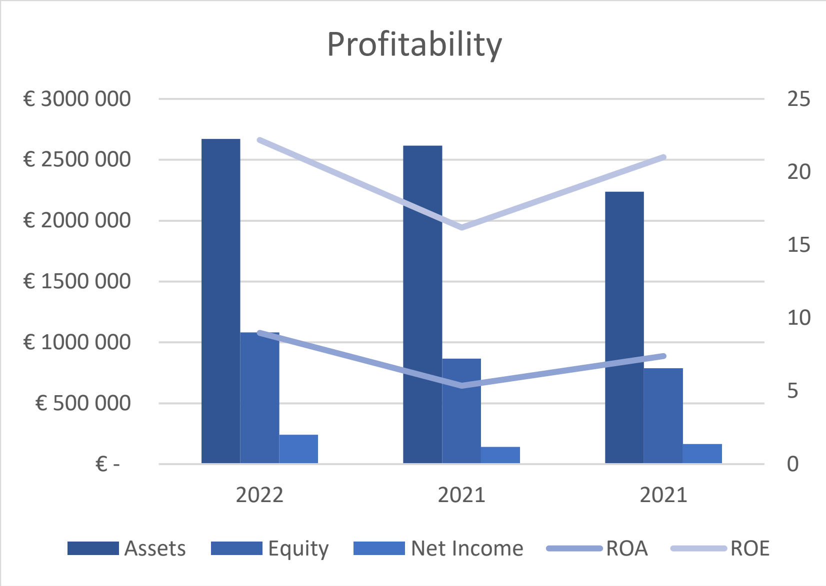

Figure 5: Profitability

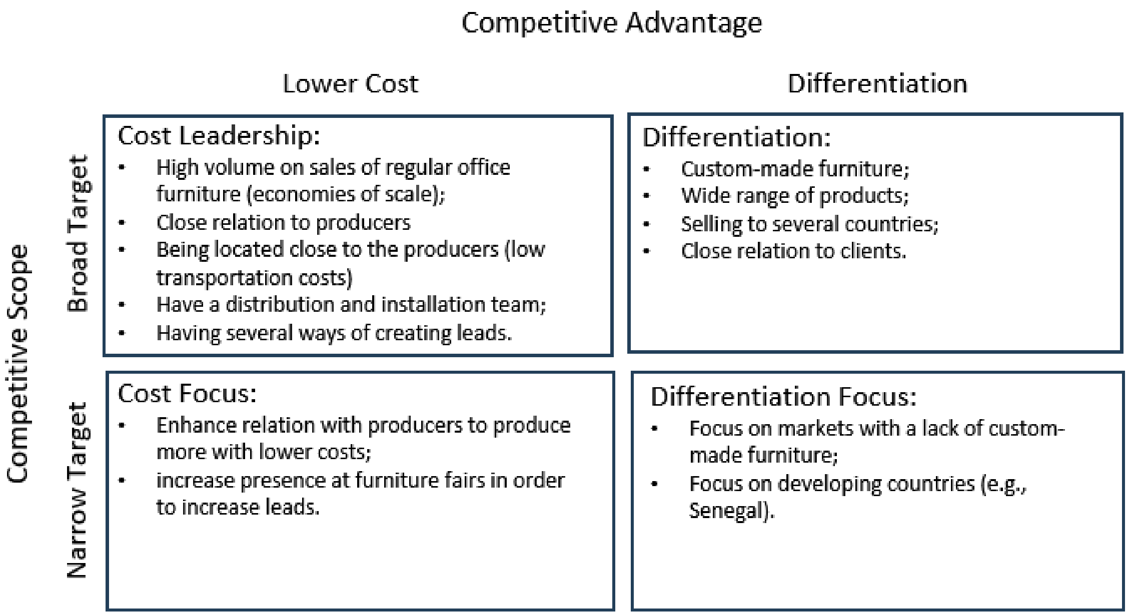

Figure 6: Porter's Generic strategies

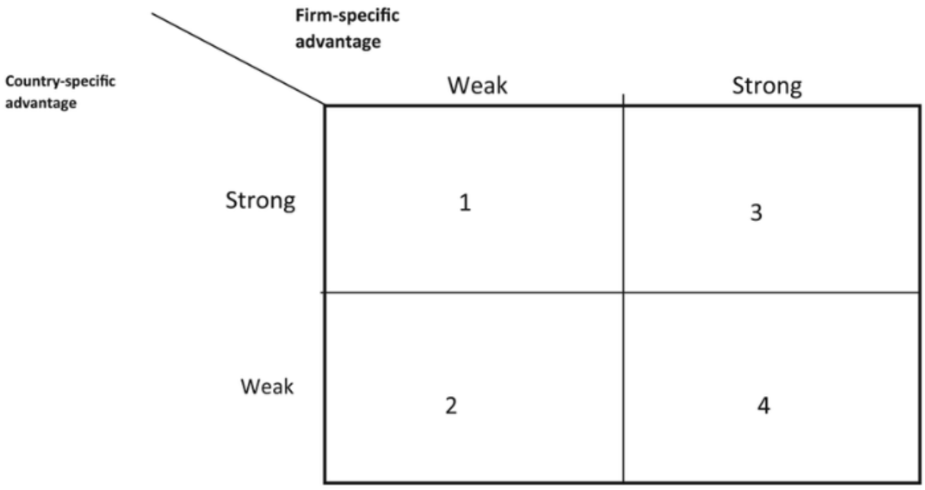

Figure 7: FSA-CSA matrix

	Interna tional Touris	Unemp loymen t, total	Tariff rate, applie	Net invest ment in	Total Popula tion	Popula tion growth	GDP (curren t US$)	GDP per capita	GDP per capita	Ease of doing	Rule of Law: Percen	Reven ue $US B	Reven ue Growth	Democ racy Index	2023 SDG Index	Infrastr ucture Quality	Logisti cs Perfor
International Touri	1,0000																
Unemployment, tot	-0,0405	1,0000															
Tariff rate, applied	-0,1100	0,1130	1,0000														
Net investment in r	-0,0200	-0,1249	0,2212	1,0000													
Total Population (2	0,5452	-0,0705	0,0180	0,0167	1,0000												
Population growth	-0,1591	-0,0876	0,0446	-0,1202	-0,0869	1,0000											
GDP (current US$)	0,6557	-0,1280	-0,0263	0,0380	0,7332	-0,0612	1,0000										
GDP per capita (cu	0,0155	-0,4172	-0,1982	-0,0320	-0,0799	0,3681	0,1248	1,0000									
GDP per capita grc	-0,0767	0,3138	0,2834	-0,0498	-0,0545	-0,0554	-0,1075	-0,1515	1,0000								
Ease of doing busi	-0,2056	-0,1596	-0,1082	0,0340	-0,2357	0,2950	-0,1688	0,5711	-0,0575	1,0000							
Rule of Law: Perce	0,0451	-0,3264	-0,2520	0,0890	-0,1006	0,2979	0,0772	0,7225	-0,1688	0,7816	1,0000						
Revenue $US B (2(	0,6068	-0,1231	-0,0489	-0,0219	0,5121	-0,0295	0,9550	0,1766	-0,1098	-0,1284	0,1263	1,0000					
Revenue Growth (2	0,2078	-0,1105	-0,1990	-0,0425	0,2425	0,2912	0,3175	0,3787	-0,1275	0,4505	0,5242	0,2974	1,0000				
Democracy Index (	0,0612	-0,0780	-0,3613	0,0870	-0,1784	0,0104	-0,0019	0,3881	-0,1698	0,3852	0,6434	0,0667	0,2824	1,0000			
2023 SDG Index	0,0413	-0,1177	-0,0610	0,0511	-0,0005	0,0459	0,0483	0,1126	-0,0034	0,0790	0,1776	0,0720	0,1450	0,4515	1,0000		
Infrastructure Qual	0,2663	-0,4893	-0,2249	0,1217	0,0740	-0,0340	0,1618	0,4039	-0,1902	0,1641	0,5301	0,1594	0,3560	0,4392	0,1996	1,0000	
Logistics Performa	-0,1061	-0,1182	-0,1586	0,1398	-0,1840	0,0633	-0,0756	0,1335	0,0222	0,2951	0,2945	-0,0315	0,2492	0,2279	-0,0563	0,1242	1,0000
Inflation, consume	-0,0245	0,2300	0,0016	-0,0781	-0,0826	-0,1185	-0,1021	-0,2921	-0,0876	-0,3681	-0,3224	-0,0928	-0,1615	0,0135	0,1032	-0,1426	-0,1643
Control of Corrupti	0,0140	-0,1865	-0,0952	0,0337	-0,1028	0,3293	0,0521	0,6988	-0,0724	0,7943	0,8963	0,0989	0,4380	0,4558	0,0895	0,2946	0,2397
Political Stability a	-0,1810	-0,1743	-0,1293	0,0430	-0,2277	0,2895	-0,1636	0,5666	-0,0603	0,9964	0,7974	-0,1245	0,4521	0,3985	0,0796	0,1869	0,3117
Economic freedom	0,0348	-0,0422	-0,1519	0,0271	0,0275	0,0576	-0,1076	0,1187	-0,0350	0,0023	0,0621	-0,1450	-0,0722	0,0361	-0,1265	0,0605	-0,0632
Individuals using th	-0,0536	-0,4674	-0,3009	0,0730	-0,1664	0,1701	-0,0422	0,5699	-0,0859	0,3521	0,4328	0,0043	0,2336	0,1164	0,0734	0,4765	0,1877
Official exchange r	-0,0900	0,0894	0,4423	0,7237	-0,0281	0,1068	-0,0447	-0,2055	0,0640	-0,1302	-0,1271	-0,0810	-0,0695	-0,0737	-0,0571	-0,1891	0,0396
Taxes on internatic	-0,1424	0,4726	-0,0453	-0,0228	-0,0211	0,1915	-0,0463	-0,2697	0,0932	-0,0586	-0,3517	-0,0468	-0,1308	-0,2333	-0,1949	-0,7331	-0,0684
Tax revenue (% of	0,0050	0,1789	-0,2890	-0,0666	-0,1411	-0,0041	-0,1424	0,0657	0,0429	0,0979	0,2130	-0,1065	0,0519	0,6015	0,4778	0,0004	-0,0220
Consumer Price In	-0,0418	0,1149	0,1145	-0,0521	-0,0201	-0,2548	-0,0606	-0,2669	-0,1542	-0,3817	-0,4833	-0,0678	-0,4532	-0,2093	-0,0123	-0,4369	-0,2276
Environmental Perf	-0,0635	-0,0512	-0,2188	-0,0420	-0,2149	0,1150	-0,0795	0,3862	-0,0230	0,4539	0,5013	-0,0042	0,2205	0,5503	0,7094	0,1675	-0,0041
Furniture; parts imp	0,3597	-0,1441	-0,1016	0,0388	0,1071	0,0138	0,1752	0,1505	-0,1642	0,0948	0,2972	0,1983	0,1712	0,2669	0,2126	0,2710	-0,0067
New businesses re	0,3076	-0,0894	-0,1036	-0,0545	0,2633	-0,0647	0,1977	0,0345	-0,0494	-0,0506	0,1177	0,1280	0,1364	0,0982	0,0312	0,1547	-0,0348
Industrial design ap	0,4547	-0,0400	0,0372	0,0540	0,9754	-0,0895	0,5792	-0,1130	-0,0357	-0,2175	-0,1263	0,3275	0,1932	-0,2044	-0,0118	0,0504	-0,2036
Urban land area (s	0,5710	-0,0828	0,0059	0,0067	0,9926	-0,0886	0,8051	-0,0485	-0,0660	-0,2231	-0,0728	0,6063	0,2674	-0,1557	0,0095	0,0851	-0,1700
Trade freedom Ind	-0,0496	-0,1123	-0,2514	-0,0577	-0,0266	0,2129	-0,0047	0,1766	0,0115	0,1336	0,2034	0,0114	0,2254	0,3538	0,7812	0,2589	0,0391
E-commerce index	0,2183	-0,4388	-0,4120	0,1009	-0,0235	-0,0014	0,1178	0,4117	-0,3705	0,0559	0,4673	0,1473	0,1625	0,7199	0,3125	0,6404	0,1607
ICT Development 2	0,1078	-0,4965	-0,3334	0,1844	-0,1339	0,0119	0,0690	0,6556	-0,3323	0,4570	0,6513	0,1205	0,2340	0,5011	0,2331	0,6197	0,0953

	Inflatio n, consu	Control of Corrup	Politic al Stabilit	Econo mic freedo	Individ uals using	Official excha nge	Taxes on interna	Tax revenu e (% of	Consu mer Price	Enviro nment al	Furnitu re; parts	New busine sses	Industr ial design	Urban land area	Trade freedo m	E-comme rce	ICT Develo pment
Inflation, consume	1,0000																
Control of Corrupti	-0,3639	1,0000															
Political Stability a	-0,3937	0,8028	1,0000														
Economic freedom	-0,1708	0,0981	0,0160	1,0000													
Individuals using th	-0,3421	0,3773	0,3562	0,1561	1,0000												
Official exchange r	-0,0013	-0,1087	-0,1263	-0,0425	-0,3429	1,0000											
Taxes on internatic	0,0152	-0,1734	-0,0788	0,0166	-0,2064	0,1080	1,0000										
Tax revenue (% of	0,2387	0,1511	0,1045	0,0894	-0,1321	-0,0026	0,0702	1,0000									
Consumer Price In	0,6429	-0,3827	-0,4130	-0,1544	-0,2128	-0,0415	0,1507	0,0394	1,0000								
Environmental Perf	-0,1353	0,4560	0,4593	0,0896	0,2514	-0,1710	-0,0986	0,5612	-0,2254	1,0000							
Furniture; parts imp	-0,1318	0,3111	0,1123	0,1385	0,0852	-0,0663	-0,1417	0,0238	-0,1191	0,2874	1,0000						
New businesses re	-0,0098	0,1394	-0,0357	0,1078	0,0657	-0,0838	-0,0496	0,1390	-0,0185	0,1346	0,4981	1,0000					
Industrial design ap	-0,0541	-0,1181	-0,2094	0,0911	-0,1734	0,0089	-0,0171	-0,1126	0,0025	-0,2188	0,0915	0,2665	1,0000				
Urban land area (s	-0,1056	-0,0780	-0,2152	0,0108	-0,1536	-0,0421	-0,0225	-0,1469	-0,0386	-0,1933	0,1083	0,2450	0,9444	1,0000			
Trade freedom Ind	0,0451	0,0632	0,1343	-0,0228	0,2002	-0,2049	-0,1518	0,2713	-0,1033	0,5091	0,0906	0,0304	-0,0268	-0,0212	1,0000		
E-commerce index	0,0063	0,2498	0,0858	0,0125	0,3266	-0,1282	-0,4267	0,3100	-0,0773	0,2956	0,3023	0,1864	-0,0594	-0,0081	0,2745	1,0000	
ICT Development 2	-0,2552	0,5874	0,4640	0,2352	0,7224	-0,2507	-0,3969	0,1561	-0,1667	0,4961	0,3235	0,1582	-0,1535	-0,1069	0,1513	0,5970	1,0000

Figure 8: Pearson correlation analysis

Correlation Coefficient (r) Value	Indication
Between ± 0.8 to ± 1.0	High correlation
Between ± 0.6 to ± 0.79	Moderately high correlation
Between ± 0.4 to ± 0.59	Moderate correlation
Between ± 0.2 to ± 0.39	Low correlation
Between ± 0.1 to ± 0.19	Negligible correlation

Figure 9: Pearson's Correlation Scale

	United Arab	Armenia	Australia	Austria	Azerbaijan	Belgium	Bahrain	Bahamas, The	Belarus	Barbados	Brunei Darussal	Botswana	Canada	Switzerland	China	Cyprus	Czechia	Germany	Denmark	Spain	Estonia
Tourism (2019)	0,1160	0,0087	0,0434	0,1463	0,0145	0,0429	0,0508	0,0333	0,0543	0,0044	0,0204	0,1280	0,1488	0,0542	0,7460	0,0189	0,1707	0,1816	0,1519	0,5791	0,0280
Unemployment, total (% of	0,0364	0,0080	0,0273	0,0212	0,0183	0,0178	0,0714	0,0099	0,0240	0,0122	0,0139	0,0048	0,0192	0,0238	0,0204	0,0143	0,0422	0,0334	0,0240	0,0077	0,0171
Tariff rate, applied, weight	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Net investment in nonfinar	0,0003	0,0064	0,0000	0,0002	0,0267	0,0000	0,0267	0,0000	0,0000	0,0267	0,0267	0,0005	0,0004	0,0002	0,0267	0,0000	0,0033	0,0008	0,0017	0,0003	0,0000
Population growth (21-22)	0,3333	0,0000	0,3333	0,3333	0,0000	0,3333	0,3333	0,3333	-0,3333	0,0000	0,3333	0,6667	0,6667	0,3333	0,0000	0,3333	0,0000	0,3333	0,3333	0,0000	0,3333
GDP per capita (current US$	0,4252	0,0555	0,5101	0,4123	0,0612	0,3922	0,2385	0,2488	0,0625	0,1583	0,2939	0,0612	0,4348	0,7285	0,1006	0,2474	0,2186	0,3831	0,5298	0,2322	0,2241
GDP per capita growth (ann	0,4750	0,9449	0,1784	0,2893	0,3067	0,1864	0,3060	1,0000	-0,2705	0,7128	-0,1755	0,2973	0,1109	0,0935	0,2175	0,3350	0,1639	0,0522	0,2175	0,3633	-0,1668
Ease of doing business scor	0,7233	0,1844	0,8398	0,7088	0,1602	0,6748	0,3155	0,8156	0,1894	0,9418	0,9757	0,8980	0,7572	0,9514	0,2912	0,6068	0,7718	0,6941	0,7961	0,5485	0,7379
Rule of Law: Percentile Ran	0,7877	0,4623	0,9104	0,9575	0,2594	0,8821	0,6509	0,5566	0,1179	0,6038	0,8019	0,6604	0,9292	0,9764	0,5283	0,6887	0,8349	0,9198	0,9953	0,7736	0,8962
Revenue $US B (2022)	0,0161	0,0001	0,0446	0,0241	0,0003	0,0243	0,0015	0,0441	0,0018	0,0283	0,0002	0,0007	0,0753	0,0226	0,3500	0,0014	0,0089	0,2135	0,0156	0,0417	0,0013
Revenue Growth (2019-202	0,0400	0,0000	0,7600	0,0800	-0,4400	0,2000	-0,1200	-0,9600	-1,0800	0,7200	1,0000	0,2800	0,8400	0,3600	0,8000	0,1200	0,4000	0,3600	0,3600	0,0800	0,6000
Democracy Index (2022)	0,2956	0,5739	0,8879	0,8359	0,2926	0,7788	0,2569	0,7706	0,2029	0,5291	0,7197	0,7880	0,9052	0,9317	0,1978	0,7523	0,8124	0,8970	0,9460	0,8226	0,8114
2023 SDG Index	0,8030	0,8445	0,8744	0,9482	0,8468	0,9159	0,7339	0,7016	0,8929	0,7995	0,7569	0,7224	0,9044	0,9274	0,8295	0,8353	0,9435	0,9608	0,9873	0,9263	0,9412
Infrastructure Quality Index	0,9277	0,7275	0,8302	0,9329	0,8113	0,9151	0,8218	0,8630	0,7731	0,6048	0,7348	0,8472	0,8470	0,9769	0,8166	0,7851	0,8784	0,9455	0,9130	0,9465	0,7945
Logistics Performance	0,6512	1,0000	0,9070	0,8860	0,6581	0,5814	0,5814	0,6047	0,5000	0,7465	0,5116	0,6047	0,7558	0,6186	0,5605	0,6977	1,0000	0,5349	0,6279	0,8140	0,5791
Inflation, consumer prices (	0,0668	0,1195	0,0911	0,1182	0,1915	0,1328	0,0502	0,0776	0,2103	0,1514	0,0509	0,1614	0,0940	0,0393	0,0272	0,1162	0,2088	0,0950	0,1065	0,1160	0,2683
Control of Corruption: Perc	0,8349	0,5613	0,9528	0,8491	0,1698	0,8962	0,5943	0,8443	0,3160	0,8915	0,8396	0,7406	0,9340	0,9717	0,5519	0,6604	0,7453	0,9575	1,0000	0,7500	0,9104
Economic freedom Index 20	0,7318	0,6484	0,7998	0,7128	0,7128	0,5173	0,8260	0,6698	0,4994	0,5221	0,6198	0,5757	0,6377	0,5733	0,7914	0,9368	0,6544	0,5757	0,7580	0,7640	0,8605
Individuals using the Intern	1,0000	0,7861	0,9624	0,9253	0,8600	0,9279	1,0000	0,9429	0,8689	0,8582	0,9808	0,7350	0,9283	0,9557	0,7305	0,9076	0,8267	0,9143	0,9887	0,9390	0,9098
Official exchange rate (LCU	0,0028	0,3373	0,0011	0,0007	0,0013	0,0007	0,0003	0,0008	0,0020	0,0015	0,0011	0,0096	0,0010	0,0007	0,0052	0,0007	0,0181	0,0007	0,0055	0,0007	0,0007
Taxes on international trad	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Tax revenue (% of GDP) 202	0,0198	0,6353	0,6571	0,7094	0,4414	0,6411	0,6562	0,5536	0,3493	0,4682	0,5594	0,6472	0,3944	0,2723	0,2351	0,6516	0,4176	0,3069	1,0000	0,3947	0,6013
Consumer Price Index (2010	0,8697	0,6714	0,7716	0,7656	0,5222	0,7717	0,8554	0,8090	0,1511	0,6567	0,9600	0,5594	0,7872	1,0000	0,7749	0,9037	0,7118	0,8211	0,8410	0,8271	0,6728
Environmental Performanc	0,6727	0,6200	0,7715	0,8537	0,4955	0,7471	0,5392	0,7214	0,6226	0,6829	0,5866	0,6932	0,6418	0,8460	0,3646	0,7445	0,7689	0,8010	1,0000	0,7266	0,7882
Furniture; parts imports by	0,0869	0,0020	0,1544	0,1516	0,0065	0,1123	0,0045	0,0016	0,0183	0,0005	0,0005	0,0003	0,3916	0,1774	0,1183	0,0053	0,1056	1,0000	0,1551	0,1579	0,0113
New businesses registered	0,0246	0,0074	0,3052	0,0041	0,0118	0,0444	0,0675	0,0684	0,0093	0,0012	0,0004	0,0339	0,0680	0,0682	0,2995	0,0143	0,0336	0,0939	0,0684	0,1001	0,0262
Industrial design applicatio	0,0001	0,0001	0,0033	0,0003	0,0001	0,0263	0,0000	0,0263	0,0003	0,0264	0,0269	0,0000	0,0009	0,0043	1,0000	0,0000	0,0007	0,0426	0,0002	0,0153	0,0000
Trade freedom Index	0,8211	0,7789	0,9474	0,8316	0,7263	0,8316	0,8842	0,5263	0,7474	0,6105	0,8842	0,8316	0,8737	0,9158	0,7789	0,8316	0,8316	0,8316	0,8316	0,8842	0,8316
E-commerce index (2020)	0,8154	0,5203	0,9447	0,9260	0,6257	0,9051	0,6225	0,8123	0,8217	0,8885	0,8187	0,4035	0,9468	1,0000	0,6267	0,8144	0,8947	0,9739	0,9854	0,8853	0,9468
ICT Development 2017	0,8029	0,6414	0,9176	0,8931	0,6904	0,8697	0,8463	0,7249	0,8408	0,8140	0,7517	0,5111	0,8653	0,9733	0,6236	0,8653	0,7973	0,9343	0,9699	0,8675	0,9065

	Finland	France	United Kingdom	Georgia	Greece	Hong Kong	Hungary	Ireland	Iceland	Italy	Japan	Kazakhstan	Korea, Rep.	Kuwait	Lithuania	Luxemburg	Latvia	Moldova	North Macedon	Malta	Montenegro
Tourism (2019)	0,0151	1,0000	0,1875	0,0355	0,1561	0,2566	0,2818	0,0503	0,0101	0,4379	0,1463	0,0391	0,0803	0,0393	0,0282	0,0048	0,0383	0,0008	0,0035	0,0162	0,0115
Unemployment, total (% of	0,0147	0,0134	0,0280	0,0088	0,0082	0,0198	0,0292	0,0229	0,0262	0,0124	0,0379	0,0200	0,0358	0,0403	0,0180	0,0213	0,0156	0,0439	0,0066	0,0356	0,0065
Tariff rate, applied, weight	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Net investment in nonfinar	0,0001	0,0013	0,0012	0,0000	0,0002	0,0267	0,0270	0,0002	0,0017	0,0006	0,2313	0,0210	1,0000	0,0267	0,0000	0,0001	0,0000	0,0001	0,0004	0,0000	0,0267
Population growth (21-22)	0,0000	0,0000	0,0000	0,0000	-0,3333	-0,3333	0,0000	0,3333	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	0,3333	0,6667	0,0000	-0,3333	0,0000	0,3333	0,0000
GDP per capita (current US$	0,3997	0,3240	0,3627	0,0524	0,1640	0,3874	0,1460	0,8229	0,5766	0,2702	0,2675	0,0889	0,2551	0,3420	0,1964	1,0000	0,1728	0,0440	0,0521	0,2685	0,0783
GDP per capita growth (ann	0,1298	0,1653	0,3038	0,7244	0,4830	-0,1885	0,3524	0,7817	0,2777	0,2988	0,1073	-0,0051	0,2023	0,5584	0,0529	-0,0087	0,1479	-0,3713	0,1820	0,4242	0,4801
Ease of doing business scor	0,8204	0,5776	0,6407	0,2961	0,5049	0,6845	0,6990	0,8106	0,9805	0,6019	0,8932	0,3350	0,6650	0,5583	0,7136	0,8883	0,6214	0,2282	0,5242	0,8301	0,4563
Rule of Law: Percentile Ran	1,0000	0,8538	0,8915	0,5660	0,5991	0,8774	0,6321	0,9151	0,9528	0,5849	0,9245	0,3585	0,8491	0,5755	0,8302	0,9858	0,7972	0,4198	0,5000	0,7642	0,4858
Revenue $US B (2022)	0,0094	0,1040	0,0946	0,0008	0,0050	0,0124	0,0076	0,0074	0,0010	0,0668	0,0859	0,0026	0,0314	0,0051	0,0016	0,0016	0,0009	0,0004	0,0005	0,0009	0,0001
Revenue Growth (2019-202	0,1200	0,2000	0,2800	-0,5600	-0,2000	1,0000	0,6800	0,8800	0,0000	0,0800	0,4800	0,2000	-0,9200	-0,0800	0,6400	0,6000	-0,2000	-0,4000	0,4000	0,0000	0,0000
Democracy Index (2022)	0,9470	0,8226	0,8440	0,5301	0,8124	0,5382	0,6769	0,9307	0,9704	0,7839	0,8491	0,3140	0,8186	0,3904	0,7452	0,8981	0,7513	0,6351	0,6218	0,7849	0,6575
2023 SDG Index	1,0000	0,9447	0,9412	0,8641	0,9032	0,9150	0,9147	0,9228	0,9021	0,9078	0,9147	0,8249	0,8998	0,7419	0,8848	0,8940	0,9297	0,9055	0,8353	0,8698	0,8226
Infrastructure Quality Index	0,8742	0,9403	0,9319	0,7086	0,8145	0,9853	0,8459	0,8071	0,8008	0,8816	0,9769	0,7159	0,9654	0,7170	0,8071	0,8910	0,7966	0,6939	0,7013	0,7862	0,6667
Logistics Performance	0,5116	0,5698	0,5349	0,5581	0,5814	0,6279	0,6372	0,5581	0,8605	0,5581	0,5814	0,4581	0,8372	0,5837	0,8372	0,7674	0,7326	0,4186	0,4651	0,8674	0,5349
Inflation, consumer prices (	0,0985	0,0722	0,1095	0,1646	0,1335	0,0260	0,2020	0,1080	0,1149	0,1134	0,0346	0,1388	0,0704	0,0550	0,2726	0,0877	0,2394	0,3975	0,1964	0,0851	0,1803
Control of Corruption: Perc	0,9953	0,8538	0,9292	0,7217	0,5660	0,9245	0,5142	0,9387	0,9151	0,6887	0,9057	0,4858	0,7689	0,5896	0,7642	0,9623	0,7547	0,4292	0,4387	0,6179	0,5094
Economic freedom Index 20	0,6851	0,8212	0,7008	0,7402	0,8677	0,9344	0,6496	0,6257	0,9297	0,6544	0,0346	0,7592	0,7271	0,7926	0,5983	1,0000	0,8224	0,8784	0,7291	0,6031	0,7461
Individuals using the Intern	0,9281	0,8610	0,9668	0,7644	0,7849	0,9309	0,8864	0,9517	0,9969	0,7486	0,8291	0,9092	0,9757	0,9970	0,8693	0,9866	0,9118	0,6129	0,8302	0,8747	0,8222
Official exchange rate (LCU	0,0007	0,0007	0,0006	0,0023	0,0007	0,0061	0,2885	0,0007	0,1048	0,0007	0,1018	0,3563	1,0000	0,0002	0,0007	0,0007	0,0007	0,0146	0,0454	0,0007	0,0007
Taxes on international trad	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Tax revenue (% of GDP) 202	0,5774	0,7184	0,7190	0,6222	0,7190	0,5318	0,6646	0,4737	0,6533	0,7196	0,5990	0,2418	0,4319	0,5196	0,5812	0,7303	0,6364	0,5205	0,4688	0,6844	0,4868
Consumer Price Index (2010	0,8288	0,8644	0,7648	0,5931	0,9148	0,7318	0,6751	0,8720	0,6811	0,8395	0,9479	0,7257	0,8197	0,7353	0,6809	0,8081	0,7204	0,4381	0,7556	0,8309	0,7583
Environmental Performanc	0,9820	0,8023	0,9974	0,5019	0,7214	0,6475	0,7073	0,7368	0,8062	0,7407	0,7343	0,5250	0,6021	0,5443	0,7176	0,9281	0,7843	0,5481	0,6970	0,9653	0,6021
Furniture; parts imports by	0,0692	0,5256	0,6039	0,0056	0,0177	0,0486	0,0556	0,0319	0,0074	0,1946	0,3369	0,0137	0,0738	0,0212	0,0491	0,0074	0,0206	0,0033	0,0012	0,0019	0,0024
New businesses registered	0,0258	0,2814	1,0000	0,0231	0,0155	0,1283	0,0330	0,0282	0,0032	0,0678	0,0431	0,0532	0,0680	0,0137	0,0068	0,0681	0,0106	0,0670	0,0064	0,0044	0,0042
Industrial design applicatio	0,0002	0,0383	0,0360	0,0001	0,0009	0,0012	0,0011	0,0001	0,0000	0,0336	0,0281	0,0002	0,0779	0,0001	0,0002	0,0265	0,0001	0,0008	0,0001	0,0000	0,0260
Trade freedom Index	0,8316	0,8316	0,8632	0,9053	0,8316	0,8071	0,8316	0,8316	0,8421	0,8316	0,7895	0,7895	0,7579	0,8000	0,8316	0,8316	0,8316	0,8000	0,8211	0,8316	0,8316
E-commerce index (2020)	0,9739	0,9385	0,9760	0,7675	0,8259	0,9572	0,8394	0,9739	0,8373	0,8530	0,9249	0,7112	0,9364	0,7164	0,8613	0,8175	0,8113	0,7383	0,7414	0,7602	0,5631
ICT Development 2017	0,8775	0,9176	0,9633	0,6448	0,8051	0,9588	0,7717	0,8931	1,0000	0,7840	0,9388	0,7561	0,9855	0,6659	0,8007	0,9432	0,8085	0,7183	0,6693	0,8753	0,7171

	Mauritius	Malaysia	Netherlands	Norway	New Zealand	Oman	Poland	Portugal	Qatar	Rwanda	Saudi Arabia	Singapore	Serbia	Slovak Republic	Slovenia	Sweden	Thailand	Turkiye	Uruguay	United States
Tourism (2019)	0,0065	0,1198	0,0924	0,0270	0,0178	0,0161	0,4063	0,0793	0,0098	0,0075	0,0931	0,0877	0,0085	0,1280	0,0216	0,0350	0,1832	0,2375	0,0160	0,7595
Unemployment, total (% of	0,0138	0,0268	0,0282	0,0315	0,0308	0,0429	0,0385	0,0173	1,0000	0,0077	0,0177	0,0362	0,0106	0,0164	0,0239	0,0136	0,1163	0,0100	0,0128	0,0277
Tariff rate, applied, weight	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Net investment in nonfinar	0,0002	0,0015	0,0004	0,0035	0,0002	0,0267	0,0015	0,0000	0,0267	0,0240	0,0051	-0,0002	0,0267	0,0001	0,0000	0,0035	0,0082	0,0044	0,0008	0,0094
Population growth (21-22)	0,0000	0,3333	0,3333	0,3333	0,0000	0,3333	0,0000	0,3333	0,0000	0,6667	0,3333	1,0000	-0,3333	0,0000	0,0000	0,3333	0,0000	0,3333	0,0000	0,0000
GDP per capita (current US$	0,0808	0,0947	0,4428	0,8396	0,3816	0,1982	0,1449	0,1920	0,6964	0,0076	0,2407	0,6550	0,0743	0,1681	0,2330	0,4419	0,0546	0,0840	0,1645	0,6043
GDP per capita growth (ann	0,6541	0,5460	0,2516	0,1711	0,1378	0,2204	0,3909	0,4445	0,3307	0,4126	0,5344	0,0196	0,2444	0,1421	0,3872	0,1414	0,1784	0,3532	0,3648	0,1218
Ease of doing business scor	0,7767	0,5340	0,7330	0,7865	0,9903	0,6457	0,6359	0,7815	0,8641	0,4903	0,3301	1,0000	0,4126	0,6165	0,7281	0,8253	0,3252	0,1408	0,9078	0,4660
Rule of Law: Percentile Ran	0,7783	0,6840	0,9340	0,9811	0,9670	0,6651	0,6415	0,8396	0,7925	0,5613	0,5802	0,9906	0,4906	0,7028	0,8255	0,9387	0,5472	0,3679	0,7594	0,8868
Revenue $US B (2022)	0,0010	0,0168	0,0431	0,0158	0,0080	0,0032	0,0316	0,0099	0,0043	0,0009	0,0344	0,0065	0,0012	0,0449	0,0015	0,0351	0,0066	0,0506	0,0028	1,0000
Revenue Growth (2019-202	-0,1600	0,7200	0,4400	0,0800	0,5200	0,1200	0,4800	0,1600	0,0800	0,0000	0,0400	0,4800	0,6800	0,0400	0,2400	0,6400	-0,2800	0,8400	-0,0400	0,8000
Democracy Index (2022)	0,8298	0,7441	0,9174	1,0000	0,9796	0,3180	0,7176	0,8104	0,3721	0,3160	0,2120	0,6340	0,6453	0,7207	0,7900	0,9572	0,6799	0,4434	0,9083	0,8002
2023 SDG Index	0,7834	0,8041	0,9147	0,9447	0,9032	0,7903	0,9424	0,9217	0,7627	0,6935	0,7800	0,8272	0,8906	0,9113	0,9332	0,9908	0,8606	0,8157	0,8952	0,8744
Infrastructure Quality Index	0,7201	0,8176	0,9885	0,7945	0,7914	0,8438	0,8512	0,8763	0,8553	0,9237	0,8187	1,0000	0,7736	0,8239	0,8187	0,8805	0,7107	0,7788	0,7201	0,9214
Logistics Performance	0,7837	0,9535	0,9070	0,6442	0,8558	0,6721	0,5140	0,5814	0,6744	0,5488	0,5349	0,6047	0,5558	0,8372	0,9767	0,9535	0,5814	0,7674	0,9070	0,5581
Inflation, consumer prices (	0,1489	0,0467	0,1383	0,0797	0,0992	0,0389	0,1996	0,1083	0,0691	0,2446	0,0342	0,0846	0,1657	0,1766	0,1221	0,1158	0,0841	1,0000	0,1258	0,1106
Control of Corruption: Perc	0,6557	0,6226	0,9670	0,9811	0,9906	0,5755	0,6840	0,7594	0,7925	0,7028	0,6368	0,9858	0,3538	0,6038	0,7830	0,9764	0,3585	0,3491	0,9198	0,8255
Economic freedom Index 20	0,7092	0,6782	0,8367	0,6734	0,7366	0,5697	0,6763	0,7360	0,7066	0,6664	0,7266	0,6418	0,6734	0,7751	0,6645	0,6968	0,7920	0,7112	0,6887	0,7727
Individuals using the Intern	0,6758	0,9675	0,9205	0,9900	0,9591	0,9638	0,8537	0,8231	1,0000	0,3046	1,0000	0,9692	0,8117	0,8893	0,8900	0,9467	0,8527	0,8141	0,9007	0,9175
Official exchange rate (LCU	0,0342	0,0034	0,0007	0,0074	0,0012	0,0003	0,0035	0,0007	0,0028	0,7978	0,0029	0,0011	0,0865	0,0007	0,0007	0,0078	0,0271	0,0128	0,0319	0,0008
Taxes on international trad	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Tax revenue (% of GDP) 202	0,6022	0,3165	0,7082	0,6176	0,7960	0,4871	0,5080	0,6399	0,3999	0,4382	0,2395	0,3711	0,6827	0,5417	0,4908	0,7768	0,4202	0,5132	0,5382	0,2947
Consumer Price Index (2010	0,6656	0,8036	0,7710	0,7667	0,7897	0,8703	0,7208	0,8463	0,8463	0,5254	0,7903	0,8245	0,5996	0,7474	0,8303	0,8313	0,8476	0,1884	0,3904	0,7616
Environmental Performanc	0,5751	0,4493	0,8036	0,7612	0,7279	0,3941	0,6496	0,6470	0,4236	0,4211	0,4865	0,6534	0,5635	0,7702	0,8639	0,9332	0,4891	0,3376	0,4801	0,6560
Furniture; parts imports by	0,0006	0,1114	0,1107	0,1108	0,1102	0,1102	0,1109	0,1102	0,1102	0,1107	0,1098	0,1111	0,1109	0,1110	0,1099	0,1104	0,1106	0,1102	0,1100	0,1106
New businesses registered	0,0081	0,0617	0,0449	0,0428	0,0753	0,0075	0,0531	0,0466	0,0674	0,0208	0,0205	0,0545	0,0117	0,0245	0,0042	0,0744	0,0817	0,1296	0,0066	0,0678
Industrial design applicatio	0,0000	0,0006	0,0264	0,0006	0,0004	0,0000	0,0032	0,0013	0,0257	0,0000	0,0011	0,0009	0,0002	0,0003	0,0000	0,0005	0,0055	0,0755	0,0265	0,0279
Trade freedom Index	0,9263	0,8737	0,8316	0,8947	0,9474	0,8000	0,8316	0,8316	0,8632	0,5263	0,7789	1,0000	0,8000	0,8316	0,8316	0,8316	0,7474	0,8000	0,7474	0,7895
E-commerce index (2020)	0,6090	0,8478	0,9990	0,9656	0,9572	0,7362	0,8571	0,8081	0,7518	0,2951	0,7539	0,9844	0,7852	0,8936	0,8217	0,9468	0,7925	0,7174	0,5902	0,9489
ICT Development 2017	0,6548	0,7105	0,9454	0,9432	0,9276	0,7160	0,7673	0,7940	0,8029	0,2428	0,7428	0,8964	0,7361	0,7862	0,8218	0,9365	0,6314	0,6771	0,7973	0,9109

Figure 10: Standardization results

		United Arab Emirates	Armenia	Australia	Austria	Azerbaijan	Belgium	Bahrain	Bahamas, The	Belarus	Barbados	Brunei Darussalam	Botswana	Canada	Switzerland	China	Cyprus	Czechia	Germany	Denmark	Spain	Estonia
3%	Tourism (2019)	0,0035	0,0003	0,0013	0,0044	0,0004	0,0013	0,0015	0,0010	0,0016	0,0001	0,0006	0,0038	0,0045	0,0016	0,0224	0,0006	0,0051	0,0054	0,0046	0,0174	0,0008
3%	Unemploymen	0,0011	0,0002	0,0008	0,0006	0,0005	0,0005	0,0021	0,0003	0,0007	0,0004	0,0004	0,0001	0,0006	0,0007	0,0006	0,0004	0,0013	0,0010	0,0007	0,0002	0,0005
2%	Tariff rate, app	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
1%	Net investmen	0,0000	0,0001	0,0000	0,0000	0,0003	0,0000	0,0003	0,0000	0,0000	0,0003	0,0003	0,0000	0,0000	0,0000	0,0003	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
4%	Population gro	0,0133	0,0000	0,0133	0,0133	0,0000	0,0133	0,0133	0,0133	-0,0133	0,0000	0,0133	0,0267	0,0267	0,0133	0,0000	0,0133	0,0000	0,0133	0,0133	0,0000	0,0133
3%	GDP per capita	0,0128	0,0017	0,0153	0,0124	0,0018	0,0118	0,0072	0,0075	0,0019	0,0048	0,0088	0,0018	0,0130	0,0219	0,0030	0,0074	0,0066	0,0115	0,0159	0,0070	0,0067
4%	GDP per capita	0,0190	0,0378	0,0071	0,0116	0,0123	0,0075	0,0122	0,0400	-0,0108	0,0285	-0,0070	0,0119	0,0044	0,0037	0,0087	0,0134	0,0066	0,0021	0,0087	0,0145	-0,0067
5%	Ease of doing b	0,0362	0,0092	0,0420	0,0354	0,0080	0,0337	0,0158	0,0408	0,0095	0,0471	0,0488	0,0449	0,0379	0,0476	0,0146	0,0303	0,0386	0,0347	0,0398	0,0274	0,0369
2%	Rule of Law: Pe	0,0158	0,0092	0,0182	0,0192	0,0052	0,0176	0,0130	0,0111	0,0024	0,0121	0,0160	0,0132	0,0186	0,0195	0,0106	0,0138	0,0167	0,0184	0,0199	0,0155	0,0179
2%	Revenue $US B	0,0003	0,0000	0,0009	0,0005	0,0000	0,0005	0,0000	0,0009	0,0000	0,0006	0,0000	0,0000	0,0015	0,0005	0,0070	0,0000	0,0002	0,0043	0,0003	0,0008	0,0000
3%	Revenue Grow	0,0012	0,0000	0,0228	0,0024	-0,0132	0,0060	-0,0036	-0,0288	-0,0324	0,0216	0,0300	0,0084	0,0252	0,0108	0,0240	0,0036	0,0120	0,0108	0,0108	0,0024	0,0180
1%	Democracy Ind	0,0030	0,0057	0,0089	0,0084	0,0029	0,0078	0,0026	0,0077	0,0020	0,0053	0,0072	0,0079	0,0091	0,0093	0,0020	0,0075	0,0081	0,0090	0,0095	0,0082	0,0081
2%	2023 SDG Index	0,0161	0,0169	0,0175	0,0190	0,0169	0,0183	0,0147	0,0140	0,0179	0,0160	0,0151	0,0144	0,0181	0,0185	0,0166	0,0167	0,0189	0,0192	0,0197	0,0185	0,0188
5%	Infrastructure (	0,0464	0,0364	0,0415	0,0466	0,0406	0,0458	0,0411	0,0431	0,0387	0,0302	0,0367	0,0424	0,0423	0,0488	0,0408	0,0393	0,0439	0,0473	0,0456	0,0473	0,0397
4%	Logistics Perfor	0,0260	0,0400	0,0363	0,0354	0,0263	0,0233	0,0233	0,0242	0,0200	0,0299	0,0205	0,0242	0,0302	0,0247	0,0224	0,0279	0,0400	0,0214	0,0251	0,0326	0,0232
1%	Inflation, consu	0,0007	0,0012	0,0009	0,0012	0,0019	0,0013	0,0005	0,0008	0,0021	0,0015	0,0005	0,0016	0,0009	0,0004	0,0003	0,0012	0,0021	0,0010	0,0011	0,0012	0,0027
4%	Control of Corr	0,0334	0,0225	0,0381	0,0340	0,0068	0,0358	0,0238	0,0338	0,0126	0,0357	0,0336	0,0296	0,0374	0,0389	0,0221	0,0264	0,0298	0,0383	0,0400	0,0300	0,0364
4%	Economic freec	0,0293	0,0259	0,0320	0,0285	0,0285	0,0207	0,0330	0,0268	0,0200	0,0209	0,0248	0,0230	0,0255	0,0229	0,0317	0,0375	0,0262	0,0230	0,0303	0,0306	0,0344
4%	Individuals usi	0,0400	0,0314	0,0385	0,0370	0,0344	0,0371	0,0400	0,0377	0,0348	0,0343	0,0392	0,0294	0,0371	0,0382	0,0292	0,0363	0,0331	0,0366	0,0395	0,0376	0,0364
1%	Official exchan	0,0000	0,0034	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0001	0,0000	0,0000	0,0001	0,0000	0,0002	0,0000	0,0001	0,0000	0,0000
4%	Taxes on interr	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
3%	Tax revenue (%	0,0006	0,0191	0,0197	0,0213	0,0132	0,0192	0,0197	0,0166	0,0105	0,0140	0,0168	0,0194	0,0118	0,0082	0,0071	0,0195	0,0125	0,0092	0,0300	0,0118	0,0180
2%	Consumer Pric	0,0174	0,0134	0,0154	0,0153	0,0104	0,0154	0,0171	0,0162	0,0030	0,0131	0,0192	0,0112	0,0157	0,0200	0,0155	0,0181	0,0142	0,0164	0,0168	0,0165	0,0135
1%	Environmental	0,0067	0,0062	0,0077	0,0085	0,0050	0,0075	0,0054	0,0072	0,0062	0,0068	0,0059	0,0069	0,0064	0,0085	0,0036	0,0074	0,0077	0,0080	0,0100	0,0073	0,0079
7%	Furniture; part	0,0061	0,0001	0,0108	0,0106	0,0005	0,0079	0,0003	0,0001	0,0013	0,0000	0,0000	0,0000	0,0274	0,0124	0,0083	0,0004	0,0074	0,0700	0,0109	0,0111	0,0008
5%	New businesse	0,0012	0,0004	0,0153	0,0002	0,0006	0,0022	0,0034	0,0034	0,0005	0,0001	0,0000	0,0017	0,0034	0,0034	0,0150	0,0007	0,0017	0,0047	0,0034	0,0050	0,0013
6%	Industrial desig	0,0000	0,0000	0,0002	0,0000	0,0000	0,0016	0,0000	0,0016	0,0000	0,0016	0,0016	0,0000	0,0001	0,0003	0,0600	0,0000	0,0000	0,0026	0,0000	0,0009	0,0000
4%	Trade freedom	0,0328	0,0312	0,0379	0,0333	0,0291	0,0333	0,0354	0,0211	0,0299	0,0244	0,0354	0,0333	0,0349	0,0366	0,0312	0,0333	0,0333	0,0333	0,0333	0,0354	0,0333
6%	E-commerce in	0,0489	0,0312	0,0567	0,0556	0,0375	0,0543	0,0374	0,0487	0,0493	0,0533	0,0491	0,0242	0,0568	0,0600	0,0376	0,0489	0,0537	0,0584	0,0591	0,0531	0,0568
4%	ICT Developme	0,0321	0,0257	0,0367	0,0357	0,0276	0,0348	0,0339	0,0290	0,0336	0,0326	0,0301	0,0204	0,0346	0,0389	0,0249	0,0346	0,0319	0,0374	0,0388	0,0347	0,0363
	Perf. Score	**0,4438**	**0,3691**	**0,5359**	**0,4904**	**0,2977**	**0,4585**	**0,3932**	**0,4181**	**0,2419**	**0,4351**	**0,4470**	**0,4007**	**0,5242**	**0,5098**	**0,4594**	**0,4385**	**0,4516**	**0,5372**	**0,5273**	**0,4670**	**0,4551**

		Finland	France	United Kingdom	Georgia	Greece	Hong Kong SAR, China	Hungary	Ireland	Iceland	Italy	Japan	Kazakhstan	Korea, Rep.	Kuwait	Lithuania	Luxembourg	Latvia	Moldova	North Macedonia	Malta	Montenegro
3%	Tourism (2019)	0,0005	0,0300	0,0056	0,0011	0,0047	0,0077	0,0085	0,0015	0,0003	0,0131	0,0044	0,0012	0,0024	0,0012	0,0008	0,0001	0,0011	0,0000	0,0001	0,0005	0,0003
3%	Unemploymen	0,0004	0,0004	0,0008	0,0003	0,0002	0,0006	0,0009	0,0007	0,0008	0,0004	0,0011	0,0006	0,0011	0,0012	0,0005	0,0006	0,0005	0,0013	0,0002	0,0011	0,0002
2%	Tariff rate, app	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
1%	Net investmen	0,0000	0,0000	0,0000	0,0000	0,0000	0,0003	0,0003	0,0000	0,0000	0,0000	0,0023	0,0002	0,0100	0,0003	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0003
4%	Population gro	0,0000	0,0000	0,0000	0,0000	-0,0133	-0,0133	0,0000	0,0133	0,0400	0,0000	0,0000	0,0400	0,0000	0,0000	0,0133	0,0267	0,0000	-0,0133	0,0000	0,0133	0,0000
3%	GDP per capita	0,0120	0,0097	0,0109	0,0016	0,0049	0,0116	0,0044	0,0247	0,0173	0,0081	0,0080	0,0027	0,0077	0,0103	0,0059	0,0300	0,0052	0,0013	0,0016	0,0081	0,0023
4%	GDP per capita	0,0052	0,0066	0,0122	0,0290	0,0193	-0,0075	0,0141	0,0313	0,0111	0,0120	0,0043	-0,0002	0,0081	0,0223	0,0021	-0,0003	0,0059	-0,0149	0,0073	0,0170	0,0192
5%	Ease of doing b	0,0410	0,0289	0,0320	0,0148	0,0252	0,0342	0,0349	0,0405	0,0490	0,0301	0,0447	0,0167	0,0333	0,0279	0,0357	0,0444	0,0311	0,0114	0,0262	0,0415	0,0228
2%	Rule of Law: Pe	0,0200	0,0171	0,0178	0,0113	0,0120	0,0175	0,0126	0,0183	0,0191	0,0117	0,0185	0,0072	0,0170	0,0115	0,0166	0,0197	0,0159	0,0084	0,0100	0,0153	0,0097
2%	Revenue $US B	0,0002	0,0021	0,0019	0,0000	0,0001	0,0002	0,0002	0,0001	0,0000	0,0013	0,0017	0,0001	0,0006	0,0001	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
3%	Revenue Grow	0,0036	0,0060	0,0084	-0,0168	-0,0060	0,0300	0,0204	0,0264	0,0000	0,0024	0,0144	0,0060	-0,0276	-0,0024	0,0192	0,0180	-0,0060	-0,0120	0,0120	0,0000	0,0000
1%	Democracy Ind	0,0095	0,0082	0,0084	0,0053	0,0081	0,0054	0,0068	0,0093	0,0097	0,0078	0,0085	0,0031	0,0082	0,0039	0,0075	0,0090	0,0075	0,0064	0,0062	0,0078	0,0066
2%	2023 SDG Index	0,0200	0,0189	0,0188	0,0173	0,0181	0,0183	0,0183	0,0185	0,0180	0,0182	0,0183	0,0165	0,0180	0,0148	0,0177	0,0179	0,0186	0,0181	0,0167	0,0174	0,0165
5%	Infrastructure (	0,0437	0,0470	0,0466	0,0354	0,0407	0,0493	0,0423	0,0404	0,0400	0,0441	0,0488	0,0358	0,0483	0,0358	0,0404	0,0445	0,0398	0,0347	0,0351	0,0393	0,0333
4%	Logistics Perfor	0,0205	0,0228	0,0214	0,0223	0,0233	0,0251	0,0255	0,0223	0,0344	0,0223	0,0233	0,0183	0,0335	0,0233	0,0335	0,0307	0,0293	0,0167	0,0186	0,0347	0,0214
1%	Inflation, consu	0,0010	0,0007	0,0011	0,0016	0,0013	0,0003	0,0020	0,0011	0,0011	0,0011	0,0003	0,0014	0,0007	0,0006	0,0027	0,0009	0,0024	0,0040	0,0020	0,0009	0,0018
4%	Control of Corr	0,0398	0,0342	0,0372	0,0289	0,0226	0,0370	0,0206	0,0375	0,0366	0,0275	0,0362	0,0194	0,0308	0,0236	0,0306	0,0385	0,0302	0,0172	0,0175	0,0247	0,0204
4%	Economic freec	0,0274	0,0328	0,0280	0,0296	0,0347	0,0374	0,0260	0,0250	0,0372	0,0262	0,0014	0,0304	0,0291	0,0317	0,0239	0,0400	0,0329	0,0351	0,0292	0,0241	0,0298
4%	Individuals usi	0,0371	0,0344	0,0387	0,0306	0,0314	0,0372	0,0355	0,0381	0,0399	0,0299	0,0332	0,0364	0,0390	0,0399	0,0348	0,0395	0,0365	0,0245	0,0332	0,0350	0,0329
1%	Official exchan	0,0000	0,0000	0,0000	0,0000	0,0000	0,0001	0,0029	0,0000	0,0010	0,0000	0,0010	0,0036	0,0100	0,0000	0,0000	0,0000	0,0000	0,0001	0,0005	0,0000	0,0000
4%	Taxes on interr	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
3%	Tax revenue (%	0,0173	0,0216	0,0216	0,0187	0,0216	0,0160	0,0199	0,0142	0,0196	0,0216	0,0180	0,0073	0,0130	0,0156	0,0174	0,0219	0,0191	0,0156	0,0141	0,0205	0,0146
2%	Consumer Pric	0,0166	0,0173	0,0153	0,0119	0,0183	0,0146	0,0135	0,0174	0,0136	0,0168	0,0190	0,0145	0,0164	0,0147	0,0136	0,0162	0,0144	0,0088	0,0151	0,0166	0,0152
1%	Environmental	0,0098	0,0080	0,0100	0,0050	0,0072	0,0065	0,0071	0,0074	0,0081	0,0074	0,0073	0,0053	0,0060	0,0054	0,0072	0,0093	0,0078	0,0055	0,0070	0,0097	0,0060
7%	Furniture; part	0,0048	0,0368	0,0423	0,0004	0,0012	0,0034	0,0039	0,0022	0,0005	0,0136	0,0236	0,0010	0,0052	0,0015	0,0034	0,0005	0,0014	0,0002	0,0001	0,0001	0,0002
5%	New businesse	0,0013	0,0141	0,0500	0,0012	0,0008	0,0064	0,0017	0,0014	0,0002	0,0034	0,0022	0,0027	0,0034	0,0007	0,0003	0,0034	0,0005	0,0034	0,0003	0,0002	0,0002
6%	Industrial desig	0,0000	0,0023	0,0022	0,0000	0,0001	0,0001	0,0001	0,0000	0,0000	0,0020	0,0017	0,0000	0,0047	0,0000	0,0000	0,0016	0,0000	0,0000	0,0000	0,0000	0,0016
4%	Trade freedom	0,0333	0,0333	0,0345	0,0362	0,0333	0,0323	0,0333	0,0333	0,0337	0,0333	0,0316	0,0316	0,0303	0,0320	0,0333	0,0333	0,0333	0,0320	0,0328	0,0333	0,0333
6%	E-commerce in	0,0584	0,0563	0,0586	0,0460	0,0496	0,0574	0,0504	0,0584	0,0502	0,0512	0,0555	0,0427	0,0562	0,0430	0,0517	0,0491	0,0487	0,0443	0,0445	0,0456	0,0338
4%	ICT Developme	0,0351	0,0367	0,0385	0,0258	0,0322	0,0384	0,0309	0,0357	0,0400	0,0314	0,0376	0,0302	0,0394	0,0266	0,0320	0,0377	0,0323	0,0287	0,0268	0,0350	0,0287
	Perf. Score	**0,4585**	**0,5262**	**0,5628**	**0,3574**	**0,3916**	**0,4663**	**0,4366**	**0,5191**	**0,5216**	**0,4369**	**0,4668**	**0,3744**	**0,4445**	**0,3856**	**0,4442**	**0,5331**	**0,4085**	**0,2776**	**0,3570**	**0,4417**	**0,3510**

		Mauritius	Malaysia	Netherlands	Norway	New Zealand	Oman	Poland	Portugal	Qatar	Rwanda
3%	Tourism (2019)	0,0002	0,0036	0,0028	0,0008	0,0005	0,0005	0,0122	0,0024	0,0003	0,0002
3%	Unemploymen	0,0004	0,0008	0,0008	0,0009	0,0009	0,0013	0,0012	0,0005	0,0300	0,0002
2%	Tariff rate, app	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
1%	Net investmen	0,0000	0,0000	0,0000	0,0000	0,0000	0,0003	0,0000	0,0000	0,0003	0,0002
4%	Population gro	0,0000	0,0133	0,0133	0,0133	0,0000	0,0133	0,0000	0,0133	0,0000	0,0267
3%	GDP per capita	0,0024	0,0028	0,0133	0,0252	0,0114	0,0059	0,0043	0,0058	0,0209	0,0002
4%	GDP per capita	0,0262	0,0218	0,0101	0,0068	0,0055	0,0088	0,0156	0,0178	0,0132	0,0165
5%	Ease of doing b	0,0388	0,0267	0,0367	0,0393	0,0495	0,0323	0,0318	0,0391	0,0432	0,0245
2%	Rule of Law: Pe	0,0156	0,0137	0,0187	0,0196	0,0193	0,0133	0,0128	0,0168	0,0159	0,0112
2%	Revenue $US B	0,0000	0,0003	0,0009	0,0003	0,0002	0,0001	0,0006	0,0002	0,0001	0,0000
3%	Revenue Grow	-0,0048	0,0216	0,0132	0,0024	0,0156	0,0036	0,0144	0,0048	0,0024	0,0000
1%	Democracy Ind	0,0083	0,0074	0,0092	0,0100	0,0098	0,0032	0,0072	0,0081	0,0037	0,0032
2%	2023 SDG Index	0,0157	0,0161	0,0183	0,0189	0,0181	0,0158	0,0188	0,0184	0,0153	0,0139
5%	Infrastructure (	0,0360	0,0409	0,0494	0,0397	0,0396	0,0422	0,0426	0,0438	0,0428	0,0462
4%	Logistics Perfor	0,0313	0,0381	0,0363	0,0258	0,0342	0,0269	0,0206	0,0233	0,0270	0,0220
1%	Inflation, consu	0,0015	0,0005	0,0014	0,0008	0,0010	0,0004	0,0020	0,0011	0,0007	0,0024
4%	Control of Corr	0,0262	0,0249	0,0387	0,0392	0,0396	0,0230	0,0274	0,0304	0,0317	0,0281
4%	Economic freed	0,0284	0,0271	0,0335	0,0269	0,0295	0,0228	0,0271	0,0294	0,0283	0,0267
4%	Individuals usi	0,0270	0,0387	0,0368	0,0396	0,0384	0,0386	0,0341	0,0329	0,0400	0,0122
1%	Official exchan	0,0003	0,0000	0,0000	0,0001	0,0000	0,0000	0,0000	0,0000	0,0000	0,0080
4%	Taxes on intern	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
3%	Tax revenue (%	0,0181	0,0095	0,0212	0,0185	0,0239	0,0146	0,0152	0,0192	0,0120	0,0131
2%	Consumer Pric	0,0133	0,0161	0,0154	0,0153	0,0158	0,0174	0,0144	0,0169	0,0169	0,0105
1%	Environmental	0,0058	0,0045	0,0080	0,0076	0,0073	0,0039	0,0065	0,0065	0,0042	0,0042
7%	Furniture; part	0,0000	0,0078	0,0077	0,0078	0,0077	0,0077	0,0078	0,0077	0,0077	0,0077
5%	New businesse	0,0004	0,0031	0,0022	0,0021	0,0038	0,0004	0,0027	0,0023	0,0034	0,0010
6%	Industrial desi	0,0000	0,0000	0,0016	0,0000	0,0000	0,0000	0,0002	0,0001	0,0015	0,0000
4%	Trade freedom	0,0371	0,0349	0,0333	0,0358	0,0379	0,0320	0,0333	0,0333	0,0345	0,0211
6%	E-commerce in	0,0365	0,0509	0,0599	0,0579	0,0574	0,0442	0,0514	0,0485	0,0451	0,0177
4%	ICT Developme	0,0262	0,0284	0,0378	0,0377	0,0371	0,0286	0,0307	0,0318	0,0321	0,0097
	Perf. Score	**0,3910**	**0,4537**	**0,5205**	**0,4927**	**0,5040**	**0,4011**	**0,4349**	**0,4543**	**0,4732**	**0,3275**

		Saudi Arabia	Singapore	Serbia	Slovak Republic	Slovenia	Sweden	Thailand	Turkiye	Uruguay	United States
3%	Tourism (2019)	0,0028	0,0026	0,0003	0,0038	0,0006	0,0010	0,0055	0,0071	0,0005	0,0228
3%	Unemploymen	0,0005	0,0011	0,0003	0,0005	0,0007	0,0004	0,0035	0,0003	0,0004	0,0008
2%	Tariff rate, app	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
1%	Net investmen	0,0001	0,0000	0,0003	0,0000	0,0000	0,0000	0,0001	0,0000	0,0000	0,0001
4%	Population gro	0,0133	0,0400	-0,0133	0,0000	0,0000	0,0133	0,0000	0,0133	0,0000	0,0000
3%	GDP per capita	0,0072	0,0196	0,0022	0,0050	0,0070	0,0133	0,0016	0,0025	0,0049	0,0181
4%	GDP per capita	0,0214	0,0008	0,0098	0,0057	0,0155	0,0057	0,0071	0,0141	0,0146	0,0049
5%	Ease of doing b	0,0165	0,0500	0,0206	0,0308	0,0364	0,0413	0,0163	0,0070	0,0454	0,0233
2%	Rule of Law: Pe	0,0116	0,0198	0,0098	0,0141	0,0165	0,0188	0,0109	0,0074	0,0152	0,0177
2%	Revenue $US B	0,0007	0,0001	0,0000	0,0009	0,0000	0,0007	0,0001	0,0010	0,0001	0,0200
3%	Revenue Grow	0,0012	0,0144	0,0204	0,0012	0,0072	0,0192	-0,0084	0,0252	-0,0012	0,0240
1%	Democracy Ind	0,0021	0,0063	0,0065	0,0072	0,0079	0,0096	0,0068	0,0044	0,0091	0,0080
2%	2023 SDG Index	0,0156	0,0165	0,0178	0,0182	0,0187	0,0198	0,0172	0,0163	0,0179	0,0175
5%	Infrastructure (	0,0409	0,0500	0,0387	0,0412	0,0409	0,0440	0,0355	0,0389	0,0360	0,0461
4%	Logistics Perfor	0,0214	0,0242	0,0222	0,0335	0,0391	0,0381	0,0233	0,0307	0,0363	0,0223
1%	Inflation, consu	0,0003	0,0008	0,0017	0,0018	0,0012	0,0012	0,0008	0,0100	0,0013	0,0011
4%	Control of Corr	0,0255	0,0394	0,0142	0,0242	0,0313	0,0391	0,0143	0,0140	0,0368	0,0330
4%	Economic freed	0,0291	0,0257	0,0269	0,0310	0,0266	0,0279	0,0317	0,0284	0,0275	0,0309
4%	Individuals usi	0,0400	0,0388	0,0325	0,0356	0,0356	0,0379	0,0341	0,0326	0,0360	0,0367
1%	Official exchan	0,0000	0,0000	0,0009	0,0000	0,0000	0,0001	0,0003	0,0001	0,0003	0,0000
4%	Taxes on intern	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
3%	Tax revenue (%	0,0072	0,0111	0,0205	0,0163	0,0147	0,0233	0,0126	0,0154	0,0161	0,0088
2%	Consumer Pric	0,0158	0,0165	0,0120	0,0149	0,0166	0,0166	0,0170	0,0038	0,0078	0,0152
1%	Environmental	0,0049	0,0065	0,0056	0,0077	0,0086	0,0093	0,0049	0,0034	0,0048	0,0066
7%	Furniture; part	0,0077	0,0078	0,0078	0,0078	0,0077	0,0077	0,0077	0,0077	0,0077	0,0077
5%	New businesse	0,0010	0,0027	0,0006	0,0012	0,0002	0,0037	0,0041	0,0065	0,0003	0,0034
6%	Industrial desi	0,0001	0,0001	0,0000	0,0000	0,0000	0,0000	0,0003	0,0045	0,0016	0,0017
4%	Trade freedom	0,0312	0,0400	0,0320	0,0333	0,0333	0,0333	0,0299	0,0320	0,0299	0,0316
6%	E-commerce in	0,0452	0,0591	0,0471	0,0536	0,0493	0,0568	0,0475	0,0430	0,0354	0,0569
4%	ICT Developme	0,0297	0,0359	0,0294	0,0314	0,0329	0,0375	0,0253	0,0271	0,0319	0,0364
	Perf. Score	**0,3930**	**0,5299**	**0,3666**	**0,4209**	**0,4486**	**0,5195**	**0,3501**	**0,3969**	**0,4166**	**0,4958**

Figure 11: Characterized standardized results and Performance Score

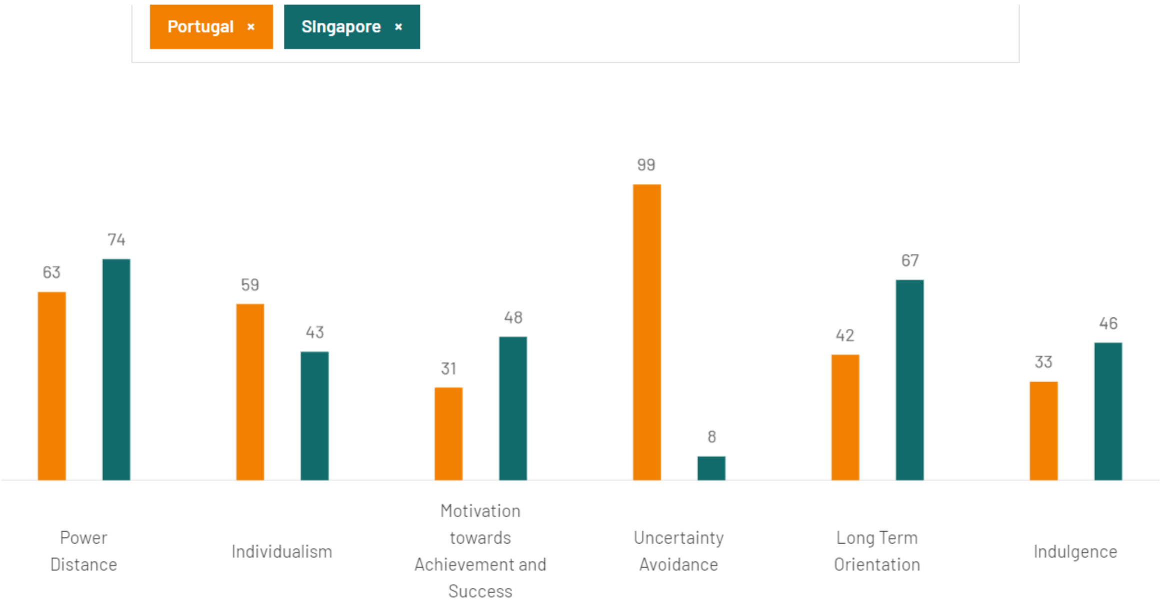

Figure 12: Hofstede's dimensions Portugal-Singapore

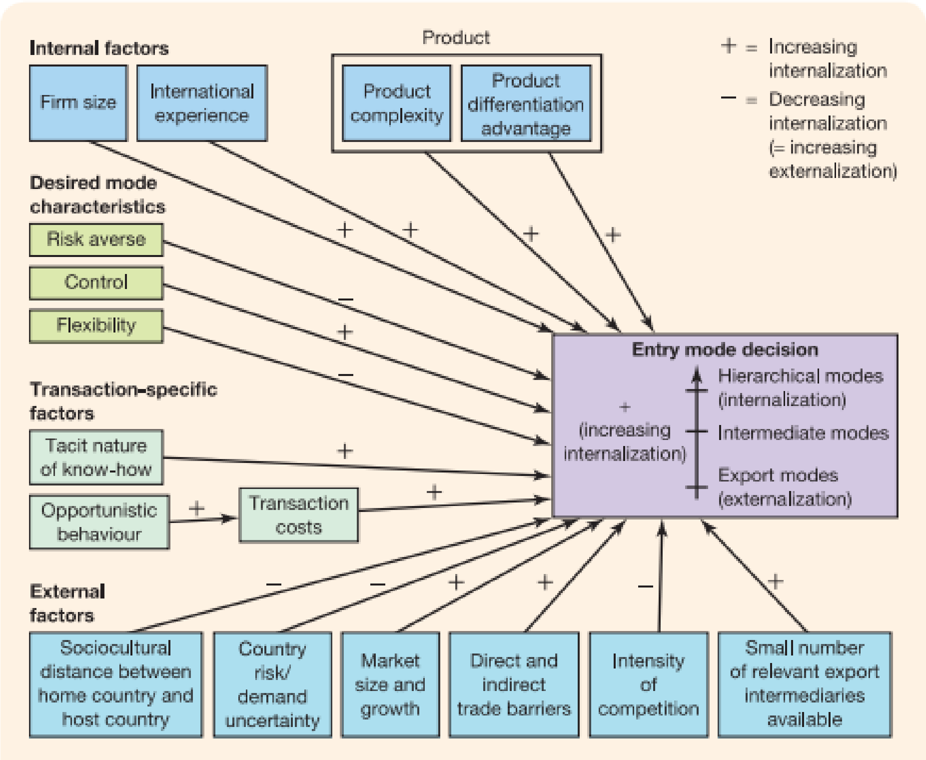

Figure 13: Factors to consider when choosing the entry mode (Hollensen 2002)

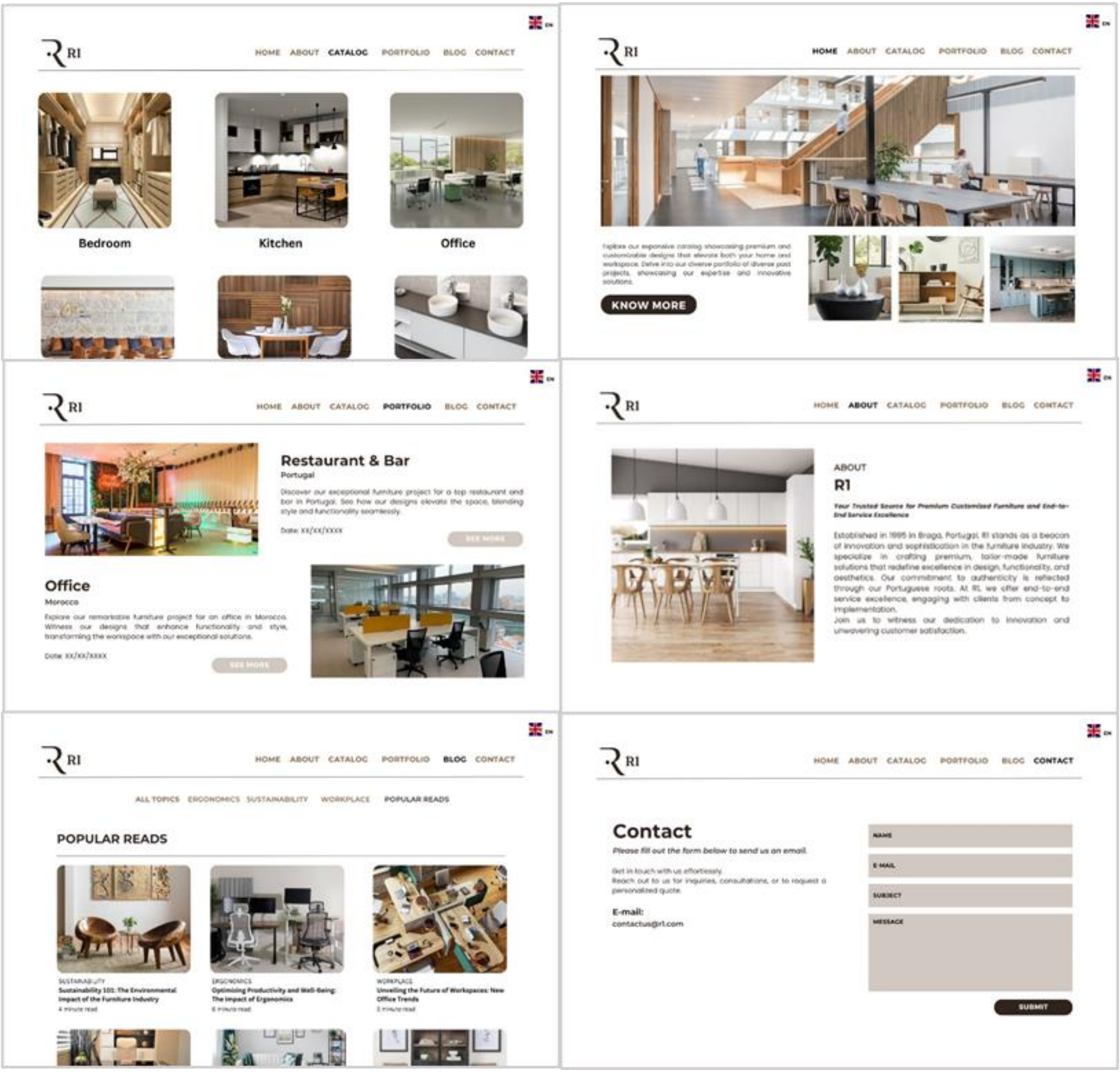

Figure 14: Visual representation of R1's possible website redesign

R1´s Revenue Estimation 2024-2028 (in US$ Billion)						
		2024	**2025**	**2026**	**2027**	**2028**
Rev. B2C (70% of total revenue) (Statista)		54,61	56,26	57,97	59,72	61,53
Rev. B2C Growth (Statista)	3,03%					
B2B (30% of total revenue)		23,40	24,11	24,84	25,59	26,37
Market share related to non top 5 performers	45%					
Market size B2B related to non top 5 performers		10,53	10,85	11,18	11,52	11,87
Expected market share of R1		0,004%	0,005%	0,006%	0,007%	0,008%
Potential Revenues (in US$ thousands)		**421,25**	**542,51**	**670,74**	**806,24**	**949,34**

Figure 15: Furniture Market Size and R1´s Revenue Estimation

R1´s Cost Estimation 2024-2028 (in US$ Thousand)						
		2024	**2025**	**2026**	**2027**	**2028**
Costs of goods sold		**261,17**	**336,36**	**415,86**	**499,87**	**588,59**
% of Rev in 2022	0,62					
Cost of employees						
Sales representative		**21,06**	**27,13**	**33,54**	**40,31**	**47,47**
Comission on revenues	5%					
Transportation and assembly		**39,1758328**	**50,45**	**62,38**	**74,98**	**88,29**
% of COGS	15%					
Marketing		**21,06**	**27,13**	**33,54**	**40,31**	**47,47**
% of Revenue	5%					
Google, facebook and Instagram ads		5,46	11,53	17,94	24,71	31,87
Marketing freelancer		15,6	15,60	15,60	15,60	15,60
rate per hour		60	60,00	60,00	60,00	60,00
hours per year		260	260,00	260,00	260,00	260,00
Fairs		**24**	**24**	**24**	**24**	**24**
Nº Fairs		2	2	2	2	2
Estimated cost per fair	12					
Expenses		**366,47**	**465,06**	**569,31**	**679,47**	**795,81**

Figure 16: R1´s Cost Estimation

P&L Forescast 2024-2028 (in US$ Thousand)					
	2024	**2025**	**2026**	**2027**	**2028**
Sales	421,25	542,51	670,74	806,24	949,34
COGS	261,17	336,36	415,86	499,87	588,59
Gross Profit	160,07	206,15	254,88	306,37	360,75
Cost of employees	21,06	27,13	33,54	40,31	47,47
Transportation and Assembly	39,18	50,45	62,38	74,98	88,29
Marketing Expenses	21,06	27,13	33,54	40,31	47,47
Fairs and events	24,00	24,00	24,00	24,00	24,00
EBITDA	54,77	77,45	101,43	126,77	153,53
Depreciation and Amortization	0,00	0,00	0,00	0,00	0,00
Interest	4,56	4,56	4,56	2,55	0,00
EBT	50,21	72,89	96,87	124,22	153,53
Corporate Income Taxes	8,55	13,76	19,28	25,57	32,31
Net Income	41,66	59,13	77,59	98,65	121,21

Figure 17: P&L Statement Forecast

CAPEX (in US$ Thousand)					
	2024	**2025**	**2026**	**2027**	**2028**
Website	18,7				
Design and Development	10				
Content management systems	3				
e-commerce funcionality	4,5				
SEO tools and Marketing	1,2				
Maintenance and support		1,87	1,87	1,87	1,87
Percentage of initial investement	10%				

Figure 18: Capital Expenditures (Capex)

R1's Net Working Capital (in US$ Thousand)					
Collection Period	100,00				
Stock Turnover	16,00				
Payable period	52,00				
	2024	**2025**	**2026**	**2027**	**2028**
Average Receivables	115,41	148,63	183,76	220,89	260,09
Average Inventory	16,32	21,02	25,99	31,24	36,79
Average Payables	37,21	47,92	59,25	71,21	83,85
Net Working Capital	94,52	121,74	150,51	180,92	213,03
-Δ Working Capital	94,52	27,21	28,77	30,41	32,11

Figure 19: Net Working Capital (NWC)

Discount Rate (DR)	
Cost of debt	4,50%
weight of debt	59,51%
CIT	23,00%
Cost of equity	13,97%
weight of equity	40,49%
DR	7,72%

Figure 21: Estimated Discount Rate

NPV, IRR and estimated Payback Period (in US$ Thousand)					
	2024	**2025**	**2026**	**2027**	**2028**
Net Income	41,66	59,13	77,59	98,65	121,21
-Δ Working Capital	94,52	27,21	28,77	30,41	32,11
Capex	18,70	1,87	1,87	1,87	1,87
FCF	-71,56	30,04	46,95	66,37	87,24
DCF	-71,56	27,89	40,46	53,10	64,79
NPV	**114,68**				
IRR	0,55				
Accumulatted Cash Flow	-71,56	-41,52	5,43	71,80	159,04
Payback Period	1,88				

Figure 22: Project´s Viability

Impact of Revenues and COGS variations on NPV								
		Revenues						
	114,68	361,25	381,25	401,25	**421,25**	441,25	461,25	481,25
COGS	201,17	114,68	130,08	145,48	160,88	176,28	191,68	207,08
	221,17	98,09	114,68	130,08	145,48	160,88	176,28	191,68
	241,17	81,49	98,09	114,68	130,08	145,48	160,88	176,28
	261,17	64,89	81,49	98,09	**114,68**	130,08	145,48	160,88
	281,17	48,29	64,89	81,49	98,09	114,68	130,08	145,48
	301,17	31,69	48,29	64,89	81,49	98,09	114,68	130,08
	321,17	15,09	31,69	48,29	64,89	81,49	98,09	114,68

Impact of Collection and Payable Periods on NPV								
		Average Collection Period						
	114,68	70	80	90	**100**	110	120	130
Average Payable Period	22	141,51	117,97	94,44	70,90	47,37	23,84	0,30
	32	156,10	132,56	109,03	85,50	61,96	38,43	14,89
	42	170,69	147,16	123,62	100,09	76,55	53,02	29,48
	52	185,28	161,75	138,21	**114,68**	91,14	67,61	44,08
	62	199,87	176,34	152,80	129,27	105,74	82,20	58,67
	72	214,46	190,93	167,40	143,86	120,33	96,79	73,26
	82	229,06	205,52	181,99	158,45	134,92	111,38	87,85

Impact of Cost of Debt and Equity variations on NPV								
		Cost of Debt						
	114,68	2%	3%	4%	**5%**	6%	7%	8%
Cost of Equity	8%	134,79	132,21	129,66	127,17	124,72	122,32	119,96
	10%	130,25	127,75	125,29	122,87	120,50	118,18	115,89
	12%	125,86	123,43	121,05	118,71	116,42	114,17	111,95
	14%	121,60	119,25	116,95	**114,69**	112,46	110,28	108,14

16%	117,48	115,21	112,98	110,78	108,63	106,51	104,44
18%	113,49	111,29	109,13	107,00	104,92	102,87	100,85
20%	109,63	107,49	105,40	103,34	101,32	99,33	97,37

Figure 24: Sensitivity Analysis on NPV