



Internationalization/Consulting Lab Fall Semester
2018/2019 Final Presentation

A high-resolution photograph of the Earth as seen from space. The planet's curvature is visible, showing a mix of blue oceans, green landmasses, and white clouds. The background is a deep black space filled with numerous small, bright stars.

Stam Portugal and its expansion through Europe

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Executive Summary (1/2)

- This internationalization project is structured in 3 phases. It starts with a brief overview of the company and the industry, followed by the Strategic Decisions (Market Selection, Resources and Capabilities, Entry Modes and Distribution Channels), ending with a Business Plan for a 6-year period (Marketing, Operational and Financial)
- Stam was founded 47 years ago by an entrepreneur, Francisco Faria, and it is, today, the leader in the Brazilian market of locks and padlocks. The company's excess capacity in Brazil and the connections of its shareholders to the European market created the desire to expand the business overseas, having as final goal increasing its profits. Stam Brazil and the other shareholders intend to open a logistics centre in Portugal and expand in the padlock segment to 2-3 countries in the next 3-5 years
- Starting with the Market Selection, Country Clustering and Country Ranking were the first steps to select the best markets for Stam to enter Europe. They were used to assess the attractiveness of the European Union Countries. From the Country Clustering, the Western Cluster was identified as the most suitable option, and through the Country Ranking, it was possible to conclude that the top 5 most attractive countries were Belgium, France, Italy, Luxembourg, and Spain
- The final step in this Market Selection is to perform an In-Depth Analysis of these countries, using a Competitive Analysis and a Market Potential Index. Although all 5 countries have very attractive market conditions, Spain and France stand out with the best scores, given their Market Size and high number of potential customers
- Secondly, an analysis of Stam Brazil's current resources and capabilities (VRIO) was performed to identify which ones can be transferred to the European market, and which ones need to be developed. Although some resources and capabilities are transferable, Stam still needs to develop Human, Physical and Organizational resources, as well as Intellectual Property
- Moreover, following a Strategy Canvas analysis, it is possible to conclude that Stam has the resources and capabilities to differentiate on design and packaging. In this sense, it is recommended for the company to develop a Focused Differentiation Strategy to position itself in the European market
- In order to choose the best Entry Modes for the selected countries, a complementary approach based on a Strategic explanation and a Decision Framework was used. To be consistent with the Focused Differentiation Strategy, the recommended solution is to combine different Entry Modes, which together lead to optimal levels of control, knowledge about the market, and flexibility
- The internationalization should follow a Double-way strategy. Firstly, Stam should coordinate the operations in Europe from its Sales subsidiary in Portugal. Secondly, it should expand from Portugal to the target markets, through a combination of Direct sales and Direct exporting
- Finally, a country by country internationalization strategy is recommended, starting with Portugal in 2020, Spain in 2021 and France in 2022. By following this strategy, Stam is able to gain more money to invest, while increasing the knowledge and contacts it has in the European market

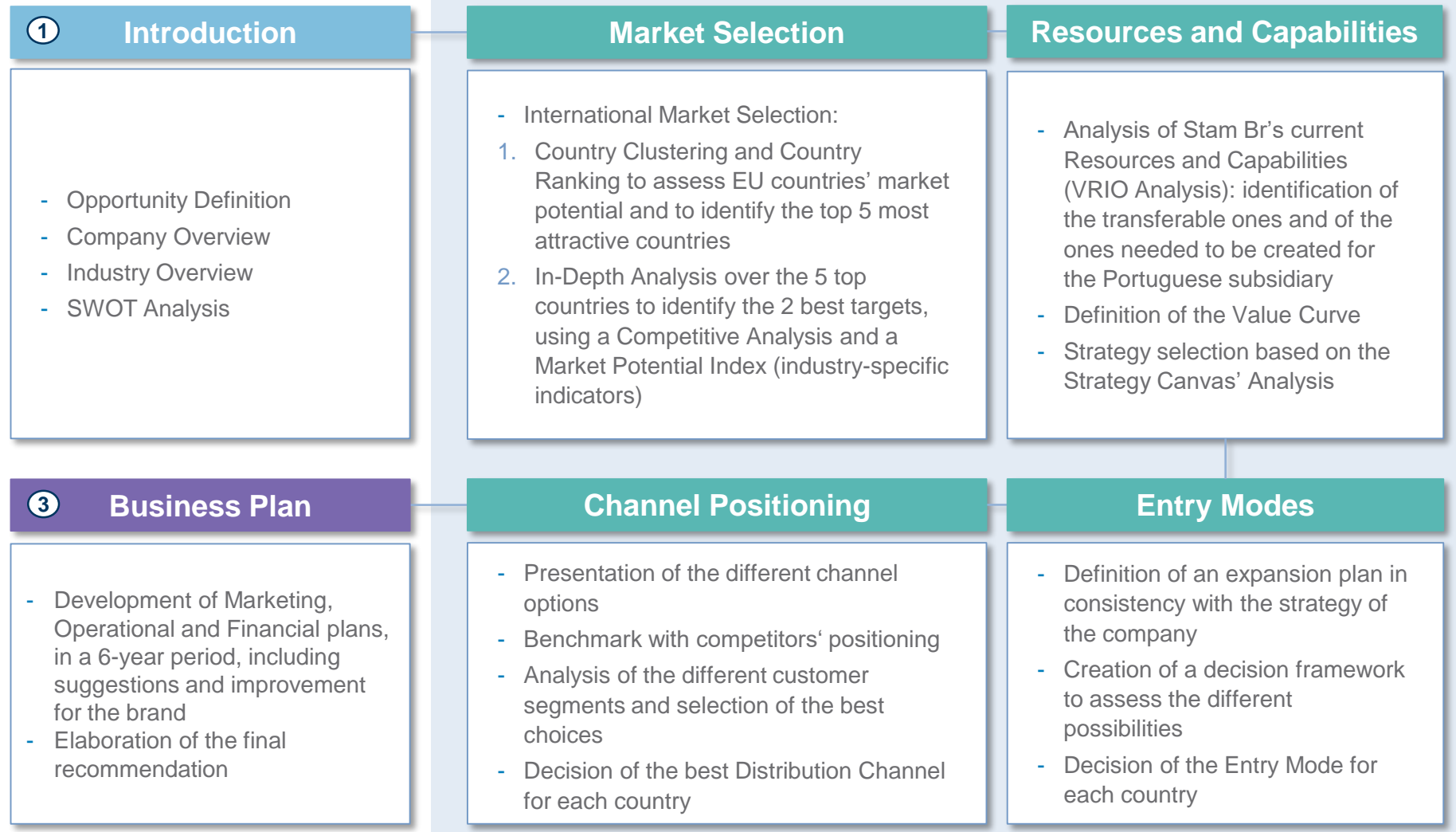
Executive Summary (2/2)

- Lastly, the Strategic decisions end with the Channel Positioning. DIY retailers and e-commerce platforms will be considered as Stam's main points of sale within its B2B Strategy. Since the recommendation for Stam is to enter with a Sales subsidiary in Portugal, which already acts as an intermediary, the most suitable distribution channel would be a Direct one. For Spain and France, the most suitable channel is a Direct distribution channel, using a Sales Office
- Moving to the Business Plan, to what concerns the Marketing Plan, our research concludes that the only product line within Stam's portfolio that would allow the firm to benefit from a clear differentiation advantage is the Life Colors line. With this, Stam finds a clear gap to position itself as the most "Fun and Colourful" brand on the market. Based on its characteristics, Stam's main targets would be Millennials, Centennials, and Teens
- Life Colors padlocks would be sold through the Adeo Group. Moreover, sales through DIYs would be complemented by an e-commerce strategy, with Amazon as the intermediary to reach the final consumer. To effectively reach its target consumers, Stam needs to adopt a push strategy, mainly focusing and investing on in-store communication initiatives. Online Communication will serve as support and will have a strong role at a post-purchase stage
- Stam's Operational Plan consists on the Company's Organization, the set up of a subsidiary in Portugal, the Supplier and Inventory Management, and the Distribution. In 2022, Stam Europe will be structured by a main Subsidiary with its Office and Warehouse in Portugal (Matosinhos) and two additional Sales Offices in Spain and France
- Stam's HR team will consist of a General Manager, 2 Commercials, a Warehouse Manager and a Material Manager. Moreover, Stam's Distribution Costs have been computed through an estimated amount of padlock sales and transportation prices given by Torrestir Logistic company
- Regarding the Financial Plan, it aims to assess the financial viability of the strategic recommendations by determining Stam's Business Model in Europe and projecting the key financial statements in the next 6 years
- Through DIY and online sales, Stam is expected to reach 0.97% of the total padlock market in Portugal, 0.99% in Spain and 1% in France. Stam's Variable Costs constitute the padlock purchases from Stam Brazil, Distribution Costs and Amazon's margin, while the Fixed Costs come from the CAPEX, Costs of Instalment and SG&A. Furthermore, given the internal conditions of the company and external climate of the padlock market, the best source of financing would be a shareholders' investment
- The company would start with negative profits in the first 2 years, and as it enters the French market it would become profitable
- Stam's internationalization to Europe is financially viable, although extremely volatile. Matched with the strategic analysis, projections suggest a highly volatile market, making the final decision of the company dependent on the risk that the shareholders are willing to take, and whether or not they are looking for short-term profits

The project is structured in 3 phases. It starts with a brief overview of the company and industry, followed by the Strategic Decisions and concluding with the Business Plan

Methodology

② Strategic Decisions



Agenda

1. Introduction
 - a. Opportunity Definition
 - b. Company Overview – Stam Brazil
 - c. Product Description – Padlock Segment
 - d. Stam’s Positioning
 - e. Success Factors – Brazil
 - f. Global Strategy
 - g. Product Life cycle
 - h. Industry Analysis – Michael Porters’ Five Forces
 - i. SWOT Analysis
2. Market Selection
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 - e. Key Takeaways
 - f. Road Map to Europe
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 - h. Customer Segment Decision
 - i. Market Coverage
 - j. Conclusion
5. Business Plan
 - a. Marketing Plan
 - b. Operational plan
 - c. Financial Plan

Stam Brazil's internationalization is only the last step of a 47 years lasting journey. The firm's goal is to have the same success in Europe as it has in its home market

Methodology – Introduction



Stam Brazil intends to open a logistics centre in Portugal and expand in the padlock segment to 2-3 EU countries in the next 3-5 years

Opportunity Definition (1/2)

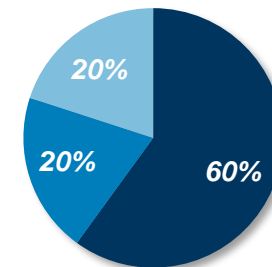
Project's Premises

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

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

Stam Brazil is the market leader in the padlock segment in Brazil

Stam Portugal Logistics Centre



- Stam Brazil
- Mr. Alcides
- Mr. Jacob

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

Opportunity Definition (2/2)

Why expand from Brazil?

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



Why expand to Europe?

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



Why a logistics centre in Portugal?

- Portugal is the **closest country** to Brazil in Europe, making it easier to export
- The countries have a similar **culture**, even sharing the same language
- One of the 3 shareholders is Portuguese, benefiting from **connections in Portugal**
- The country is **attractive** in terms of wages, logistics (good ports), as well as low taxation



Stam is the leader in the Brazilian market of locks and padlocks, producing in one of the most modern factories of all Latin America

Company Overview (1/2)



stam

- Stam was created in 1971 by Francisco Faria ²
- Stam is the **Brazilian market leader** in the production and commercialization of locks and padlocks
- Its production plant is one of the most **modern of all Latin America**
- Nowadays, Stam's products are **widely diffused** across the national territory, from small shops to big area stores
- The company focuses on producing high quality and security products in an innovative, environmental and social **sustainable way** ³

KEY FIGURES

- **Production plant** of 35.000 m²
- **Sales per type of product in 2017:** 6.094.285 - padlocks; 11.347.252 - door locks; 3.660.208 - others (accessories, handles, hinges, etc.)
- **Percentage of sales per segment:** 28,88% - padlocks; 53,77% - door locks; 17,35% - others (accessories, handles, hinges, etc.)
- Stam's **market share in Brazil** in the padlock segment: 21%¹

¹Market Share = (Stam units sold)/(total units sold for Stam, Pado, and Papaiz)

²Appendix 1

³Appendix 2

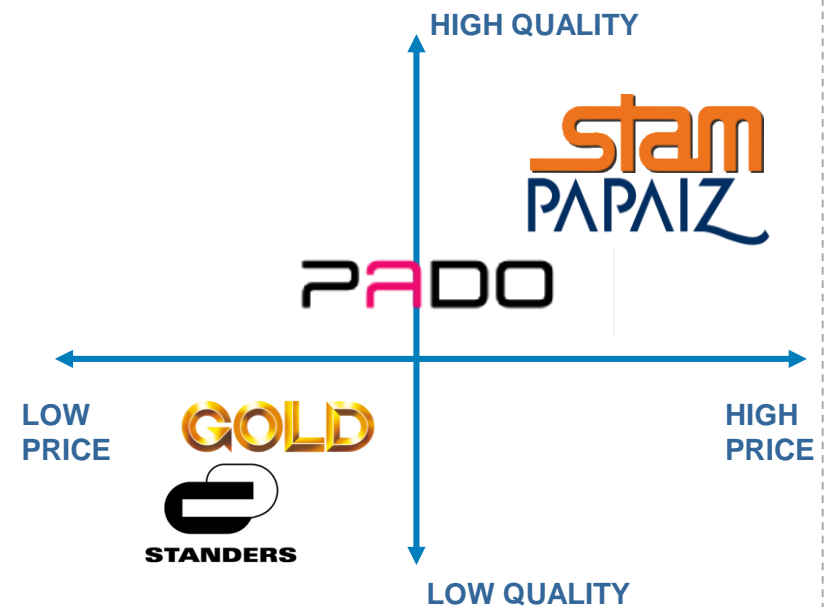
Stam is present in Brazil with 4 product lines, competing against strong national players. The most immediate competitor in the padlock segment is Papaiz, positioned similarly in both price and quality

Company Overview (2/2) – Portfolio and main competitors within the Brazilian market

Product Mix



Main competitors within the Brazilian Market



- The main competitors, in the padlock segment, are **national players**
- Overall, Stam is aligned with **Papaiz** (a Brazilian company, part of the Assa Abloy Group) in terms of price, but overall offers **better quality** products
- **Pado** positions itself in the middle, in terms of both quality and price
- **Gold** and **Standers** (Leroy Merlin's private label brand) are the cheapest brands on the market with lower quality products

Stam's product portfolio, in the padlock segment, differs mostly in terms of material and colors, which affect quality, security and differentiation of the brand

Product description: Padlock Segment – Characteristics ¹

	Type	Material	Width	Shackle	Colour
BRASS PADLOCKS WITH 2 KEY 	Keyed	Brass	20/25/30/35/40 /45/50 mm	Normal	No (Golden)
ZAMAC PADLOCKS ZINC ALLOY E-COAT WITH 2 KEYS 	Keyed	Zamac	20/25/30/35/40 /45/50 mm	Normal, medium and high	No (Golden)
Life COLORS PADLOCKS WITH COMBINATION 3-DIGIT 	Coded- 3 Digits	Zamac	20/25 mm	Normal	27
PADLOCKS ZAMAC WITH COMBINATION 	Coded- 3 Digits	Zamac	25 mm	Normal	9
PADLOCKS ZAMAC WITH COMBINATION 	Coded- 4 Digits	Zamac	40 mm	Normal	3

¹Appendix 3-6

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

Stam Brazil's Positioning

High quality



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

High price



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

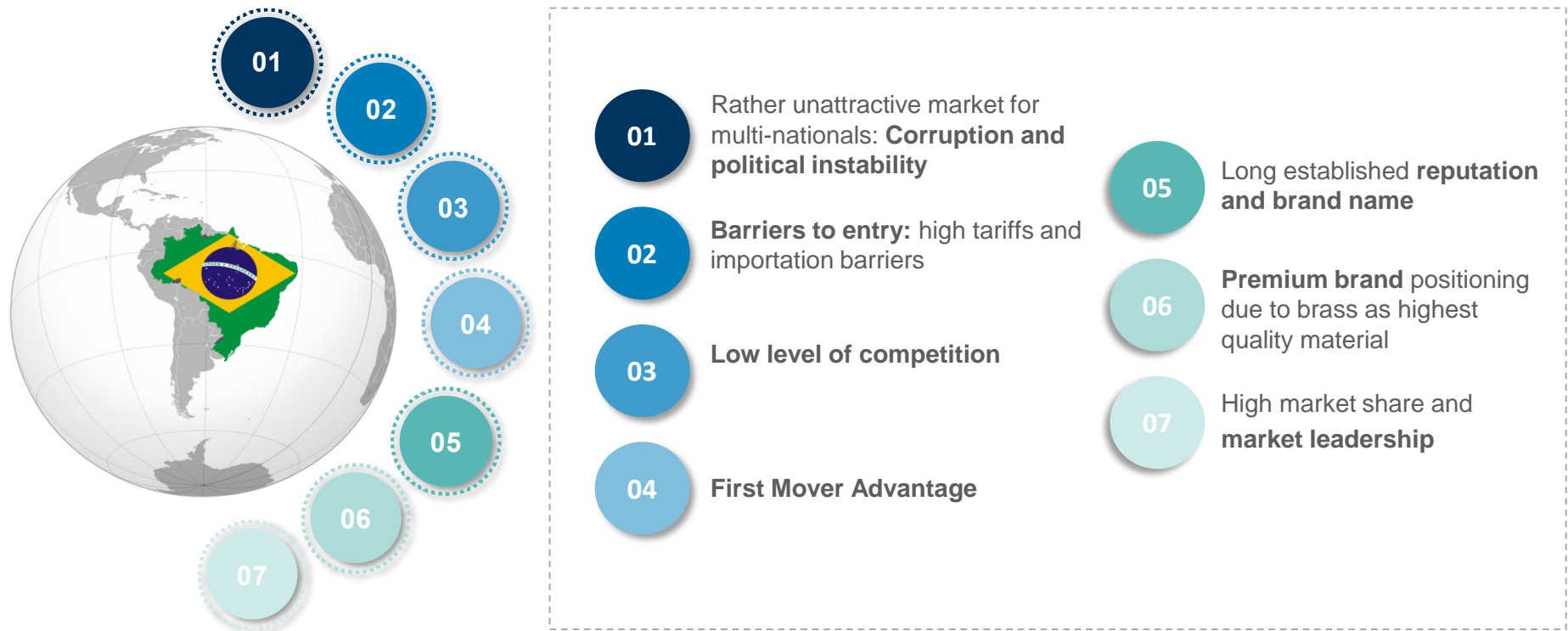
Packaging



- The company bets on a **colorful packaging** that stands out from competition
- Both blisters and box packages have the colors of the company's logo, which are vibrant and tropical, creating more **brand awareness** (recognition and recall) and **attracting customers**

Stam Brazil's success in the home market is determined by several Key Success Factors, which are mostly not transferrable to the European market

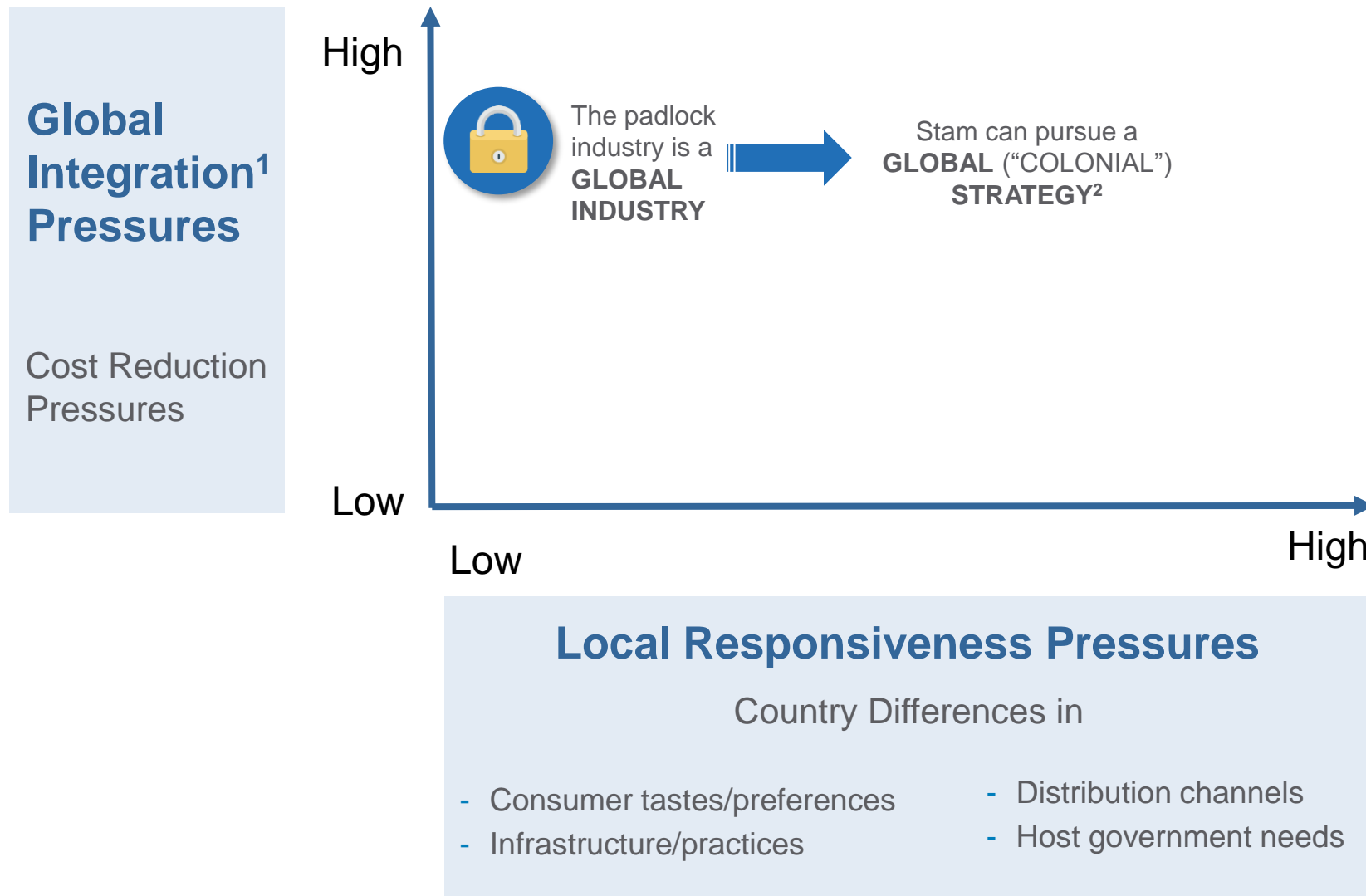
Stam Brazil's Key Success Factors



These Key Success Factors are determinant for the company's success in the Brazilian market. However, most of them **are not transferrable** to the European market

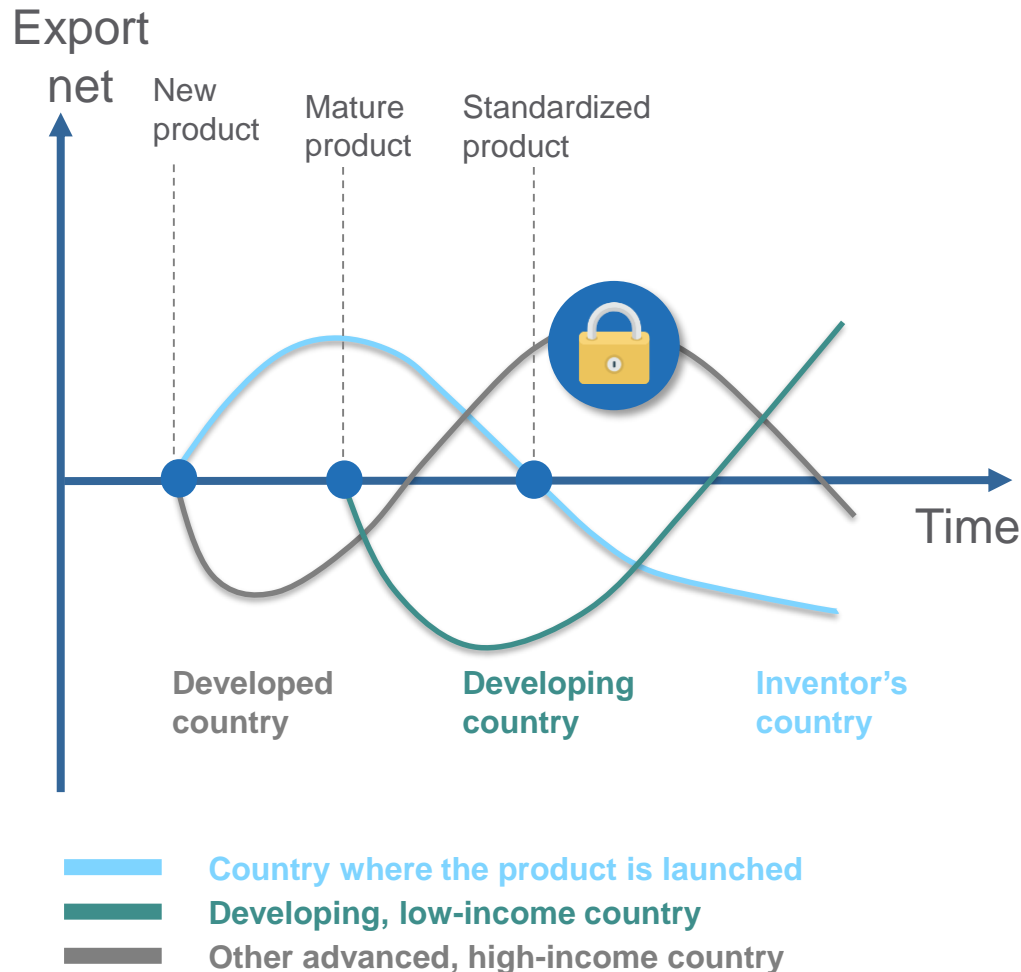
The Padlock Industry is a global industry and a global oligopoly. In a global oligopoly, with the exception of certain local markets, a few big international players compete at a world level

Industry Overview – Integration-Responsiveness Framework



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

Industry Overview – International Product Life Cycle (IPLC) Theory¹



Padlock Industry is in a phase of standardization

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

The main threats for any player in this industry are the large number of competitors and the power of retailers, such as DIYs

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



Supplier Power

- Large **competitors** built their own facilities in China, becoming **more competitive in costs**
- Production site influences **buyer’s perception** regarding the quality of the product



Threat of Substitutes

- Major competitors have launched lines of **smart locks**, which have many uses, perceived as safer and practical



Competitive Rivalry

- **Large number** of competitors
- Shelf space is dominated by larger, **worldwide competitors** such as Master Lock, Yale and Abus
- Worldwide competitors are **hard to defeat**, as they have more contacts in each country, a wider product portfolio, and benefit from high brand awareness

- Competitors have similar products, made out of the same materials (brass, aluminum, steel, zinc or zamac) and same sizes
- Materials with a slightly less quality, such as zamac, are not usually perceived as so, since they are painted with the same colors of quality materials



Buyer Power

- Retailers can drive prices down due to **lack of differentiation**
- **Retailers’ white labels** compete directly with other padlock brands
- Infrequent purchases and high level of similarity makes some **consumers appeal to a low price**
- Others take into consideration the personal losses when a padlock does not provide security, preferring high-quality products, which leads to a **lower price sensitivity**



Threat of New Entrants

- **Concentrated** competition is difficult to beat
- **Lack of differentiation** between products leads to a very **saturated market**, with few opportunities to enter
- **Increase in innovation** in this industry is a great threat
- Although the production of padlocks benefits from **economies of scale**, these products have a very low degree of differentiation and are usually **produced already in mass** and in an **optimal way**

To be successful in this market, the company needs to adjust its positioning in relation to major competitors and retailers (DIYs)

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

Supplier Power



- **High threat** for the industry, as production costs might not be viable to compete with Chinese ones from major competitors. This affects the price positioning of each company and their overall profitability

Threat of Substitutes



- **Not a big threat yet**, as consumers’ mindset is not ready for this change: Smart Locks are expensive in comparison with traditional padlocks, and involve a greater level of commitment with the product itself, as well as a decrease in frequency of purchase
- Likely to increase throughout time, as consumer’s mindset adapts

Competitive Rivalry



- **Sustainable threat**, as competitors are in the market for many years, having gained brand awareness and competitive advantage through costs, bargaining power and price

Buyer Power



- Once most of the clients of the companies are their **direct competitors** (DIYs), they need to take into consideration the retailer’s side when positioning in terms of price and when setting the retailer margin
- Retailers will only sell new products if their profit is larger than the current

Threat of New Entrants



- The main driver of success of this industry is **economies of scale** - companies need to produce in high quantities from the beginning

Benefiting from high levels of economies of scale and by producing in large quantities in Stam Brazil, Supplier Power and Threat of New Entrants are minimized for Stam PT. However, close substitutes are likely to spread throughout time as technology develops, increasing the level of competition for the company

Stam Brazil's strengths, weaknesses, opportunities and threats support the intention to open a logistics centre in Portugal and expand in the padlock segment

SWOT Analysis



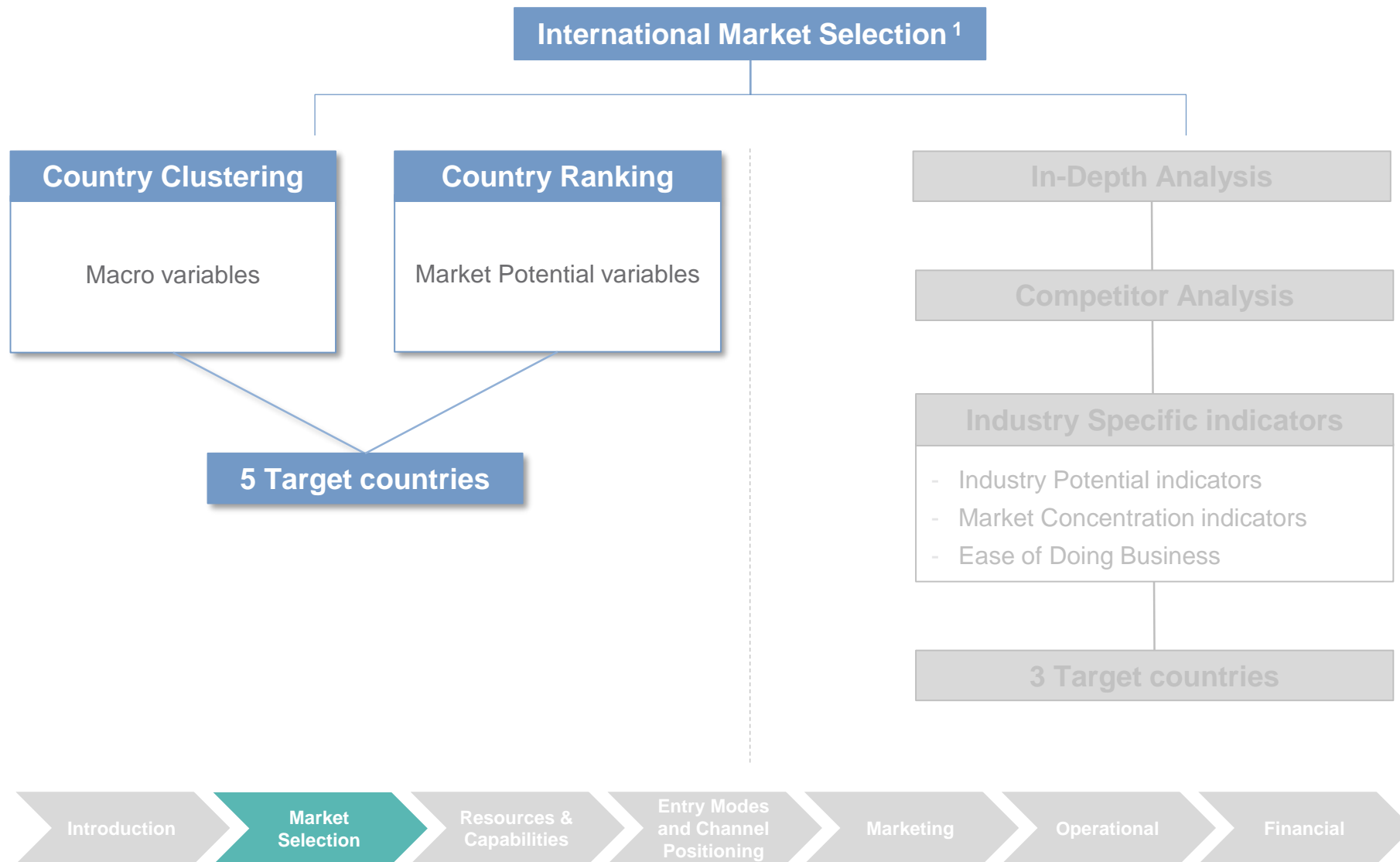
These strengths, weaknesses, opportunities and threats for Stam Brazil are in alignment and even support Stam Portugal's shareholders' intentions to open a logistics centre in Portugal and expand in the padlock segment to 2-3 countries in the next 3-5 years

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Country Clustering and Country Ranking are used to assess the attractiveness of EU countries and to find the top 5 countries which an In-Depth Analysis was developed on

Methodology – Market Selection



¹ Appendix 8-9

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

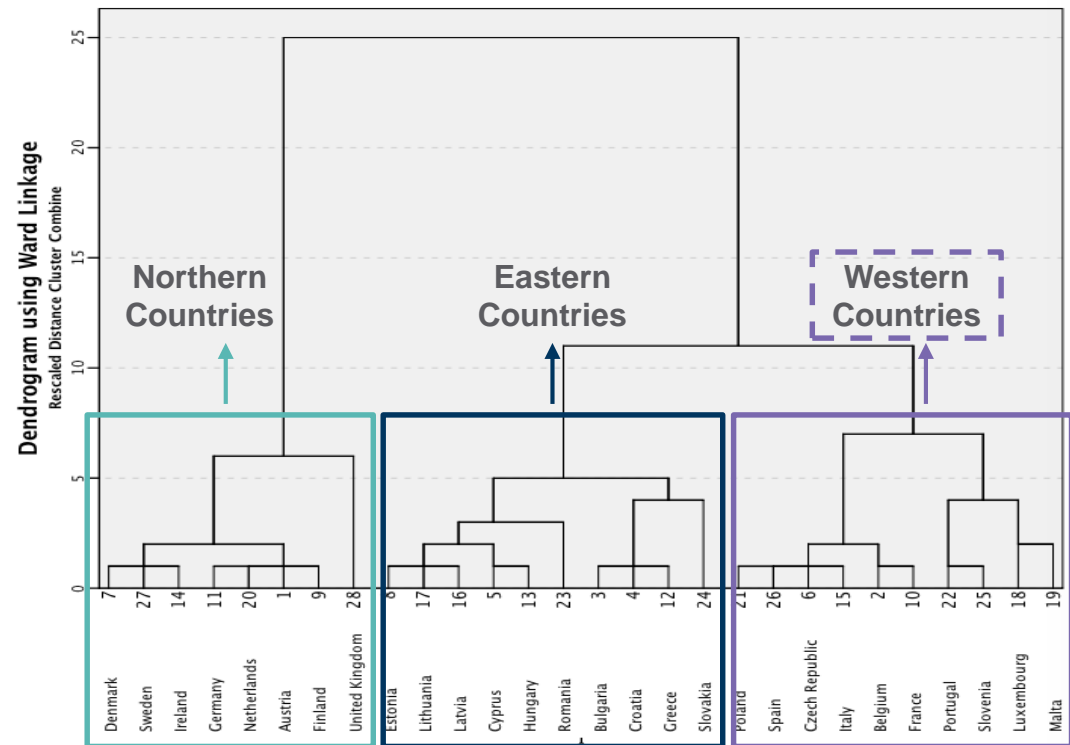
Country Clustering

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

Analysis on European Union Countries (28)¹

Variables:

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



¹ Appendix 10-12

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

Country Raking

- This is a complementary approach to Country Clustering, since the previous model compares countries according to their macro similarities, and this method allows to identify the **most attractive countries** to invest in, given their market potential
- Country Ranking is used to rank the countries, inside the chosen cluster, according to Market Potential variables, which are more industry related. Through the ranking, it is possible to identify the countries with the **highest market potential and attractiveness**, and, therefore, the **most suitable countries** for Stam's expansion
- A set of **7 dimensions** was created by Cavusgil, Kiyak, & Yenyurt, 2004, to measure countries' market potential. Nevertheless, the dimensions and variables can be adapted according to the industry, project or business. Moreover, the weight of each factor is decided by the management, according to the business' specificities

Analysis on the chosen cluster - Western Countries ¹

Variables:

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

Focus in-depth in top 5 countries:

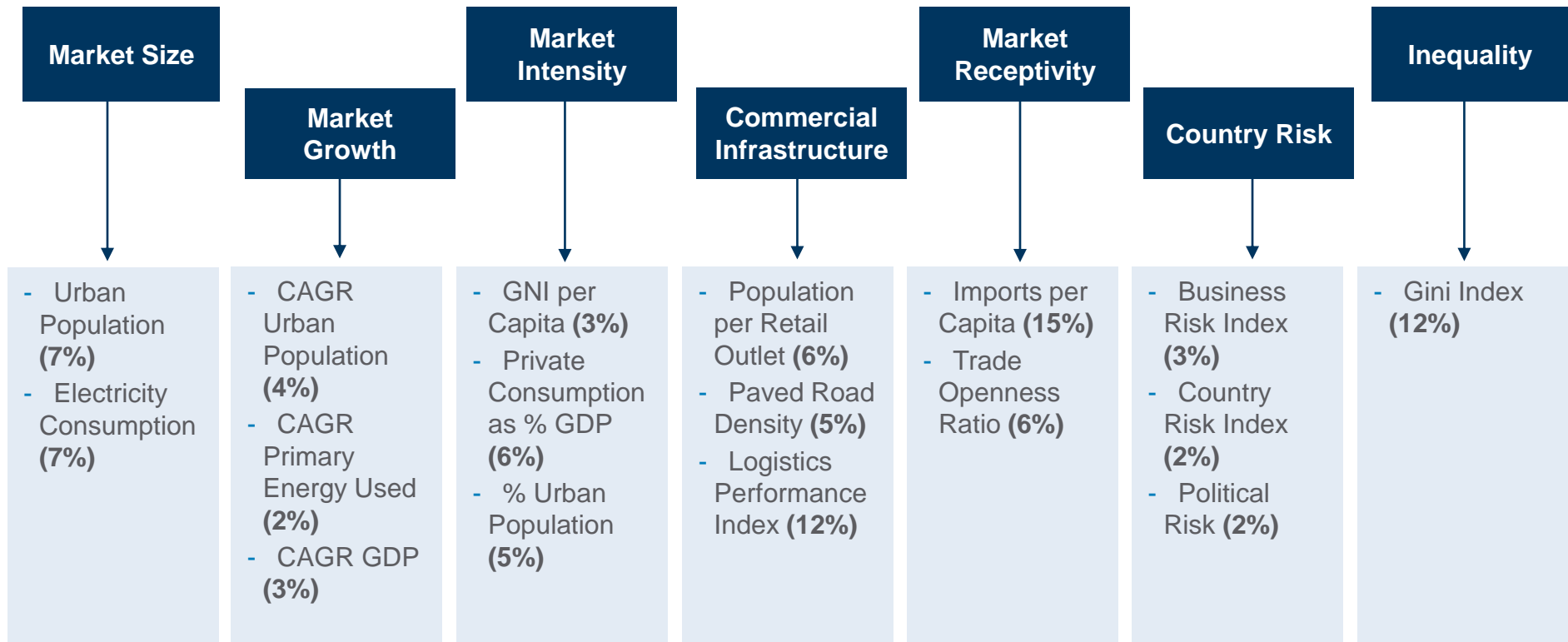
- Belgium 
- France 
- Italy 
- Luxembourg 
- Spain 

Countries	Overall Rank	Market Size				Market Growth			
		Urban Population	St Urban Population	Electricity consumptio	St electricity consum	CAGR Urban Populat	St CAGR Urban Popu	CAGR primary e	St CAGR primar
Luxembourg	11	544	28	13915	4	3,246	1	-0,0106829	10
Belgium	16	11140	23	7709	17	0,401	18	0,012487745	7
Spain	16	37295	12	5356	22	0,489	18	0,040604865	3
France	17	53816	5	6940	19	0,715	16	0,01674756	6
Italy	17	42473	10	5002	23	0,287	19	0,034043559	4
Portugal	18	6655	25	4663	24	0,572	17	0,041280665	3
Poland	20	22825	18	3972	25	-0,106	21	0,011746471	7
Czech Republic	20	7803	25	6259	20	0,379	18	0,004772671	8
Malta	20	440	28	4925	23	2,228	7	-0,146872883	28
Slovenia	21	1122	28	6728	19	0,550	17	-0,011152528	10

¹ Appendix 13-15

To assess the overall Market Potential, several variables were chosen and further grouped into 7 dimensions, with different weights of importance

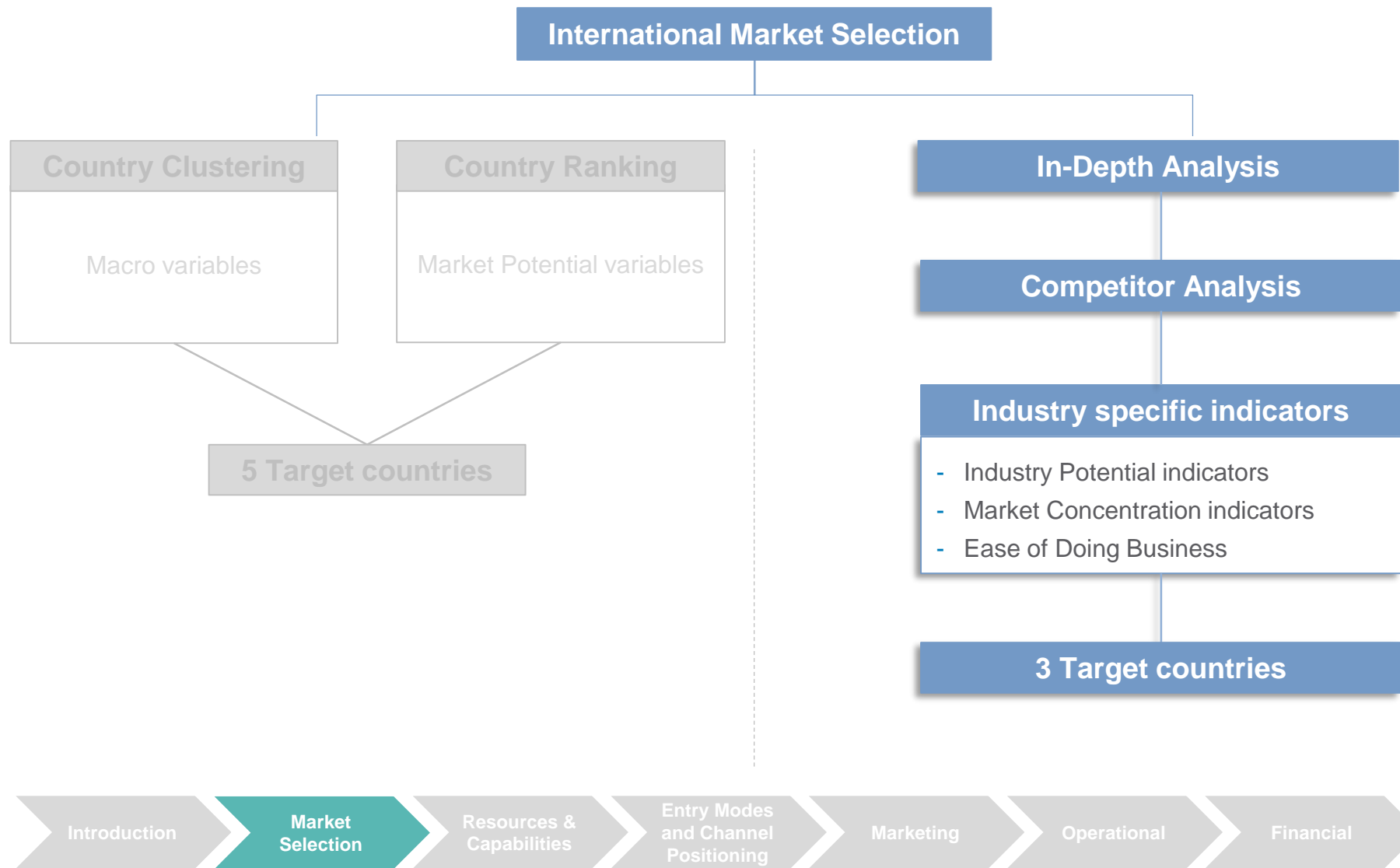
Country Ranking – Variables & Weights



- The **17 variables** are grouped into **7 dimensions** to assess the overall **market attractiveness**
- The model used focuses on **long-term market potential**, instead of country risk or profit conversion. Thus, the selected variables englobe economic and demographic variables to assess future demand and industry/country market data to measure the market attractiveness (Arnold and Quelch, 1998)
- Each variable was **standardized in a scale of 1 to 100**, as well as given **different weights**, according to their importance. The most valuable are the ones more related with the activity that is being developed, as well as the internationalization process, giving more information regarding the possibility, as well as easiness, of padlocks' commercialization in Europe









The In-Depth analysis is used to assess the market potential of the top 5 countries in more detail, using the Market Potential Index. The analysis helped identify the two best target countries for Stam's internationalization

Methodology – Market Selection



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









Competitive Analysis (1/2)

Master Lock 	Abus 	Yale 	Bizline 
<p>Strengths: Recognition around the world; Largest global manufacturer and marketer; Seen as “the authentic, enduring name in padlocks and security products”</p> <p>Weaknesses: High prices</p> <p>Product Description: Wide portfolio of products with different sizes, materials, models, colours and locking methods (digits, keys and digital)</p> <p>Differentiation: Customization of products</p> <p>Market Power: Number one in almost every market; Market Presence Proxy (MPP) ¹ up to 74% in DIY; Less power in professional stores, with MPP ¹ up to 27%</p> <p>Presence: </p>	<p>Strengths: Operates worldwide; Supplies several areas on all continents, with customized security solutions</p> <p>Weaknesses: Lower market presence and brand awareness compared to major competitors</p> <p>Product Description: Over 10 different models of products with different sizes, colours, materials, formats and locking methods (digits or key)</p> <p>Differentiation: Model produced with recyclable materials</p> <p>Market Power: Number one brand in DIY stores in Spain; MPP ¹ in these type of stores is up to 53%; Most present brand in professional stores in Belgium; MPP ¹ up to 88%</p> <p>Presence: </p>	<p>Strengths: Operates worldwide; Among the most respected and old lockers brand; Develops products for residential, commercial and industrial use</p> <p>Weaknesses: Lack of presence in Professional stores</p> <p>Product Description: Extensive portfolio range, with different types and designs but limited product line</p> <p>Differentiation: Full range of products developed for young people</p> <p>Market Power: Present in the majority of European countries; MPP ¹ in DIY stores fluctuates among 3% and 22%; Less presence in professional stores, with MPP ¹ changing among 3% and 5%</p> <p>Presence: </p>	<p>Strengths: Specialist of equipment and consumables for professionals; markets its products through the Rexel network - world leader in the distribution of electrical supplies</p> <p>Weaknesses: Only present in professional stores</p> <p>Product Description: Small portfolio with very simple models in standard materials and measures</p> <p>Differentiation: Padlock with nylon handle</p> <p>Market Power: In the top 3 of most present brands in the professional stores, with a MPP ¹ of more than 13%</p> <p>Presence: </p>

¹ Market Presence Proxy, developed in Competitive Analysis: Appendixes 16-31

There are many national competitors with high power in the national market, such as Viro, in Italy, and Ifam, in Spain

Competitive Analysis (2/2)

Viro 	Cisa 	Maurer 	Lince 	Ifam 
<p>Strengths: World-renowned for its focus on quality and the range of security solutions</p> <p>Weaknesses: Very focused on the Italian market</p> <p>Product Description: Wide range portfolio with several models available in different sizes, colours, materials and locking methods (digits or key)</p> <p>Differentiation: Padlock developed specifically to be used with chains</p> <p>Market Power: Most present brand in Italy in professional stores, with a MPP¹ of more than 30%; In DIY stores is the second most present brand, but MPP¹ is only 12,6%</p> <p>Presence: </p>	<p>Strengths: Brand associated with superior quality</p> <p>Weaknesses: Only sells key padlocks; Only present in professional stores</p> <p>Product Description: 2 big types (major difference is material), with 2-3 models in each; In each model, padlocks present few differences in terms of design and sizes</p> <p>Differentiation: Highly resistant to weather and corrosion and with an ergonomic design</p> <p>Market Power: Second most present brand in the shelves in Italy, with a MPP¹ of more than 12%</p> <p>Presence: </p>	<p>Strengths: Belongs to the largest hardware and tools company, Ferritalia, operating in Italy; The enterprise has deep knowledge of market needs and the technical characteristics of the products</p> <p>Weaknesses: Only present in professional stores</p> <p>Product Description: Several models of padlocks, present in most common sizes, materials and designs</p> <p>Differentiation: Padlock specifically for motorbikes or scooters</p> <p>Market Power: Belongs to the top 3 of the most sold brands in Italy, with a MPP¹ of almost 11%</p> <p>Presence: </p>	<p>Strengths: One of the leading brands in the Spanish market and the presence in international markets is increasing;</p> <p>Weaknesses: Low market presence worldwide</p> <p>Product Description: Different models in their portfolio, with products in different materials, sizes, colours and locking methods; Variety lacks in each model</p> <p>Differentiation: Accessories to complement padlocks</p> <p>Market Power: Market share with some importance in DIY and professional stores, with a MPP¹ around 11%</p> <p>Presence: </p>	<p>Strengths: International presence; Gains world recognition by participating in trade shows</p> <p>Weaknesses: very small presence in DIY stores</p> <p>Product Description: 6 models available in different sizes, colours, materials, formats and locking methods</p> <p>Differentiation: Model that is corrosion resistant, and with inox cable</p> <p>Market Power: Number one brand in Spain in professional stores, with a MPP¹ reaching almost 70%; In DIY stores the MPP¹ is lower that 1%</p> <p>Presence: </p>

¹ Market Presence Proxy, developed in Competitive Analysis: Appendixes 16-31

Spain and France present the highest industry Market Potential, given their Market Size and high number of potential customers

Market Potential Index (1/3)

Industry Market Potential Indicators

	Spain	France	Belgium	Italy	Luxemburg
Market Size (2017)	€ 22.460.171	€ 43.346.125	€ 3.207.690	€ 10.202.500	€ 640.900
1-year CAGR	17,66%	21,09%	-17,06%	-2,77%	5,57%
5-year CAGR	11,17%	10,25%	-3,59%	-0,56%	11,28%
Nr Major DIYs¹	2047	1374	379	516	5
Nr Major Professionals¹	160	585	103	189	N/A
Pricing (DIY)²	€ 7,11	€ 7,56	€ 11,95	€ 8,45	€ 9,33
Pricing (Professionals)²	€ 8,51	€ 13,8	€ 11,88	€ 8,9	N/A

Variables

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

Insights

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

Source: PRODCOM list (NACE Rev. 2) - annual data [DS-066341]

¹ Number of major DIY and Professionals stores, developed in Competitive Analysis: Appendixes 16-31

² Average price of comparable products: Appendixes 32-33

Despite the high concentration of competition, Spain, France and Italy give an overall attractive outlook for Stam to capture market share

Market Potential Index (2/3)

Market Concentration and Entry Barriers

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

Variables

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

Insights

DIY segment:

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

Insights

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

Professionals segment:

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

Although all 5 countries have very attractive market entry conditions and logistics performance, Spain and France stand out with the best scores

Market Potential Index (3/3)

The Best target markets



- The final results of this In-Depth analysis reveal that the best markets to enter in this first phase of Stam's European expansion are **France and Spain**
- It is important to note that all five countries are the top ones in terms of attractiveness, meaning that Belgium, Italy and Luxemburg would still be a good choice in a further stage

The Portuguese padlock market has a rather small Market Potential and high Market Concentration. However, Portugal is very attractive in terms of Entry Barriers and Logistics Performance

Portugal Attractiveness

Industry Market Potential

- **Market Size:** In 2017, the Market Size was valued at € 2.697.830 million, with a 1-year CAGR of 27,03% and a 5-year CAGR of 4,98%, caused by the decline of exports and increase of imports
- **Number of Potential Customers:** Portugal has about 169 major DIY stores, being the majority from big European groups, such as Leroy Merlin, Aki, MaxMat, BricoMarché and BricoDepot. Regarding the Professionals segment, the customer potential is low given the small number of Professional stores
- **Average Sale Price (in DIY and Professional stores):** Due to Portugal's low buying power, padlocks' prices are lower than the average of Spain, France, Italy, Belgium and Luxembourg

Market Entry Conditions

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

Market Concentration

- The Portuguese Padlock market is **dominated by international players**, given that there is no domestic brands or National Production of padlocks
- **DIY segment:** highly concentrated and dominated by the American company Master Lock, capturing 78,77% of market presence
- **Professionals segment:** more fragmented market, dominated by mostly French (Thirard, Guard) and Spanish (IFAM, Lince, Tifon) companies. The market leader, Thirard, is able to capture 29,11% of market presence

Logistics Performance

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

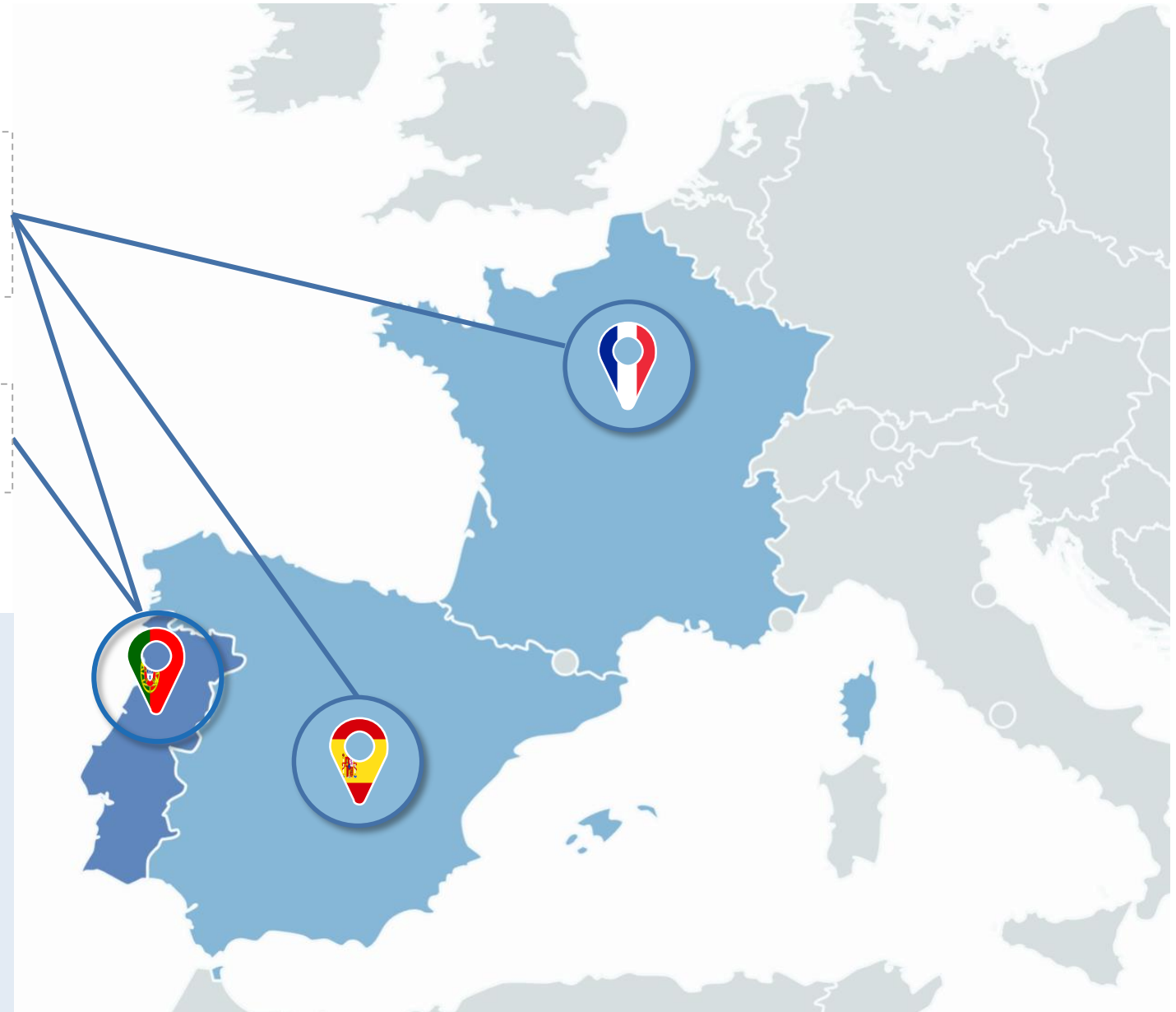
Spain, France and Portugal are the countries chosen to start Stam's European internationalization

Final Results

Chosen markets to internationalize

Logistics Centre

Since the company is already intending to build its European logistics centre in Portugal, it should take advantage of its presence and also commercialize its products in this market



Portugal, France and Spain are parliamentary democracies with socialist governments. They all benefit from economic growth. However, Portugal still has a low income level

PESTLE Analysis (1/3)

Portugal

- Parliamentary democracy
- Strongest party: PS (Socialist Party)
- Politically rather unstable due to financial crises (88 score PSI)
- Moderate risk of corruption (63 score CPI) due to Law on Corruption in International Commerce and the Private Sector
- CIT rate: 21%
- Incentives: CIT rate reduction until 0% for foreign SMEs
- Member of WTO and trading agreements with Brazil, China, Africa

France

- Parliamentary democracy
- Strongest party: PS (Socialist party)
- Politically very stable (44 score PSI); current threat: shift to the right
- Low risk of corruption (70 score CPI) due to strong legal framework
- CIT rate: 33,33%
- Member of WTO

Spain

- Parliamentary democracy
- Strongest party: PSOE (Socialist party)
- Politically rather stable (62 score PSI); currently constitutional crisis of growing Catalan separatism
- Moderate risk of corruption (57 score CPI)
- CIT rate: 25%
- Incentives: CIT rate reduction for newly created companies
- Member of WTO

POLITICAL

ECONOMIC

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

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

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

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

PESTLE Analysis (2/3)

SOCIAL

TECHNOLOGICAL

	Portugal	France	Spain
SOCIAL	<ul style="list-style-type: none"> - Population: 10.291.196 (2018) - Population growth (annual): - 0,37% - Education: 91,12% (2016) minimum completed level of education (up to age 18) - Government expenditure on education: 4,88% (GDP, 2015) - Unemployment rate: 8,9% (2017) - Healthcare: public National Health Service, additional private health institutions - Raising awareness of environmental sustainability 	<ul style="list-style-type: none"> - Population: 65.303.830 (2018) - Population growth (annual): + 0,39% - Education: 97,63% (2016) minimum completed level of education (up to age 16) - Government expenditure on education: 5,46% (GDP, 2015) - Unemployment rate: 9,4% (2017) - Healthcare: Access for every French resident, covering public and private hospitals - Raising awareness of environmental sustainability 	<ul style="list-style-type: none"> - Population: 46.397.452 (2018) - Population growth (annual): + 0,09% - Education: 91,12% (2016) minimum completed level of education (up to age 16) - Government expenditure on education: 5,28% (GDP, 2015) - Unemployment rate: 17,2% (2017) - Healthcare: State-funded for Spanish, working residents, additionally private insurance - Raising awareness of environmental sustainability
TECHNOLOGICAL	<ul style="list-style-type: none"> - ICT development index: rank 44 - Widespread use of internet, however slow adaption of e-commerce: less than 30% purchase online - Smart locks and integrated security systems 	<ul style="list-style-type: none"> - ICT development index: rank 15 - Widespread use of internet and e-commerce: 80% of population purchase online - Smart locks and integrated security systems 	<ul style="list-style-type: none"> - ICT development index: rank 27 - Slow growth of e-commerce: 60% of population purchase online - Smart locks and integrated security systems

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

PESTLE Analysis (3/3)

LEGAL

ENVIRONMENTAL

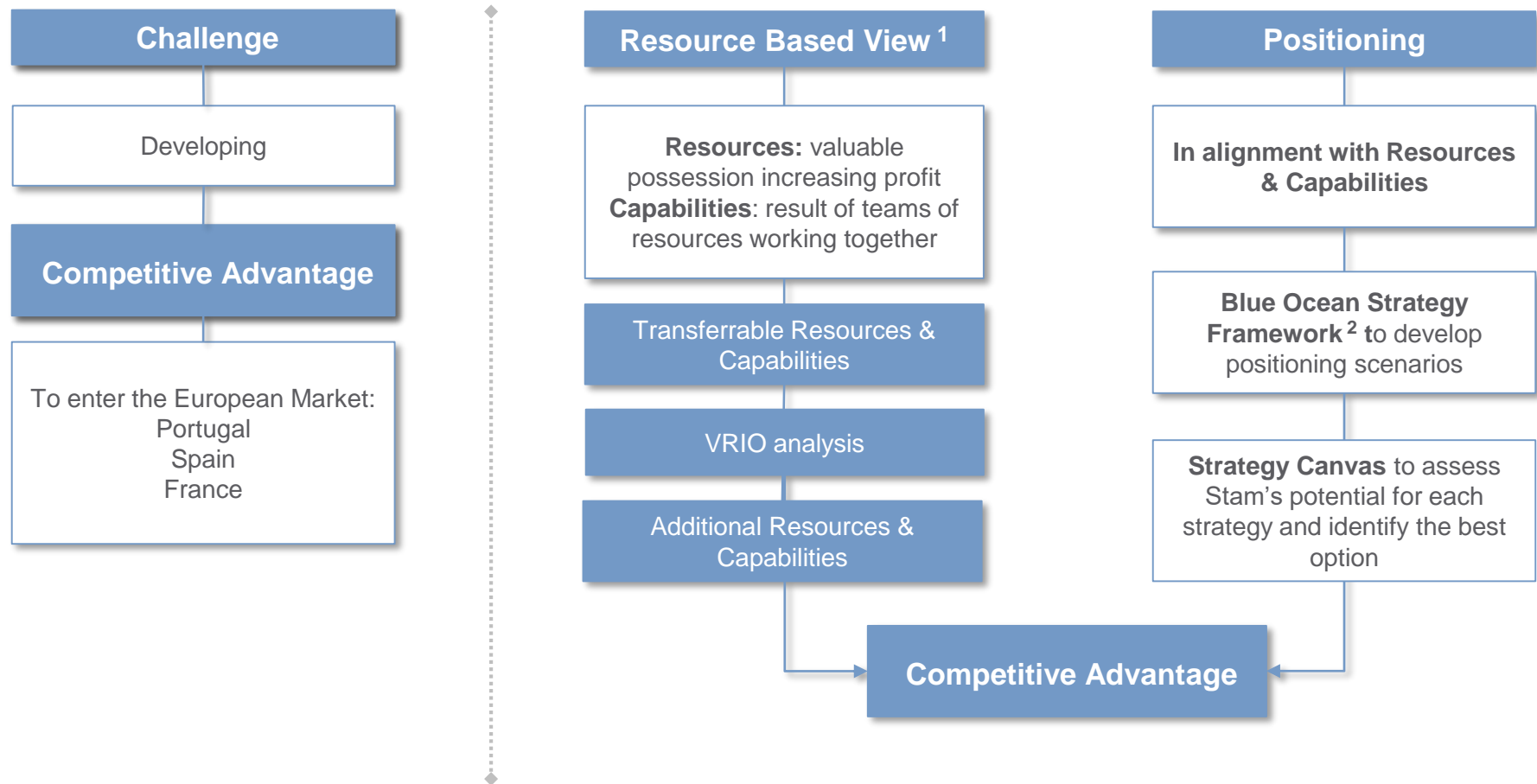
	Portugal	France	Spain
LEGAL	<ul style="list-style-type: none"> - Global rank 21 WJP Rule of Law Index - Strictly regulated customs classification and import procedures - Following the Patent Cooperation Treaty (PCT), Patents are valid for 20 years - Following the Trademark Law Treaty, Trademarks are valid for 10 years and indefinitely renewable 	<ul style="list-style-type: none"> - Global rank 18 WJP Rule of Law Index - Strictly regulated customs classification and import procedures - Following the PTC, Patents are valid for 20 years - Following the Trademark Law Treaty, Trademarks are valid for 10 years and indefinitely renewable 	<ul style="list-style-type: none"> - Global rank 23 WJP Rule of Law Index - Strictly regulated customs classification and import procedures - Patents are valid for 20 years - Trademarks are valid for 10 years and indefinitely renewable
ENVIRONMENTAL	<ul style="list-style-type: none"> - Member of the Paris Agreement - Environmental aspect of products is not a primary concern, but increasingly important to younger consumers 	<ul style="list-style-type: none"> - Member of the Paris Agreement - Rising consumption of organic and fair trade products - The waste reduction and recovery plan 2014-2020 aims to halve the quantity of waste by 2025 	<ul style="list-style-type: none"> - Member of the Paris Agreement - 1/10 is willing to spend more on fair trade products

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 - c. Product Description – Padlock Segment
 - d. Stam’s Positioning
 - e. Success Factors – Brazil
 - f. Global Strategy
 - g. Product Life cycle
 - h. Industry Analysis – Michael Porters’ Five Forces
 - i. SWOT Analysis
2. Market Selection
 - a. Country Clustering
 - b. Country ranking
 - c. Results – 5 countries
 - d. Competitive Analysis
 - e. Market Potential Index
 - f. Results – 2 countries & Portugal
 - g. Portugal’s Attractiveness
 - h. PESTLE
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In order to develop the best positioning strategy, it is necessary to identify Stam's resources and capabilities which can create Competitive Advantage and identify the aligned strategic positioning scenario

Resources and Capabilities Methodology



Stam has valuable resources and capabilities to create competencies that have the potential to be transferred to Stam Portugal or to be taken advantage of in the European market

Stam's Resources and Capabilities for the European Market

Stam Brazil's Resources and Capabilities

Human resources and capabilities:

- Highly skilled and experienced employees

Physical resources and capabilities:

- Manufacturing facilities
- Automated production facilities

Organizational resources and capabilities:

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

Stam Brazil's Competencies

Ability to quickly adapt products to market changes

Innovative product development and design creations

Ability to achieve sustainability and social responsibility goals

Ability to produce with low default rate due to automated production

Highly skilled employees, sustainable corporate culture, automated production facilities and reputation and brand name solely provide parity

VRIO Analysis for the European market (1/2)

	V Valuable	R Rare	I Costly to Imitate	O Organized	
Highly skilled employees	Yes	No	Yes	Yes	Parity
Sustainable corporate culture ¹	Yes	No	Yes	Yes	Parity
Automated production facilities ²	Yes	No	Yes	Yes	Parity
Reputation and Brand name	Yes	No	Yes	Yes	Parity

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

² Instead of most competitors Stam is not dependig on a chinese supplier – usually without automated production facilities and high default rate – but is able to refer to automated production facilities, guaranteing a low default rate

Manufacturing facilities and partnerships and customer databases solely provide parity. Design and innovation capabilities create temporary advantage. Patents and trademarks create sustainable competitive advantage

VRIO Analysis for the European market (2/2)

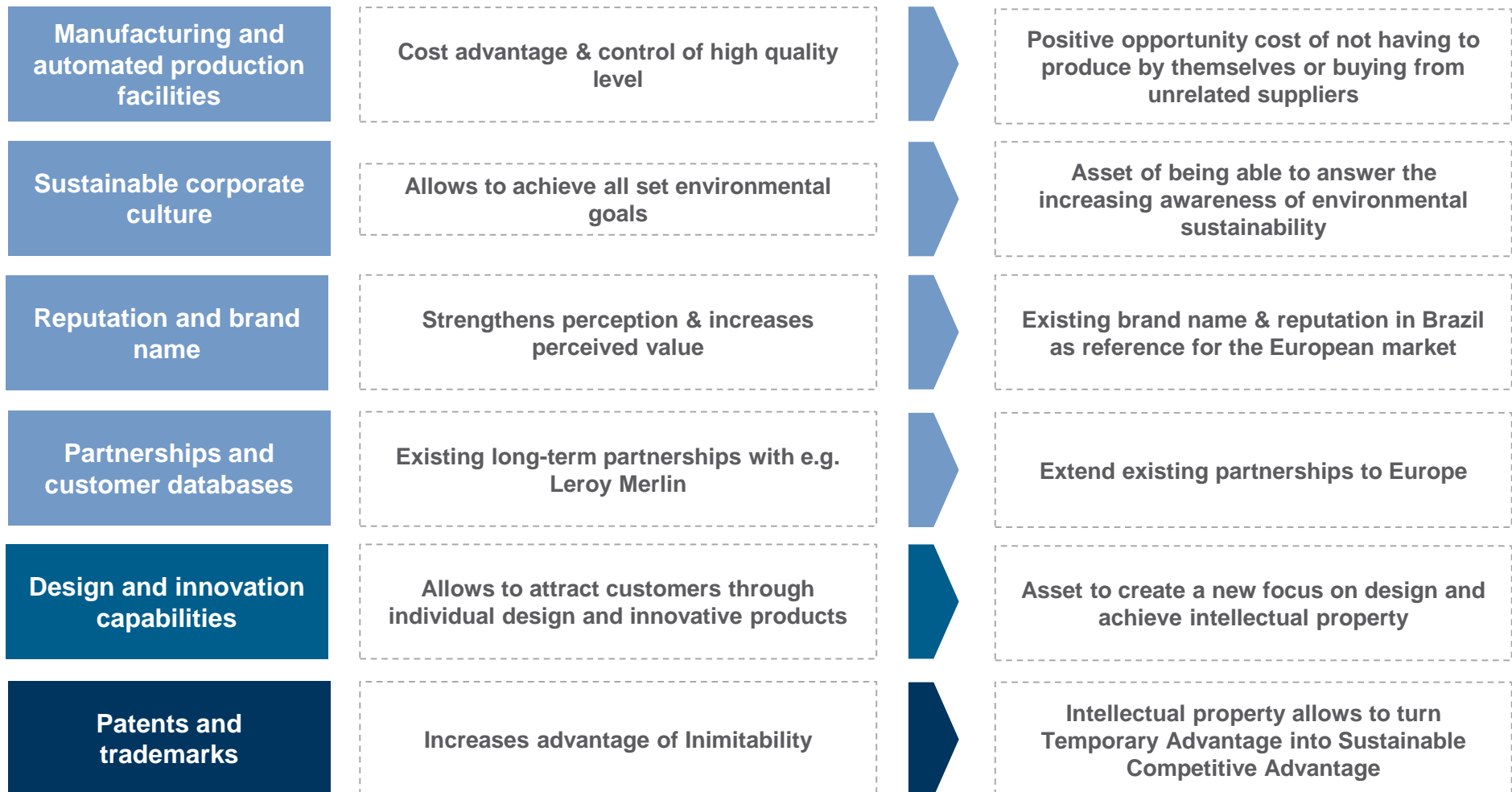
	V Valuable	R Rare	I Costly to Imitate	O Organized	
Manufacturing facilities¹	Yes	No	Yes	Yes	Parity
Partnerships and customer databases²	Yes	No	Yes	Yes	Parity
Design and innovation capabilities	Yes	Yes	No	Yes	Temporary Advantage
Patents and trademarks	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage

¹ Instead of most competitors Stam has the advantage of having its own manufacturing facilities, therefore not depending on any supplier, controlling quality of the products, being able to quickly adapt to changes in the market and benefit from cost advantage

² Stam has developed client partnerships and accumulated contacts for the last 47 years. To develop such a strong network, is not possible at once but takes a lot of time for upcoming competitors

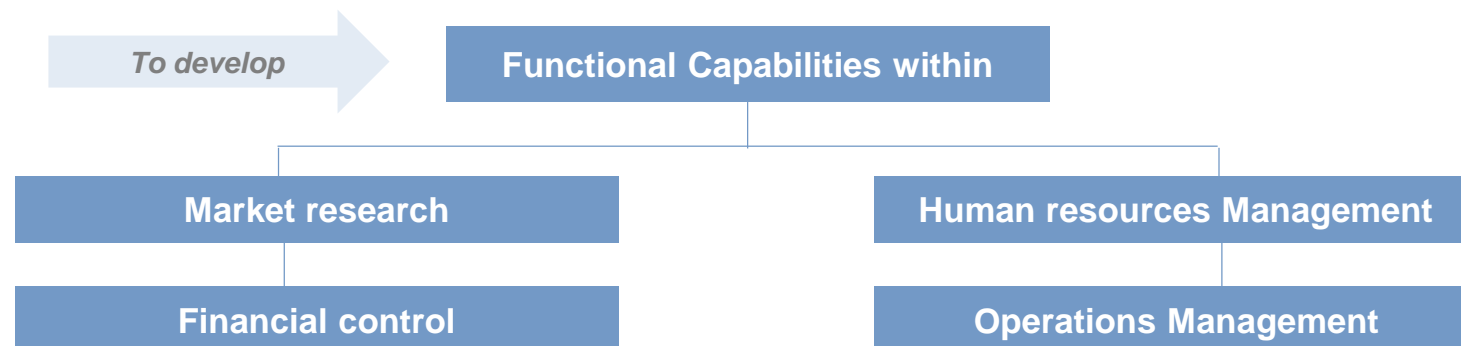
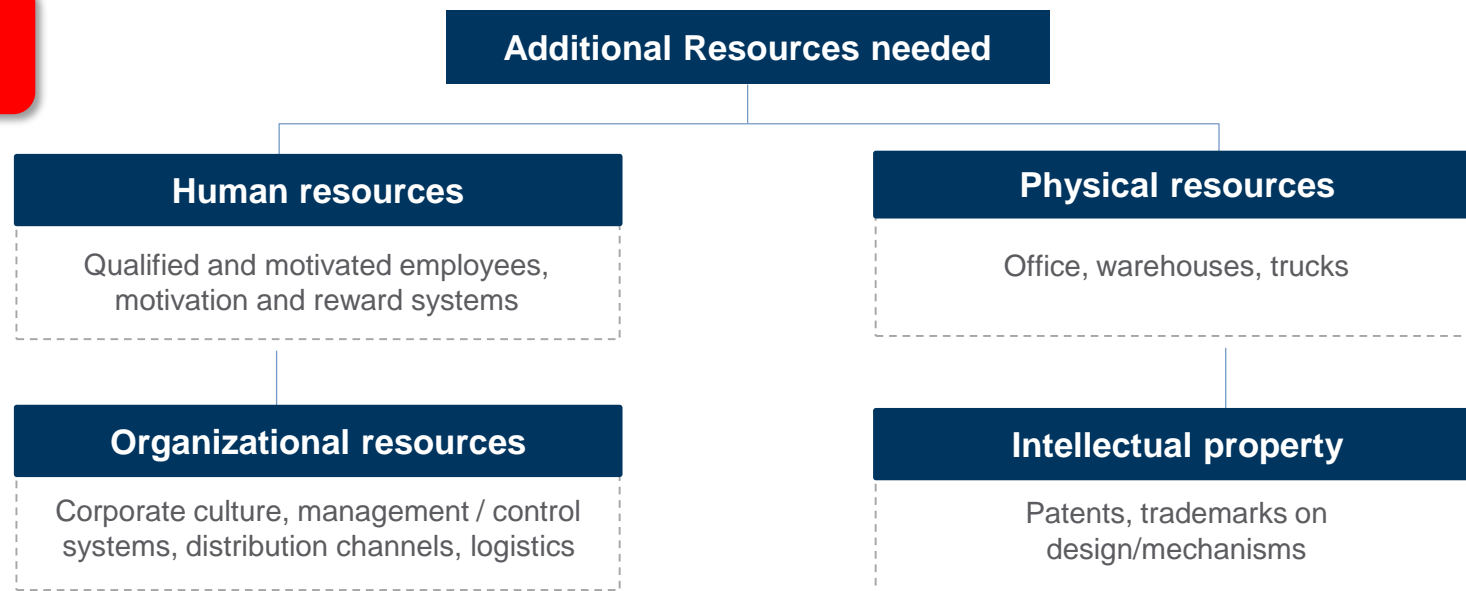
Stam Portugal should transfer Stam Brazil's valuable resources and capabilities or take advantage of them to create Competitive Advantage

Competitive Advantage Adaptation



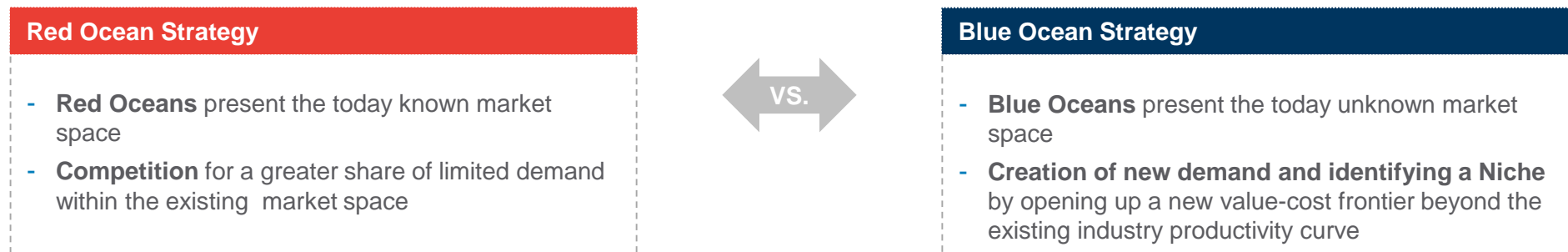
Stam Portugal needs to create additional resources to develop functional capabilities and thus being able to achieve Competitive Advantage

Resources Stam Portugal needs to develop



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

Red Ocean Strategy vs. Blue Ocean Strategy



Scenarios for Stam Portugal's Positioning-Strategy



The Strategy Canvas shows that Stam Portugal cannot compete on Price with big international players. However, it is able to compete on Design and Packaging

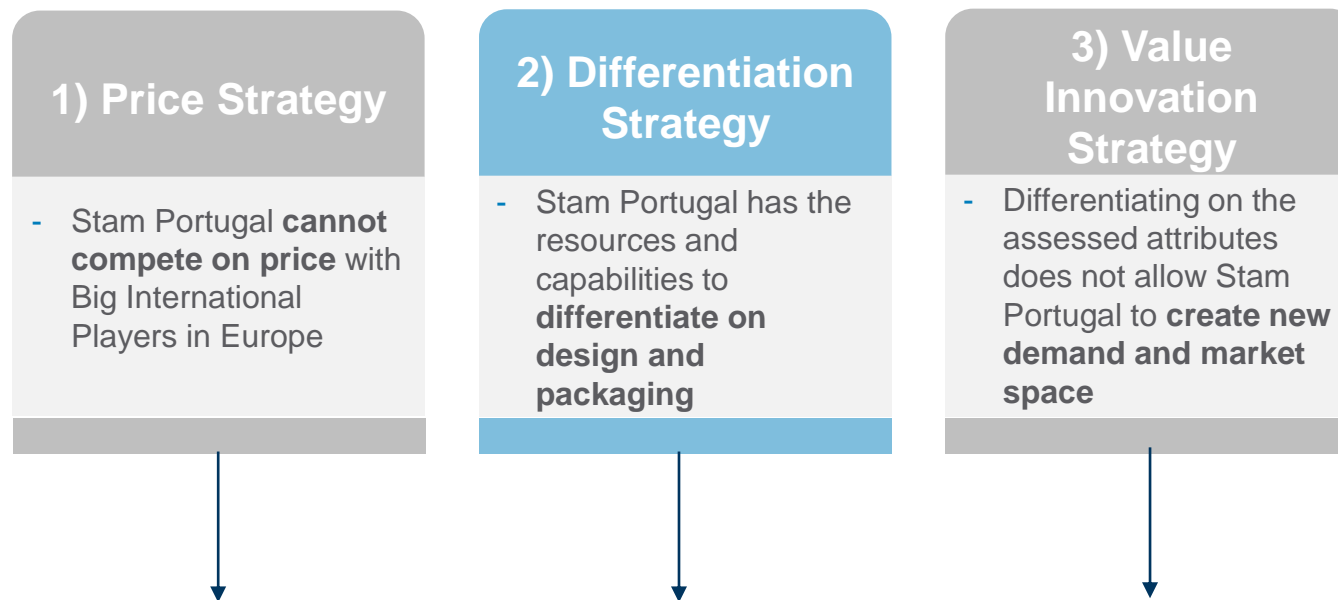
Strategy Canvas

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



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

Evaluation of Scenarios for Stam Portugal's Positioning-Strategy



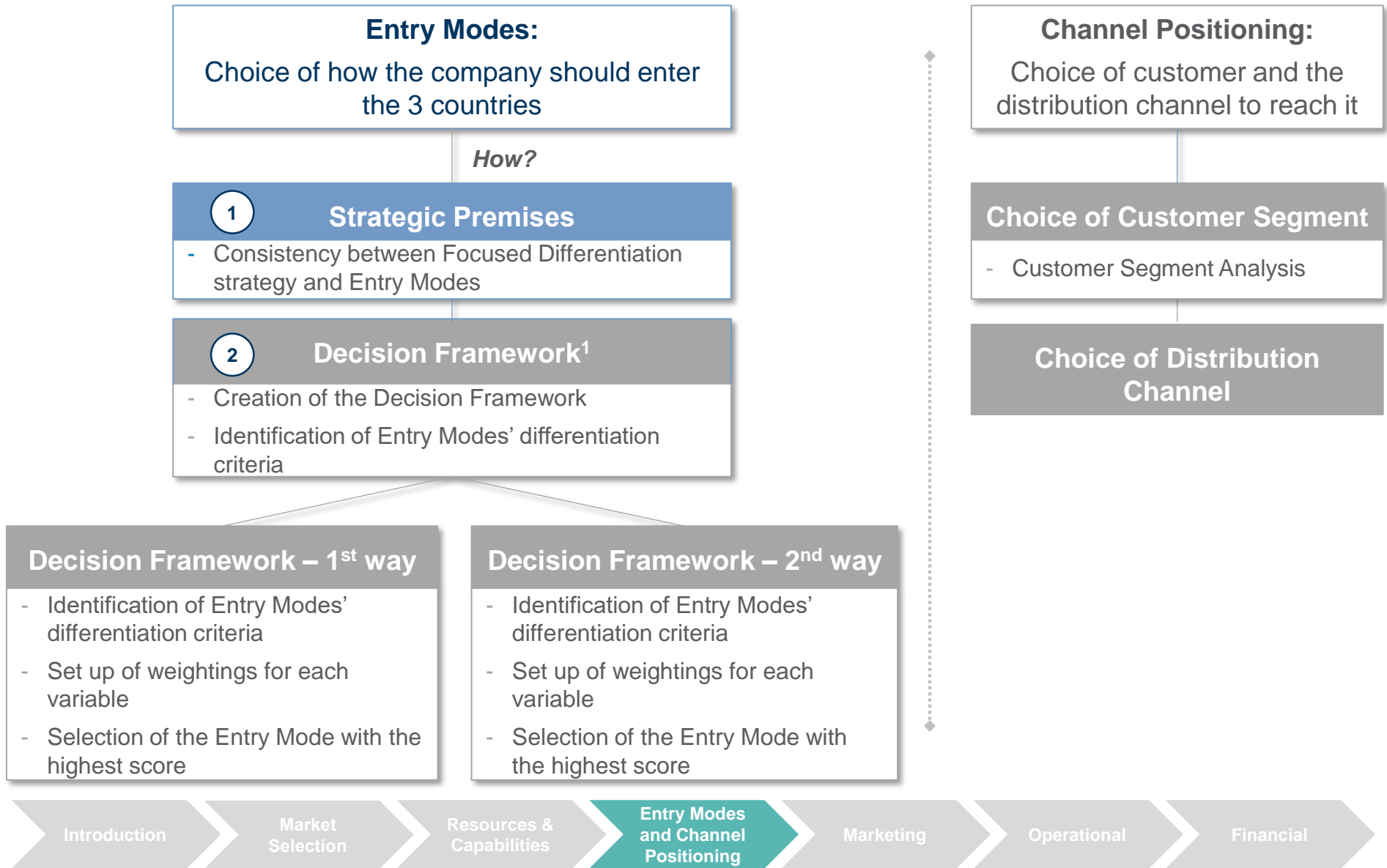
- Since Stam Portugal **cannot compete on price** and does not have the **resources and capabilities to create new demand and market space**, but continues to sell padlocks as a security tool, the company cannot position itself in a **Price Strategy** or **Value Innovation Strategy**.
- However, Stam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

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In order to choose the best Entry Modes for the 3 selected countries it is necessary to use a complementary approach based on a Strategic Explanation and a Decision Framework

Methodology – Entry Modes



¹Appendix 36

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

Strategic Premises (1/3)

Focused Differentiation strategy

- The identified Focused Differentiation strategy has the potential to make Stam build a competitive advantage but the choice about the right Entry Modes is key to let this happen

Need of consistency between Focused Differentiation strategy and Entry Modes' selection

- Being a product with unique characteristics is not enough; final consumers must perceive and appreciate this uniqueness
- Entry Modes' decision for the 3 target markets must be consistent with the Focused Differentiation strategy pursued by Stam in Europe

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

High level of control

- It is crucial that the Entry Mode selected gives Stam a high level of control on the foreign operations to guarantee the correct product commercialization and management of the brand

Deep Knowledge about the market

- Stam's differentiating potential is based on unanswered consumers' needs/preferences
- It is key to enter the European market in a way that allows to get as much information as possible from the target audience, in order to understand if the consumer actually appreciates the product, if the preferences change over time, etc.

Flexibility

- Ability of easily adapt to changes in market's conditions, trends and consumers' preferences



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

The internationalization process from Brazil to Europe should follow a Double-way strategy

Strategic Premises (2/3)

Double-way strategy

- The comprehensive strategy which guarantees consistency with the pursued Focused Differentiation strategy is a Double-way approach consisting in two “ways”, and within them, different Entry Modes, able to complement each other
- Thus, Stam should enter the European market following 2 strategic “ways”:
 - **1st way:** from Brazil to Portugal
 - **2nd way:** from Portugal to Spain and France



Our recommendation is a country by country internationalization strategy that starts with Portugal, Spain and France in the first phase, followed by a possible expansion to Belgium and Luxembourg

Strategic Premises (3/3)

Internationalization Strategy

Country by Country

Benefits

- Accumulated knowledge
- Cross-support of existing operations
- Better position to overcome risks and uncertainties
- More resources to invest
- Better to concentrate on specific market needs
- Gain contacts for future expansion

Reasons

- Has no market power yet
- Low economies of scale and scope
- Less resources to invest
- Low bargaining power
- Enter on a small scale to reduce risks
- Check results on first expansion countries and adapt based on consumer behaviour



Start the Business in Portugal

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

Expand to Spain and then France

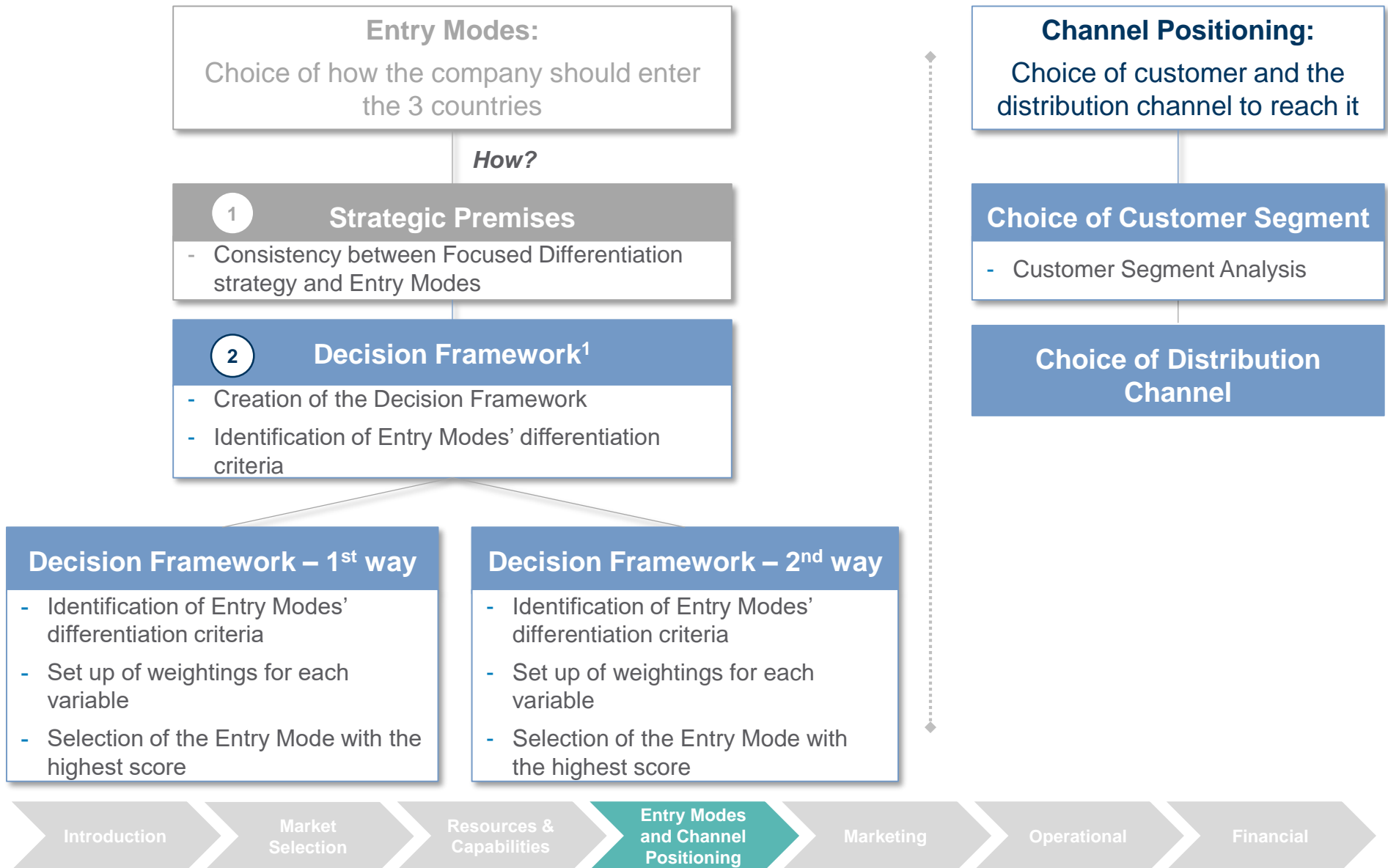
- Larger markets, associated with more risk for the company as it needs to enter in a larger scale
- More investment on personnel (commercial), SG&A (office in France), distribution costs, etc.

Future Expansion

- Possible expansion to Belgium and Luxembourg, with a great level of attractiveness:
- Belong to the same cluster as Spain and France
 - Both are part of the same region, sharing trade incentives

In order to choose the best Entry Modes for the 3 selected countries it is necessary to use a complementary approach based on a Strategic Explanation and a Decision Framework

Methodology – Entry Modes



¹Appendix 36

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

Entry Modes Analysis for Portugal

Decision Framework									
Target country	Options		Criteria					Overall assessment	
			Degree of control	Resource commitment	Reduction in logistics costs	Flexibility from contractual binding	Access to know-how and relations		Knowledge dissemination risk*
			Weightings						
			4	3	4	1	3		1
Portugal	Low-control strategy		1	1	4	4	1	1	31
	Moderate-control strategy		2	2	3	3	2	1	36
	High-control strategy	Joint Venture	3	3	2	2	3	2	42
		Sales subsidiary	4	4	1	1	4	2	47

Why is a SALES SUBSIDIARY the right Entry Mode?

Establishing a Sales subsidiary allows the firm to **achieve**:

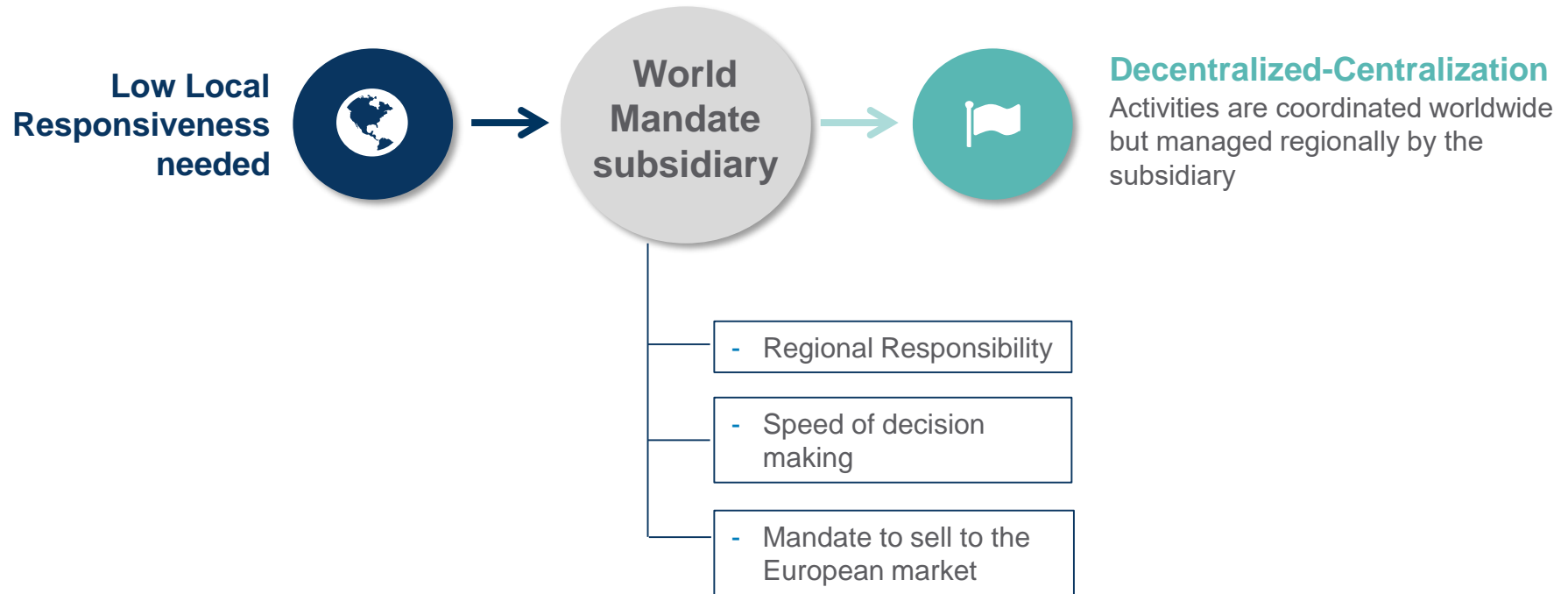
- Highest level of control (except for day-to-day operations and certain strategic decisions)¹
- Relevant reduction in logistics costs
- Privileged access to know-how and relation

Even if this leads to:

- Relevant resource commitment² (BUT, considered the predictability of the demand, the MNC is able to identify the optimal resource commitment)
- Lowest levels of strategic flexibility (even if there is a reduced need of flexibility connected to the low volatility of this market)

The strategy Stam Portugal should pursue at subsidiary-level is the one of a World Mandate subsidiary able to achieve decentralized-centralization

Strategy elaboration at a lower level



- Stam Portugal will work with the headquarter to develop and implement the strategy¹ in Europe
- Hence, it will operate with **relative autonomy** but, at the same time it will be **integrated** with the **parent firm** and the other **subsidiaries** (if any in the future)

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

Entry Modes Analysis for Spain and France

Decision Framework

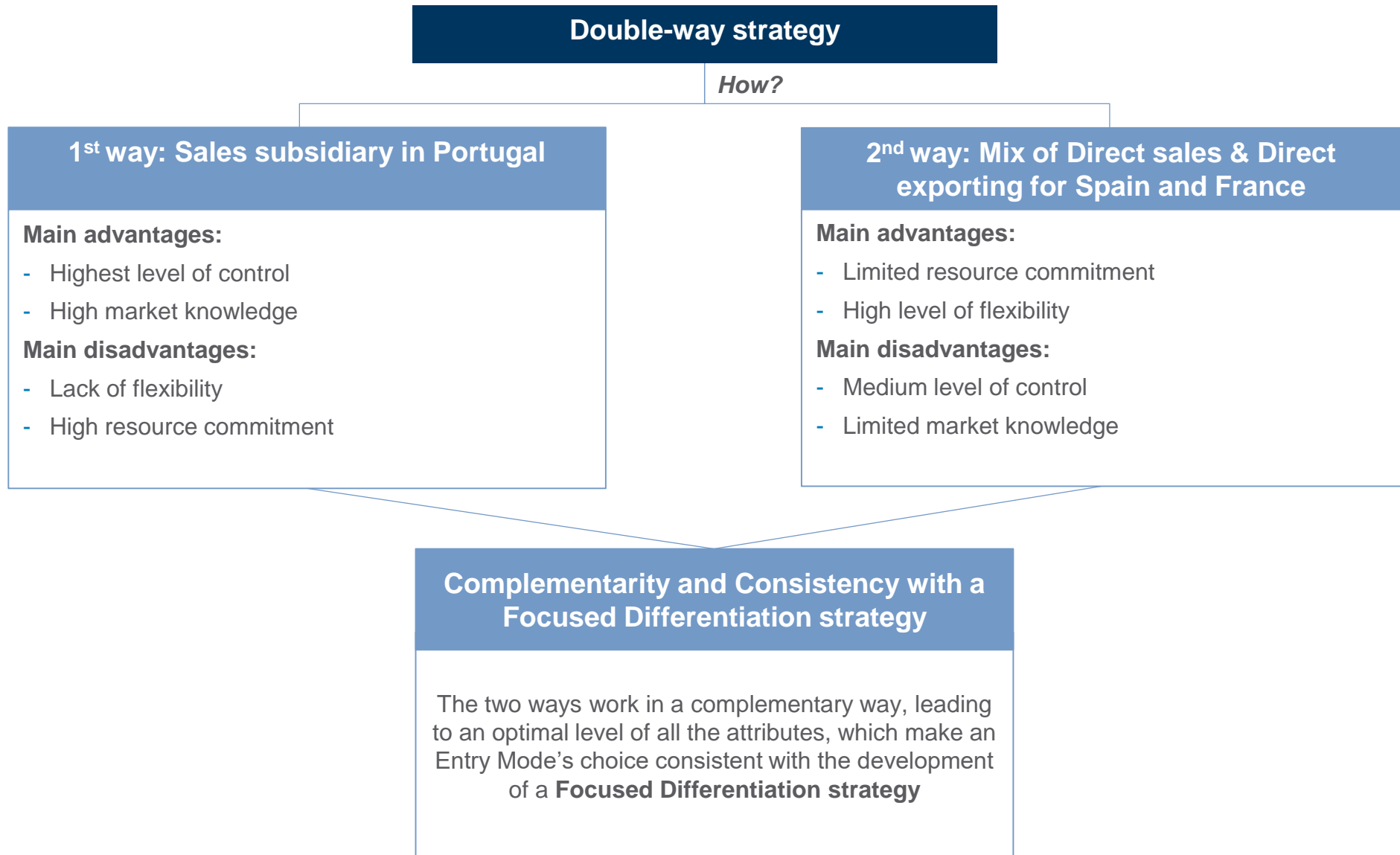
Target country	Options		Criteria						Overall assessment
			Degree of control	Resource commitment	Reduction in logistics costs	Flexibility from contractual binding	Access to know-how and relations	Knowledge dissemination risk*	
			Weightings						
			1	1	2	4	3	1	
France and Spain	Low-control strategy	Direct sales	1	1	4	4	0,5	1	28,5
		Indirect exporting*	0,25	1	3	3,5	1	1	25,25
		Direct exporting**	0,5	1	2,5	3,5	2,5	1	29
	Moderate-control strategy		2	2	2	2	3	2	27
	High-control strategy		3,5	3,5	1	1	3,5	2	25,5

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

- **Direct sales** is the solution which provides the firm with the highest level of control on the operations and brand management in the foreign markets, given the total absence of intermediaries in both home and target countries
- However, at a first stage of the internationalization process, when the focal firm has little knowledge about the target market, the experience of a local agent can have a key role for the strategy's success
- **Hence, the most suitable Entry Mode is a combination of the 2 solutions, hiring a local salesperson for each foreign country. In this way, Stam can benefit from the long-time expertise and relations these local salesperson have in the local market but, at the same time, avoid agency costs having an own employee taking care of the business**

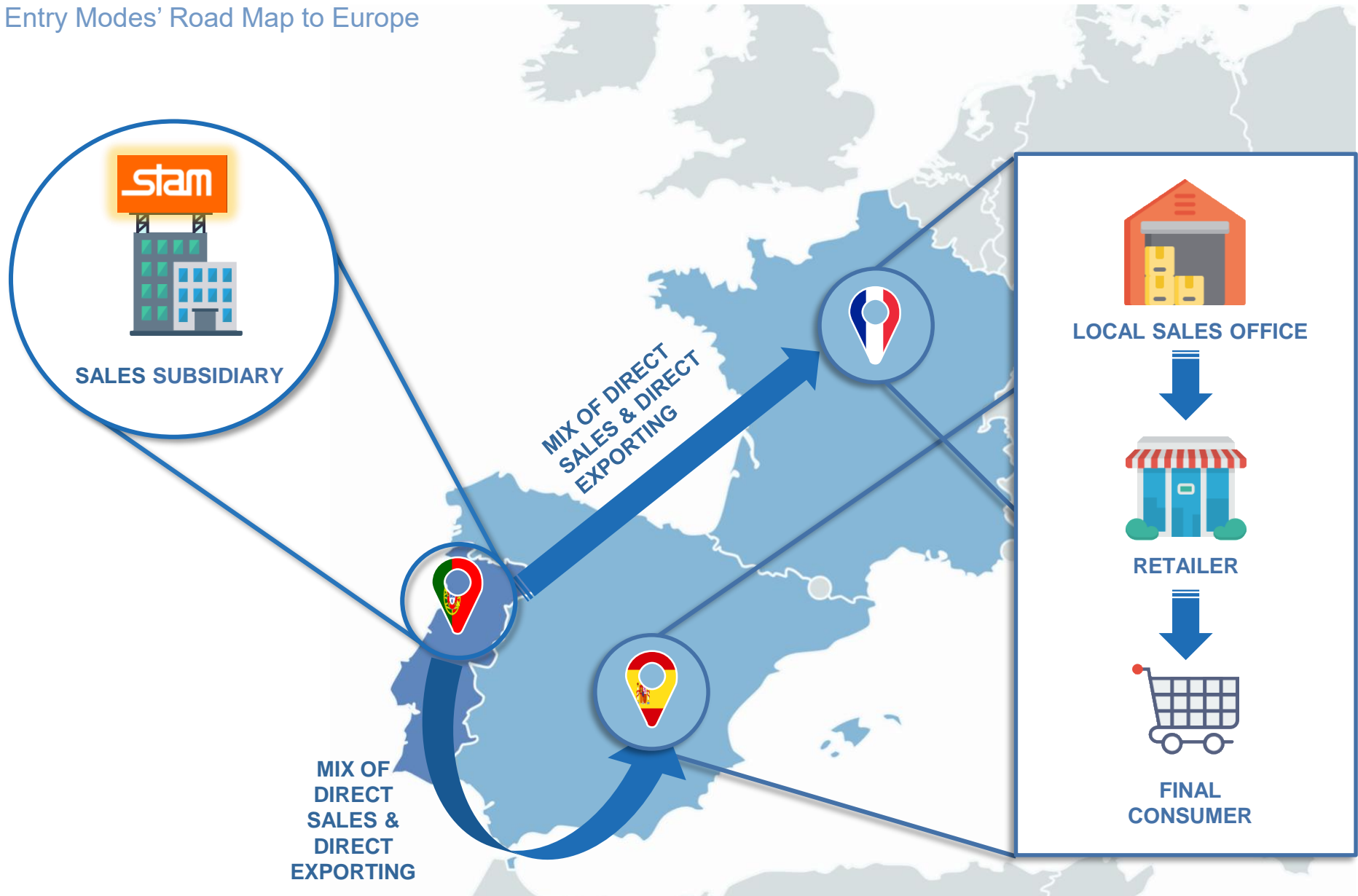
The Entry Modes selected for each "way" work complementarily, guaranteeing consistency with the Focused Differentiation strategy pursued by Stam in Europe

Key Takeaways



Stam should coordinate the operations in Europe from its Sales subsidiary in Portugal and, expand to the target markets through a combination of Direct sales and Direct exporting

Entry Modes' Road Map to Europe



Stam can reach its final consumer through 5 different channels: hardware retailers; distributors and wholesalers; self-service retailers; professionals and e-commerce

Customer Segments

Customer segments				
Hardware retailers	Distributors and wholesalers	Self-service	Professionals	E-commerce
<ul style="list-style-type: none"> - Building material stores - materials for house improvement - Sells goods over-the-counter - Specialized salespersons - DIYs (Do It Yourself) stores - Sell to consumers to use at home or for business - 5 largest retailers are: Leroy Merlin (France), The home depot (US), Lowe's (US), Kingfisher (UK) and Obi (Germany) - Large and midsized retailers 	<ul style="list-style-type: none"> - Sell to small retailers - Typically located in lower income areas - Sell selected products ("best sellers") - Convenience stores, such as gas stations; bike stores; automotive stores, etc. - Many distributors maintain exclusive buying agreements with padlock brands 	<ul style="list-style-type: none"> - Sell in Home centres (Large hardware store selling tools, building materials, and other household items); supermarkets; drugstores, etc. - Consumers select the product on the shelf and take it to the check out for payment - No specialized personnel 	<ul style="list-style-type: none"> - Direct sales to the industrial sector - B2B segment - Sales usually happen online or through direct contact with the company's salespersons - Professionals use padlocks to secure equipment, lockers, trucks, inventories, etc 	<ul style="list-style-type: none"> - Direct Sales through online sales platforms such as Ebay or Amazon - Companies might opt to have a specific website for professionals and another for the typical consumer, as prices practiced vary from segment to segment

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

Market Coverage

Types of Market Coverage

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

Mass/ Intensive

- The product is distributed to nearly all the locations where that type of product is sold
- Suitable for low priced products with huge consumer demand.
- The distribution cost for such products is very high however huge sales volume keeps the profits running high
- With the advent of internet the effectiveness of these three levels of distribution coverage has been severely challenged as all products sold on internet are distributed by mass coverage

- Major players such as Master Lock, Abus and Yale sell online, in a mass coverage
- **Costs are too high** for a newly developed company, like Stam, which is expanding to 3 countries

Exclusive

- The product distribution is limited to certain selected locations
- This is the case with products with a smaller market size
- As the market size is small the number of locations needed to support the distribution of the product is also smaller

- National sellers are more exclusive in terms of market coverage
- Being exclusive in a phase of introduction of brand will **prevent the brand from gaining awareness in the market**

Selective

- The product distribution is limited to select stores or exclusive group of resellers
- Selective coverage is ideal for products that target relatively smaller markets, for instance high-end products that have a small customer size
- These products are more than often purchased by customers who satisfy most of their needs with high quality, expensive products
- Efficient and well-trained customer service is essential for satisfying and helping such customers

- The major players of this market sell in an exclusive group of retailers only
- **Best way of entering in the padlock market and gain awareness in a cost efficient way**

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

Customer Segment Decision

Selling only to Hardware Retailers (DIYs)

Why?

1

Inability to compete in the Professional Segment

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

2

Inability to compete in the Self-Service segment

- The self-service segments, such as home-centres and supermarkets, usually sell only **private-label brands**, being very rare the offering of any other padlock brand
- Moreover, given the high number of stores throughout the market, a **mass/intensive market coverage** would be required, which still represents a **very high cost** for Stam at this moment

- Thus, **DIYs are the perfect channel** to reach Stam's target audience

Selling through Online Channels

Why?

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

¹Appendix 41
²Appendix 40

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

Conclusions - Portugal (1/3)

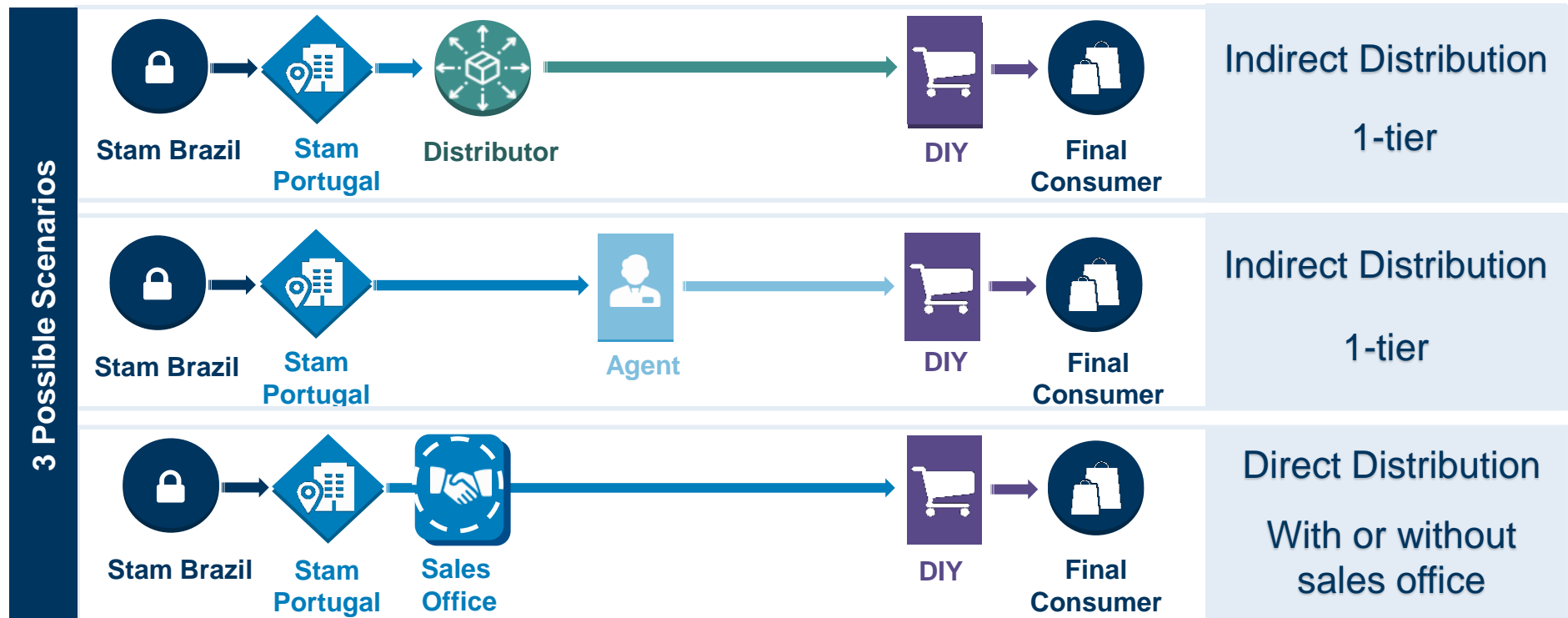


Choose the Direct Distribution Channel

- It was previously decided that the **Entry Mode to Portugal** should be done through a **Sales Subsidiary**. Having an office established in the country allows to increase the knowledge and experience in the market and facilitates all the communication and interactions with the main customers - the DIYs
- Therefore the subsidiary already acts as an **intermediary**, allowing a connection between the company and its customers, leading to the following recommendation that the most suited **channel for distribution in Portugal** would be through **Direct Distribution**

There are 3 possible scenarios for distribution that could be used in Spain and France. The first and second ones are through Indirect channels, with 1-tier only, while the third is a Direct Channel

Conclusions – Spain and France (2/3)



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

For Spain and France an intermediary is very important. However, this person might not always put the company's interest first. Thus, the best channel is a Direct one, using a Sales Office

Conclusions – Spain and France (3/3)



Choose the Direct Distribution Channel using a Sales Office in both Spain and France

- When deciding the Channel of Distribution, there are two aspects that need to be taken into consideration:
 - The company is entering with a **Focused Differentiation strategy**, which means it is expanding with the brand's name
 - The **Entry Mode** chosen, which is the result of a combination of two possible Entry Modes – **Direct exporting and Direct sales**
- Based on these facts, it is understandable that the **knowledge** on the market, as well as on the country, is quite necessary to better succeed in the expansion. For this reason, it is important to have someone that has both knowledge and experience on the market
- However, an intermediary might not always put the company's interest first, as well as expand the brand's name in the most proper way
- Therefore the final decision is to go through a **Direct Distribution channel**, establishing a **Sales Office** in both Spain and France, so all of the commercial people will be Stam's employees

Our main strategic recommendations for Stam are to enter with a subsidiary in Portugal and export through a combination of direct sales and direct exporting to Spain and France, where the company would have sales offices

Summary of Strategic Recommendations



01

Market Selection

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

Resources and Capabilities

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

02



Entry Modes and Channel Positioning

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

03

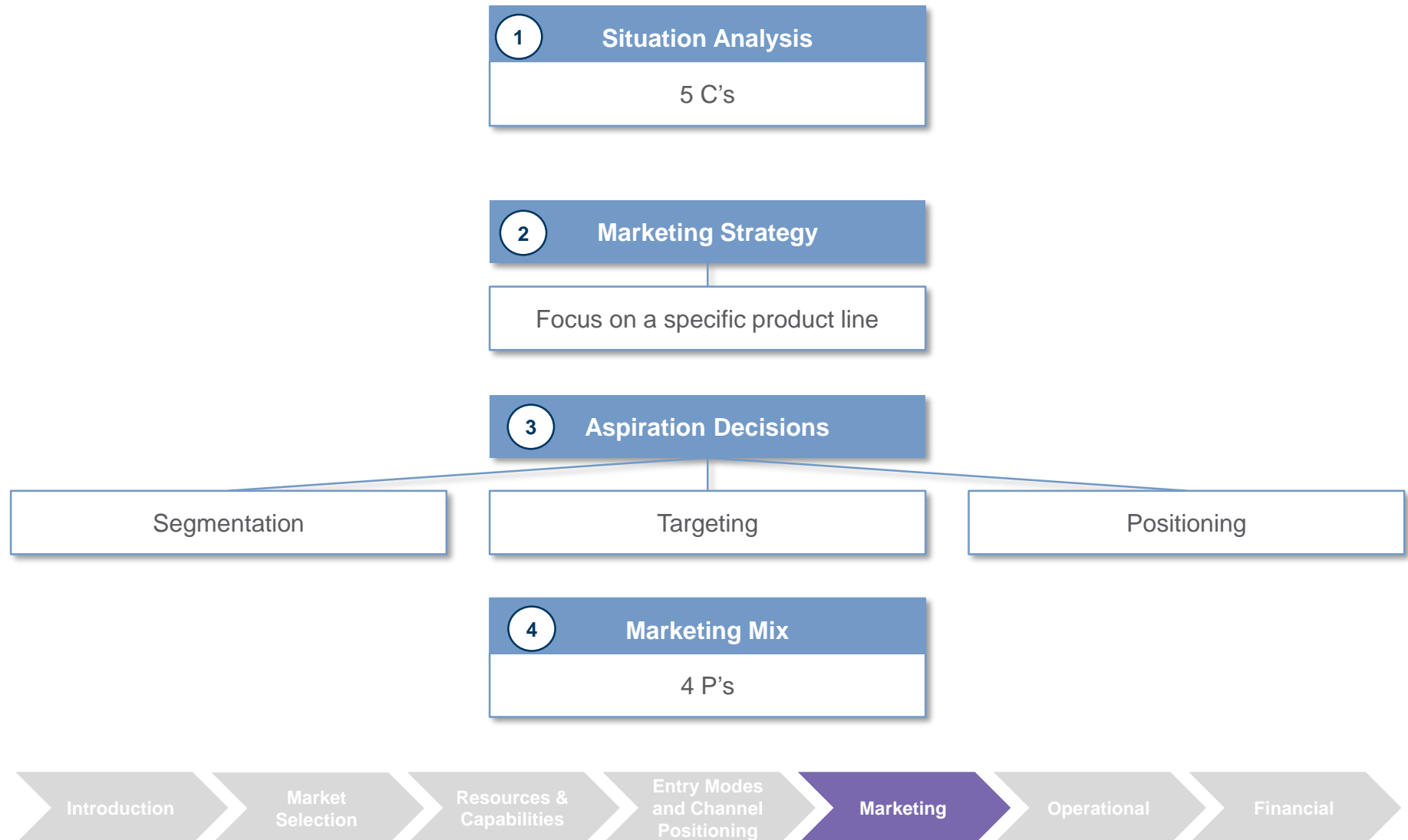


Agenda

1. Introduction
 - a. Opportunity Definition
 - b. Company Overview – Stam Brazil
 - c. Product Description – Padlock Segment
 - d. Stam’s Positioning
 - e. Success Factors – Brazil
 - f. Global Strategy
 - g. Product Life cycle
 - h. Industry Analysis – Michael Porters’ Five Forces
 - i. SWOT Analysis
2. Market Selection
 - a. Country Clustering
 - b. Country ranking
 - c. Results – 5 countries
 - d. Competitive Analysis
 - e. Market Potential Index
 - f. Results – 2 countries & Portugal
 - g. Portugal’s Attractiveness
 - h. PESTLE
3. Resources & Capabilities
 - a. Stam Resources & Capabilities for the European market
 - b. VRIO
 - c. Competitive Advantage Adaptation
 - d. Resources Stam Portugal needs to develop
 - e. Red Ocean Vs Blue Ocean Strategy
 - f. Strategy Canvas
 - g. Evaluation of Scenarios for Stam Portugal’s Positioning-Strategy
4. Entry Modes and Channel Positioning
 - a. Strategic Premises
 - b. Entry Modes Analysis for Portugal
 - c. Strategy elaboration at a lower level
 - d. Entry Modes Analysis for France and Spain
 - e. Key Takeaways
 - f. Road Map to Europe
 - g. Customer Segment Analysis
 - h. Customer Segment Decision
 - i. Market Coverage
 - j. Conclusion
5. Business Plan
 - a. Marketing Plan
 - b. Operational plan
 - c. Financial Plan

A Situation Analysis is the premise to develop a Marketing Strategy by the set-up of Aspiration Decisions and the implementation of the Marketing Mix

Methodology – Marketing Plan



Stam wants to affirm its brand in Europe. Therefore, the Portuguese sales subsidiary would act as coordinator of all the operations in the new market

Situation Analysis – 5C's

Company

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

Customer

On the physical channel big **DIY** stores are bridges to reach **final consumers**.

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

Collaborators

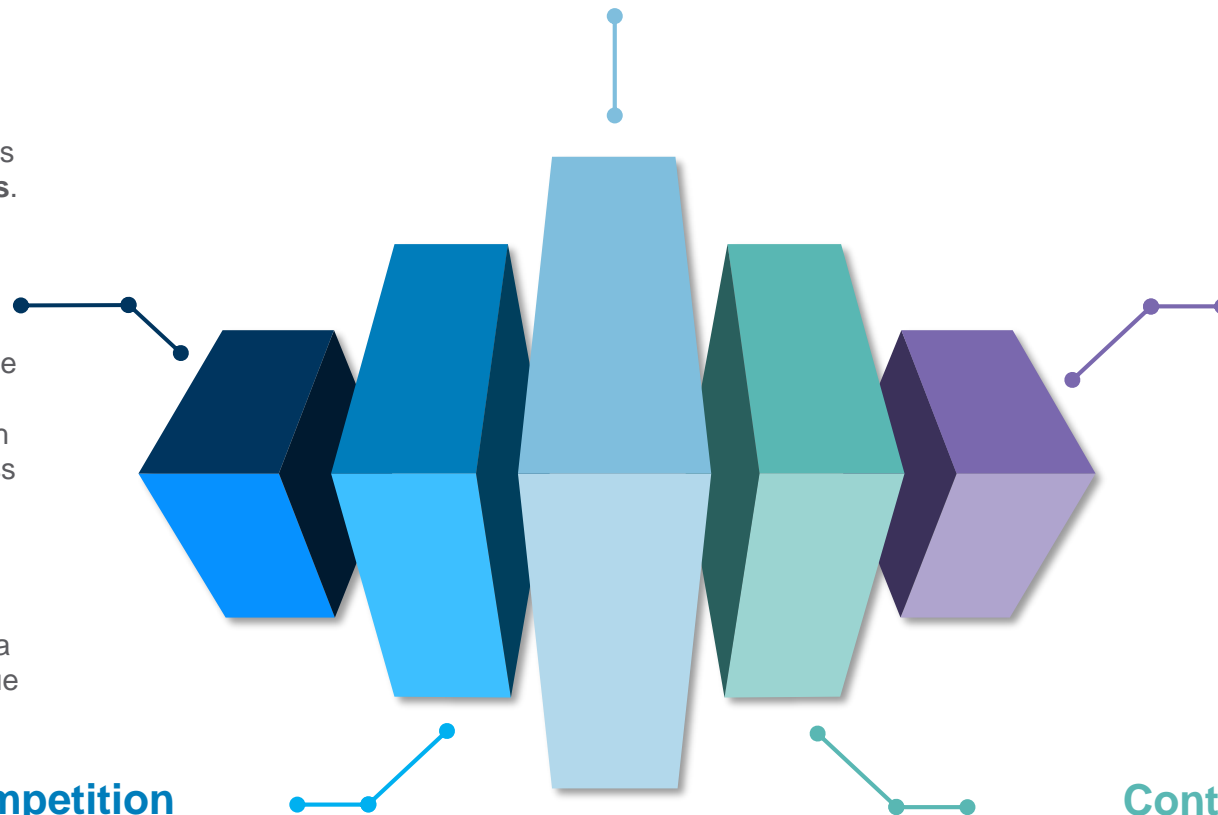
Stam Brazil is the supplier of padlocks as well as a shareholder of the firm

Competition

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

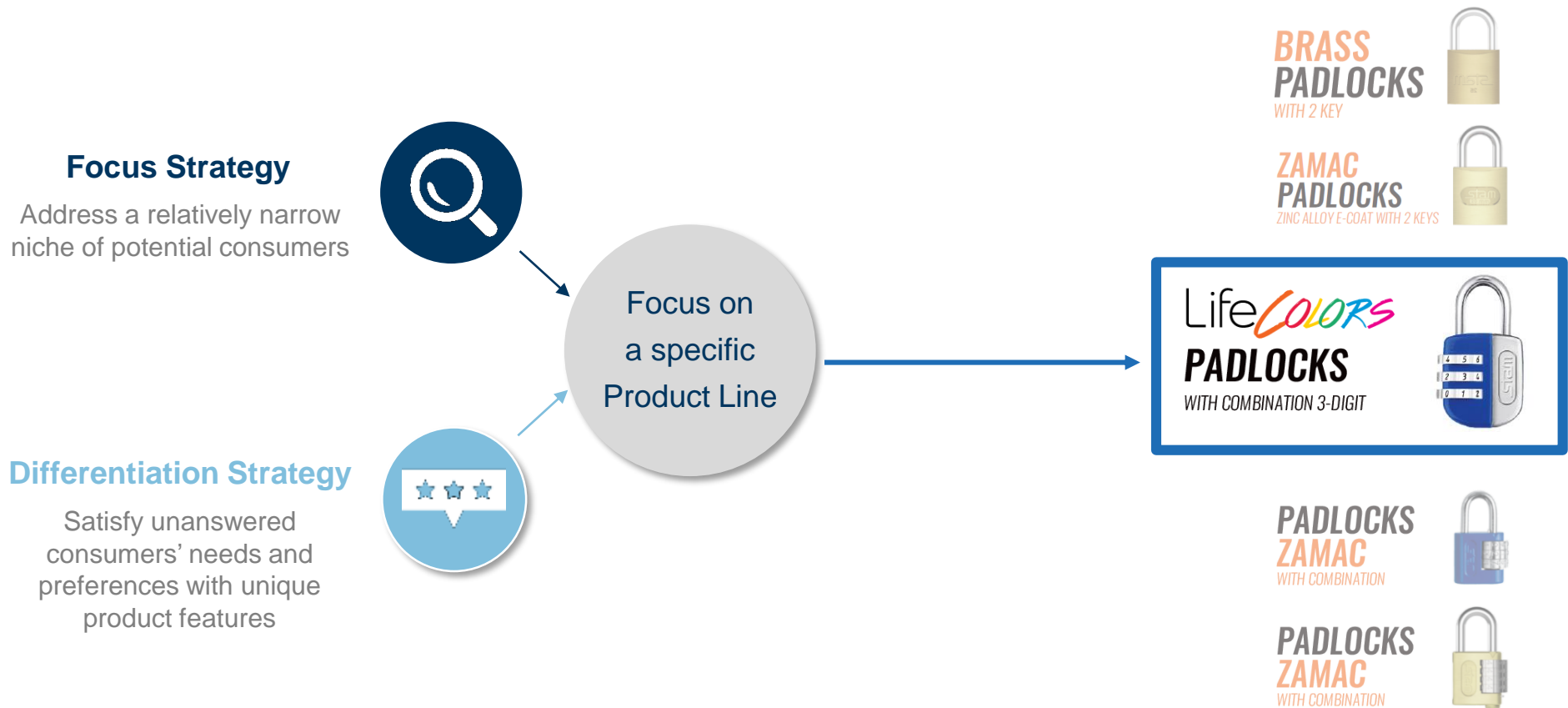
Context

Europe is an **attractive** market in terms of demand, but it is also **difficult to enter**. **Portugal, Spain and France** are the best targets for Stam's first internationalization phase



The only product line within Stam's actual portfolio that would allow the firm to benefit from a clear differentiation advantage, over European competitors, is Life Colors. Stam should enter the target markets with this product line

Marketing Strategy (1/2)



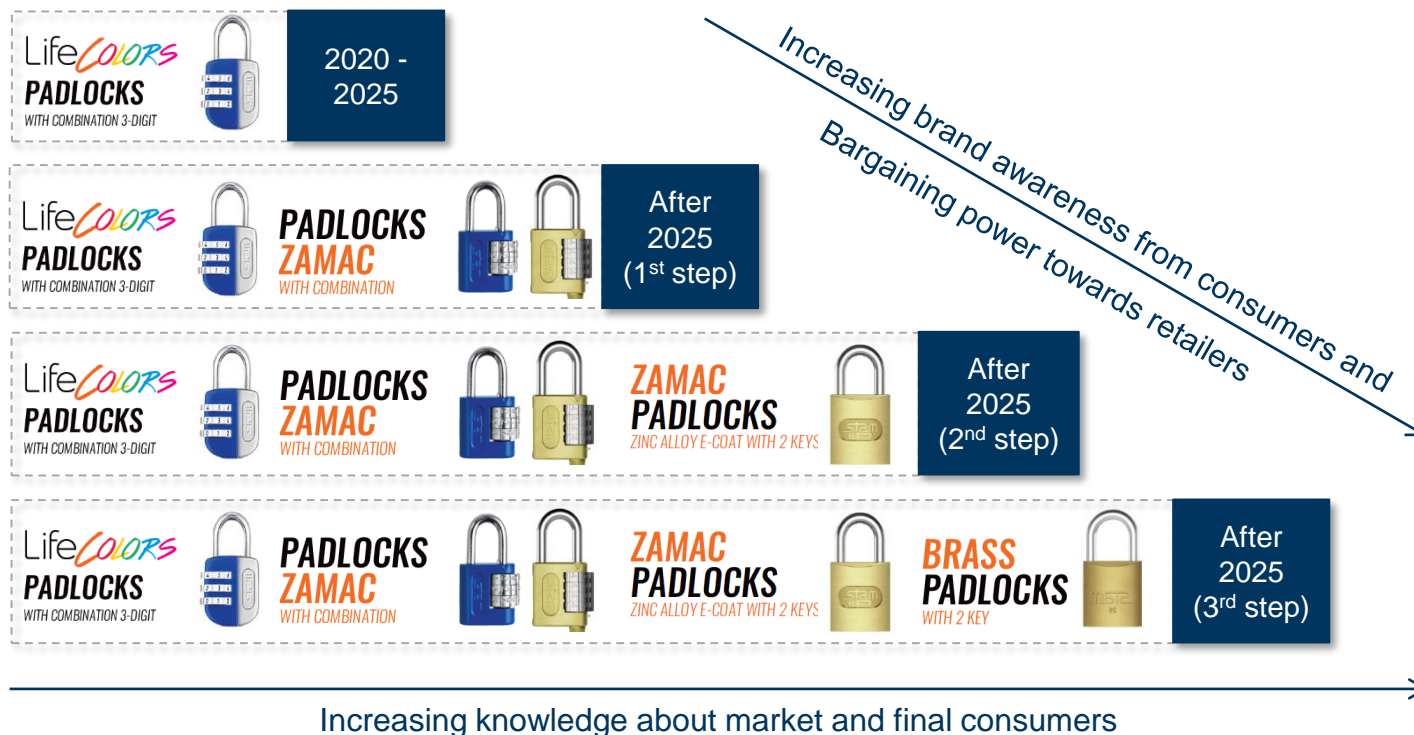
- Stam's main goal is to develop a **Focused Differentiation** strategy offering products which are able to answer unsatisfied consumers' needs and preferences. Indeed, there is not any brand in the market which offers padlocks characterized by a fun and colorful design, at an affordable price
- **Life Colors** is the only product line within Stam's portfolio (in the padlock segment) that has this potential

Stam should enter the European market with Life Colors. It would be recommendable to introduce the other padlock lines only after having gained a certain brand awareness and increased bargaining power towards DIYs

Marketing Strategy (2/2)

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

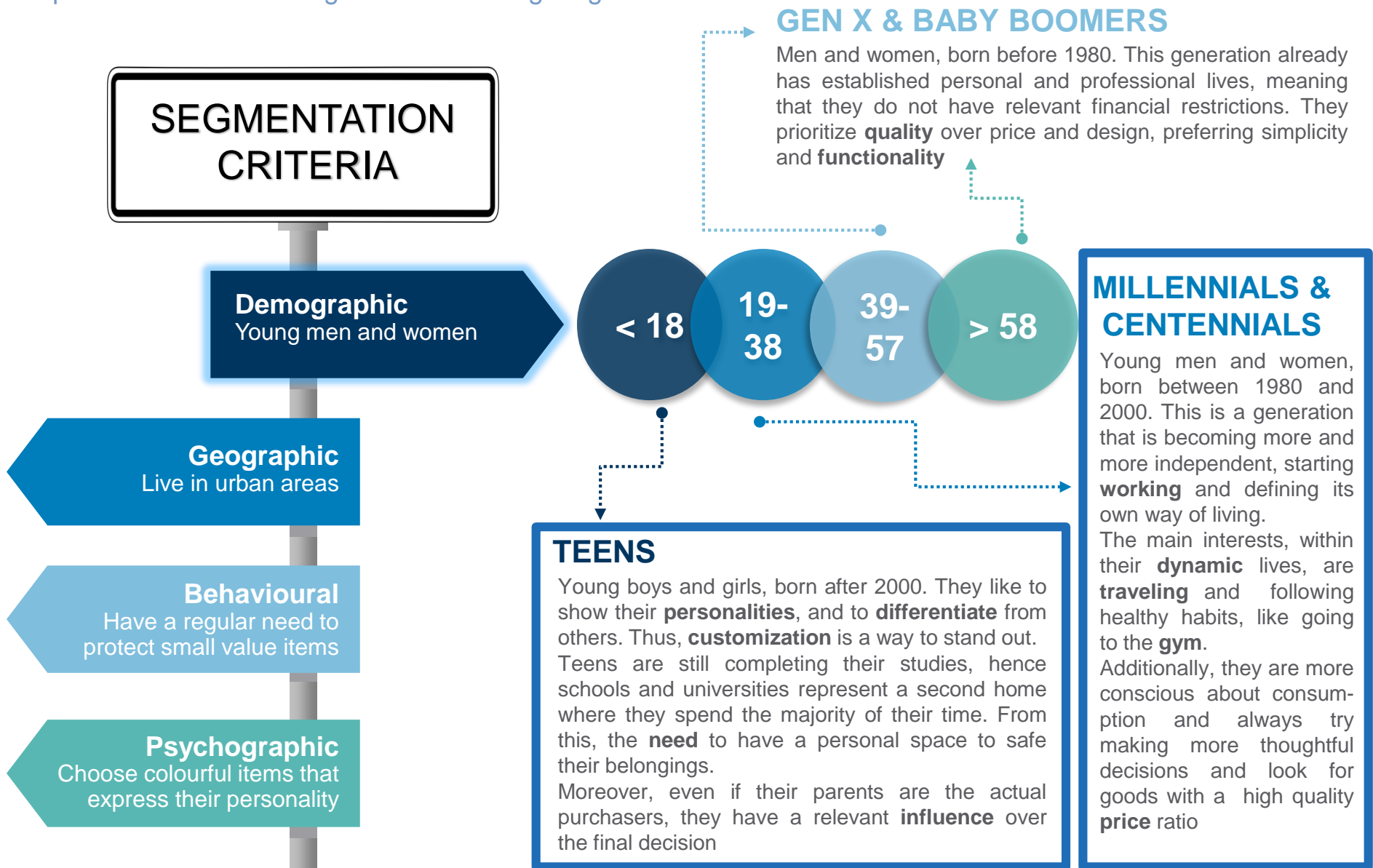
- The positive association between Stam and Life Colors would become weaker with the introduction of all the lines and create **confusion about brand identity**
- Besides Life Colors, the other lines **do not differentiate from competition**. Especially in the brass segment, Stam would not be perceived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



- Entering a new market with one line only means a **lower resource and risk commitment**. If the foreign business turns out not to be profitable, exit barriers are lower
- Stam can take advantage of its presence in Europe to acquire **knowledge about the market** and better **understand its final consumers**. According to the information gathered, it would be able to adapt its offering accordingly

Based on the products' characteristics, Stam should focus on Demographic Segmentation choosing 2 main Targets: Teens, Millennials and Centennials

Aspiration Decisions - Segmentation & Targeting



Stam competes with any padlock on the market. However, with Life Colors, Stam finds a clear gap – high variety of colors at affordable prices – to position itself

Aspiration Decisions – Positioning (Competition)

Product Type Level

Competes with combination padlocks



Product Category Level

Competes with all types of padlocks

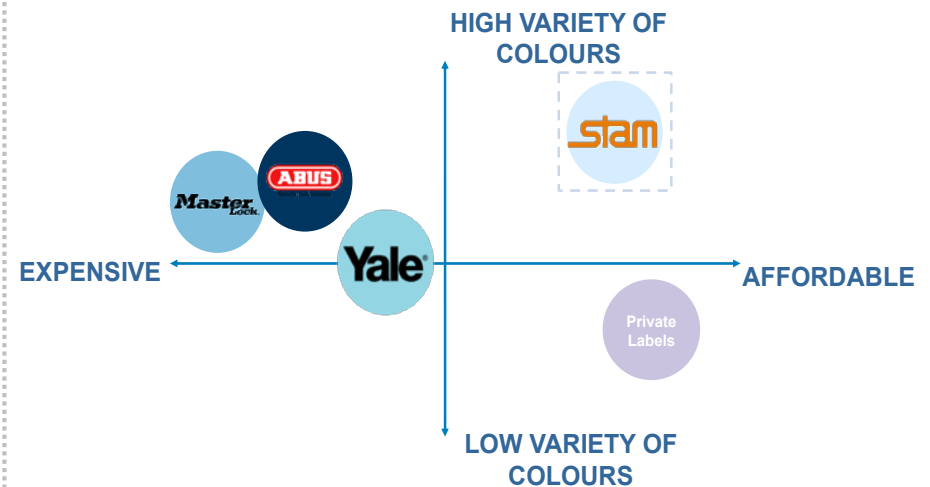


Product Class Level

Products of the same industry (ex: lockers, safes, etc.)

Benefit Level

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



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

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

Stam is able to differentiate from the other European brands because of its variety of colors, unusual sizes, and being proper for a daily use

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



Points of Difference

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

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



Points of Difference

- Original design, with a wide variety of color mixes available
- Unusual sizes
- Proper for daily use (gym/school lockers, bags, small boxes)



Points of Parity

Points of Parity are attributes/benefits that do not imply the brand is in a superior position. Their existence is almost mandatory so that the brand can be considered as a legitimate competitor in the category. To what concerns Stam, there are 4 main Points of Parity

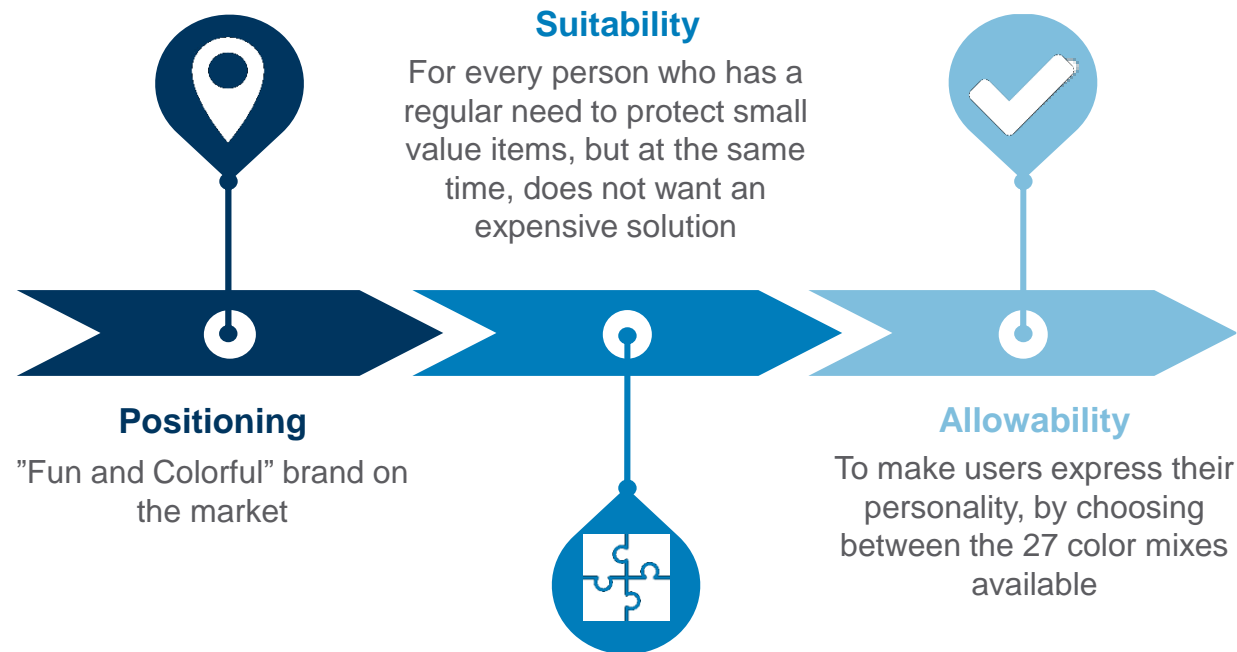


Points of Parity

- Customizable combination
- Small and light
- Available in different sizes
- Blister packaging

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

Aspiration Decisions – Positioning Statement



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

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

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

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

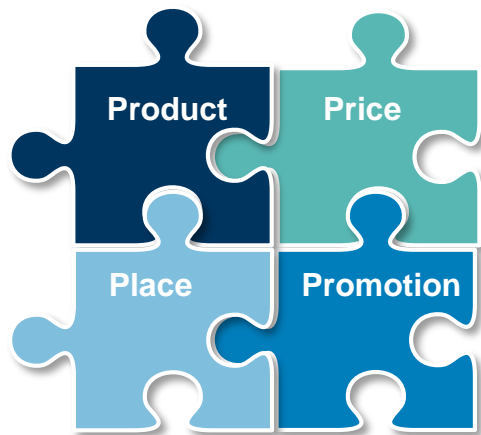
Because it is an innovative brand, leader in the Brazilian market [**Reason to Believe**]

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

4 P's and Survey

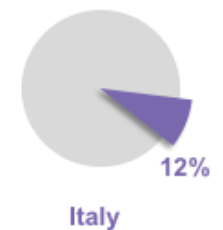
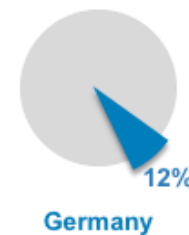
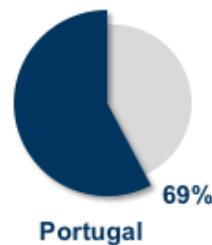
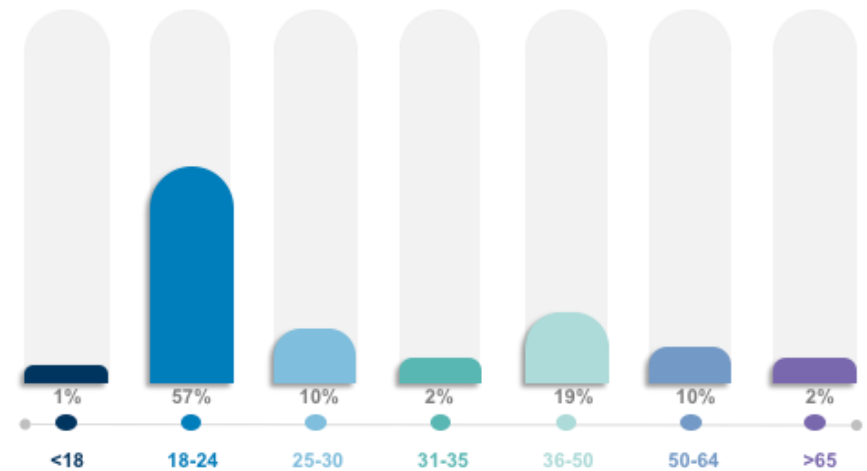
All the decisions taken in terms of Product, Price, Place, and Promotion have been confirmed by the primary data collected: a **survey** conducted among 371 actual and potential padlocks' purchasers

4P's Framework



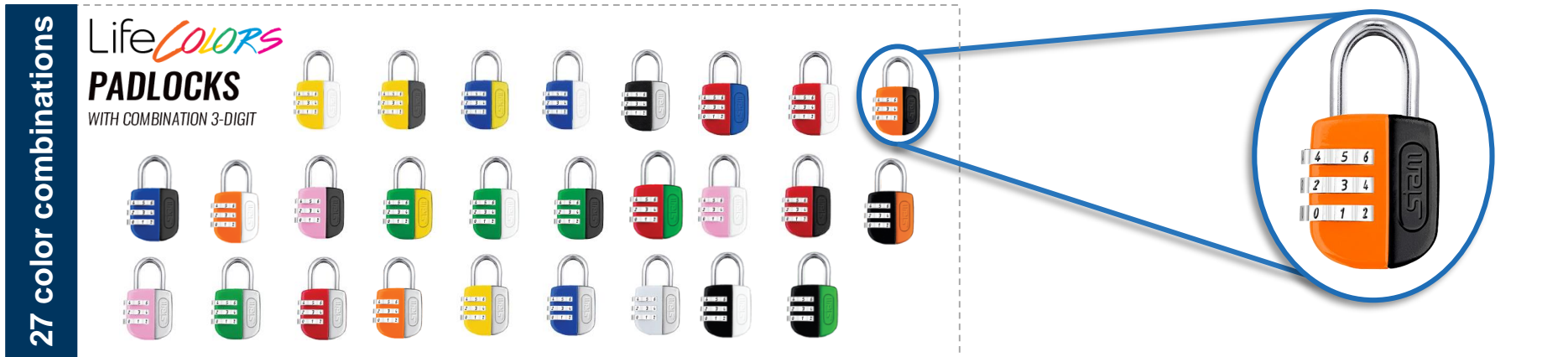
The Marketing Mix is the "set of marketing tools that the firm uses to pursue its marketing objectives in the target"¹

Survey's Sample

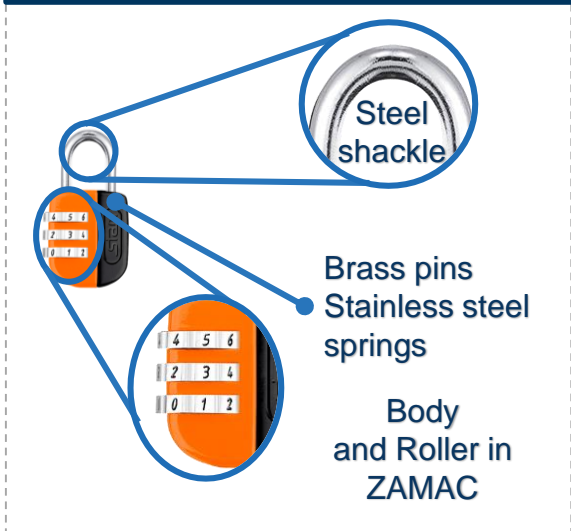


Life Colors is a line of 3-digit combination padlocks sold in blisters, available in 27 different color combinations and in 2 different sizes

Product – Characteristics

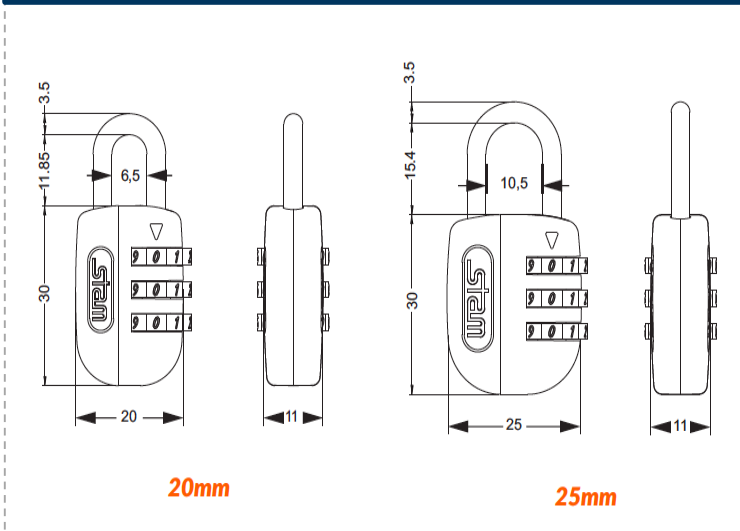


Materials



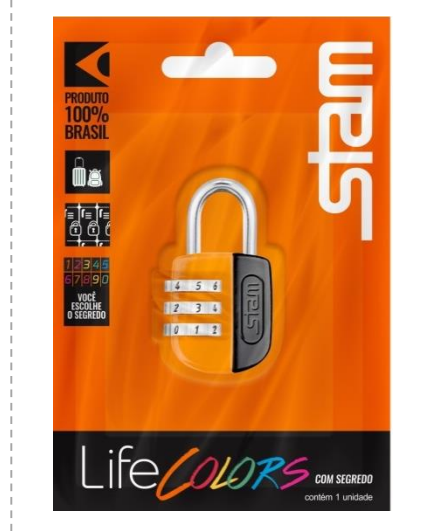
Good quality of materials, small and light

Dimensions



3 digit, 2 sizes, 1000 possible customizable combinations

Packaging



Sold exclusively in blisters

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

Product – Consumer Needs and Usage Occasions



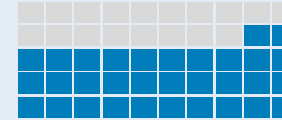
Main padlock usages identified by final consumers

49%



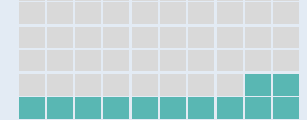
Safe personal valuables
in public places
(schools, gyms, offices)

38%



Close travel bags

12%



Other (lock doors,
protect expensive items
from theft)

What would be the main usage of a Stam Life Colors combination padlock?

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

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

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

Since the preferences among offline and online buyers differ in some aspects, final consumers will be able to find a limited range of colors in physical stores and the whole portfolio on e-commerce sites

Product – Offering



Product offering – Offline channel

76% sales



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

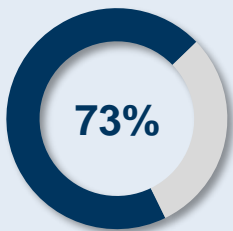


Product offering – Online channel

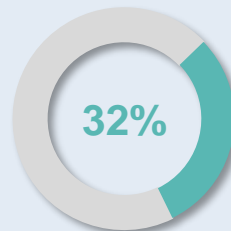
24% sales



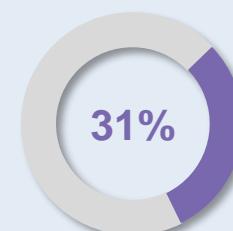
One of the main points of differentiation for Stam is the extreme variety of colors available, hence it is key to offer the **entire color portfolio** to the e-consumers



% Interviewees who chose the selected 9 colors



% Interviewees willing to pay more for color variety



% interviewees who would look for a padlock online and are willing to pay more for color variety

In a long-term perspective, it would be recommendable not to highlight the “Made in Brazil” and to increase brand reliability through a 10 years warranty

Product – Recommendations (1/3)

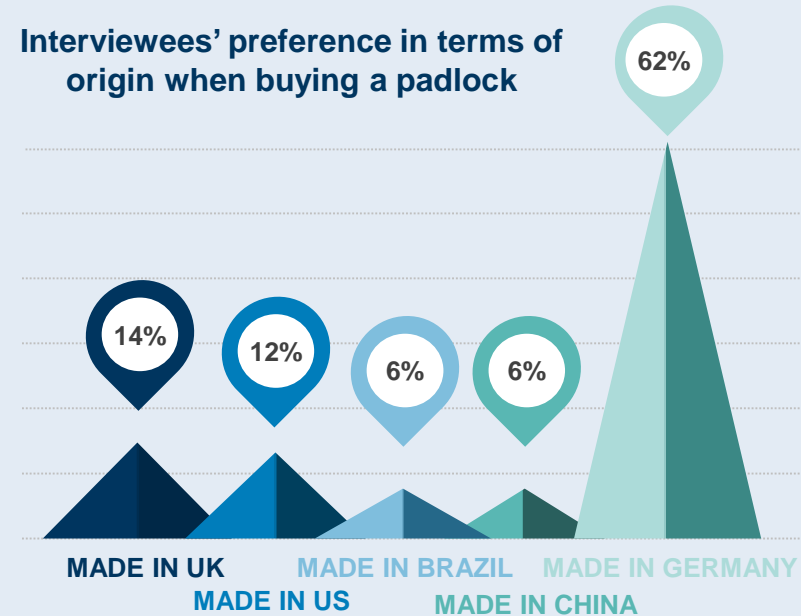


Regarding padlocks, “Made in Brazil” is not perceived as higher quality

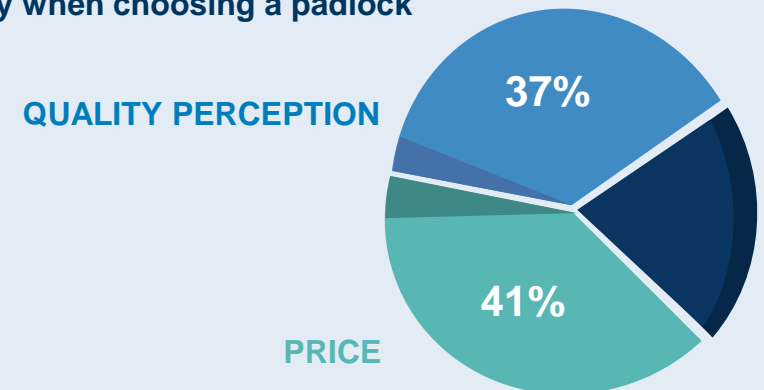


Stam should add a warranty, since this represents a competitive POP*. Moreover, having a warranty induces consumers to buy and trust the brand

Interviewees’ preference in terms of origin when buying a padlock



What interviewees are more influenced by when choosing a padlock



To reach as much consumers as possible, Stam should invest in a TSA line and include customization elements specifically targeting Teens

Product – Recommendations (2/3)

TSA line

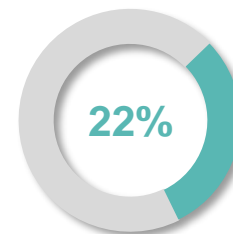


Almost all brands on the market have a **TSA line** of padlocks in their portfolio. In the US, the Transportation Security Administration (TSA) requires access to luggage without the passenger being present; to allow travellers to lock their luggage, they have accepted certain locks which they can open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

Customization



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



% Interviewees willing to pay more for variety of decorations



Regarding packaging, Stam should take into consideration the option of modernizing its blisters to stand out on the shelves

Product – Recommendations (3/3)

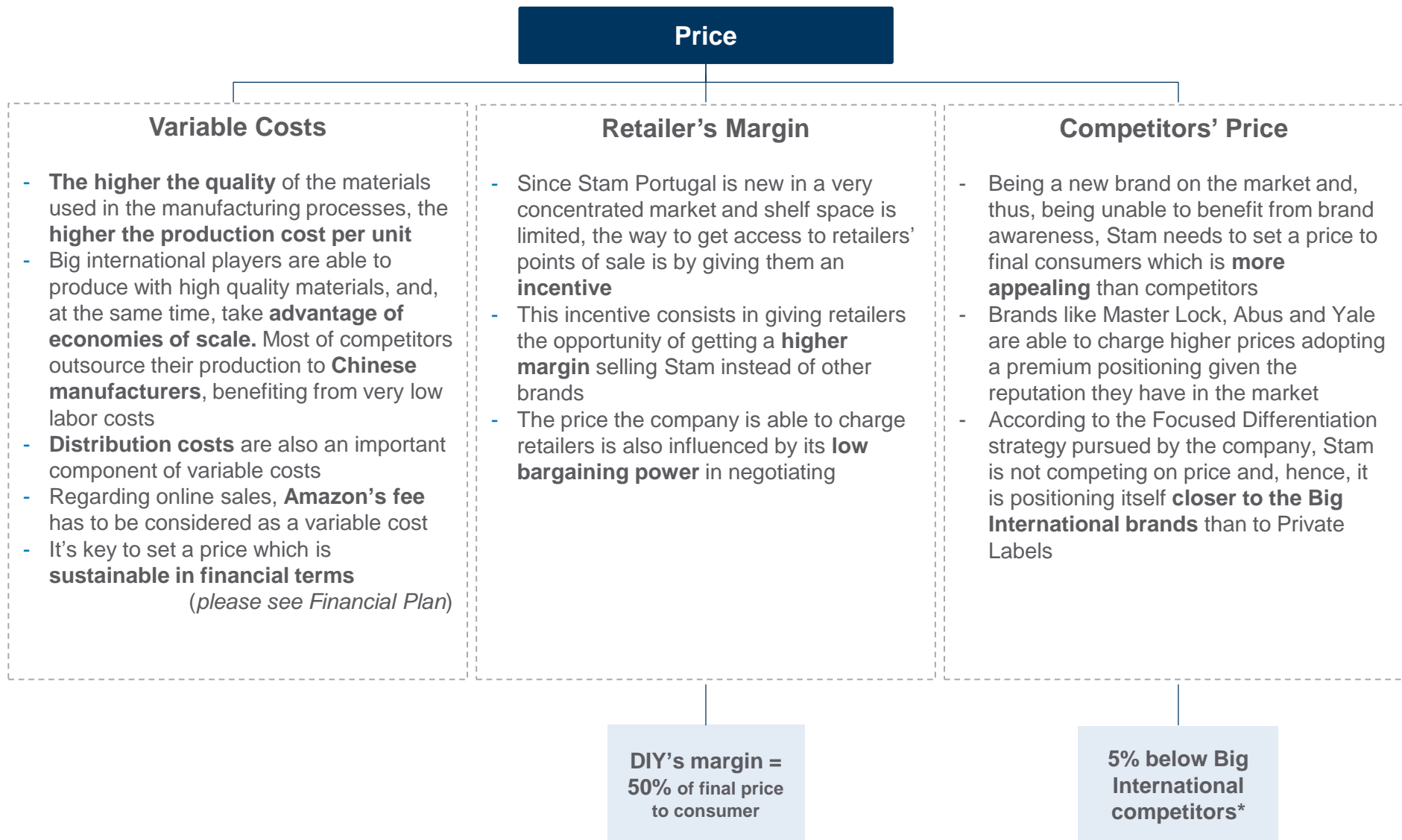
A 'completely different' packaging

Even if Stam's actual packaging is widely appreciated by the interviewees, Millennials and Centennials of the tested sample seem to appreciate - almost in the same extent - other alternatives. In particular, **option 2** may be a strategic choice helping the company to differentiate, even more, Life Colors padlocks from the competition. Indeed, no brand in the European market has a dynamic and colorful packaging. This choice would be consistent with the Brand Identity Stam should aspire to have and transmit in Europe and with target's tastes



Pricing strategy depends on 3 key aspects: final price must be consistent with the company's cost structure and be appealing for retailers and final consumers in comparison with competitors

Price – Influencing Variables



*5% below the average price charged by Master Lock, Yale and Abus for products comparable to Life Colors padlocks in each target country

Stam should position itself 5% below competition in terms of price to final consumer and charge € 1,2 more for 25 mm, than for 20 mm

Pricing strategy

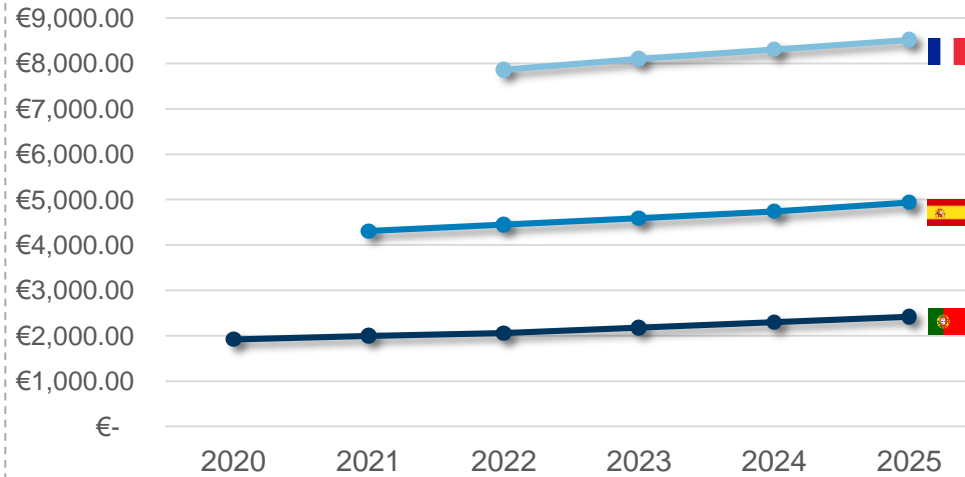


*According to the conducted survey, consumers are willing to pay more than €1 for the 25 mm option

Marketing initiatives have an impact on revenues, generating incremental sales. Given fixed prices, this increment is only expressed in terms of volume growth

Marketing effects

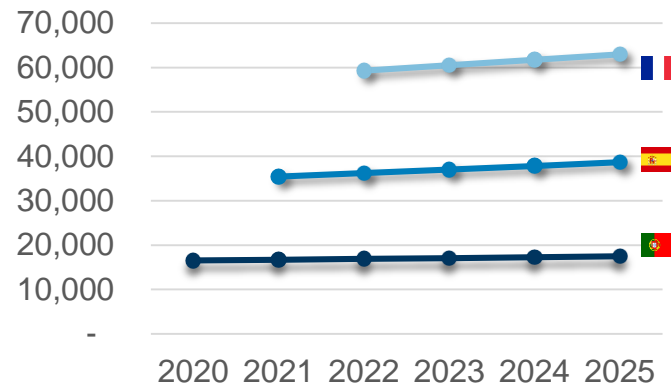
Incremental sales as result of marketing investment



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

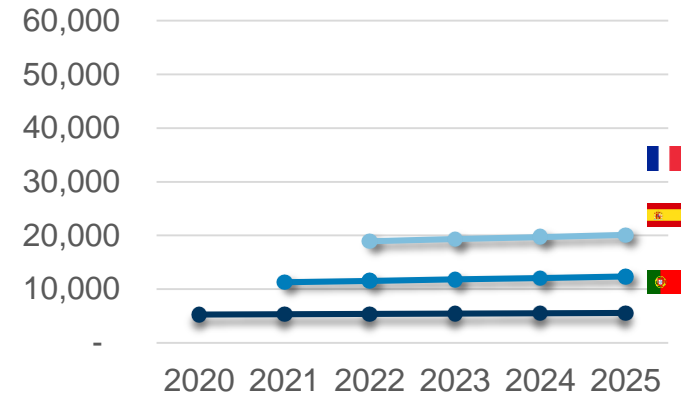
- The incremental sales generated by marketing investments are caused by **increasing sales volumes** during the same year
- Hence, from year to year and considering **fixed prices**, sales volumes' growth is partially influenced by ROMI's annual growth (in a range of **0% to 25%***), given a certain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

Volume Growth DIYs



● Portugal ● Spain ● France

Volume Growth E-commerce



● Portugal ● Spain ● France

*Please go to Appendixes 44-45 for more details

Our recommendation is for Life Colors padlocks to be sold through Adeo Group. The DIY retailers within this group are the major ones in the 3 national markets

Place – Major DIYs

Selective market coverage

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

- The Group's labels serve the **largest audience** of consumers and have the highest **number of stores** across the 3 countries, representing a 38% market share in the EU market
- Adeo is widely present across Europe. This would allow to make **negotiation agreements** for Portugal, Spain and France more efficiently. Moreover, the current relation with Adeo would be key to enter other markets in the future



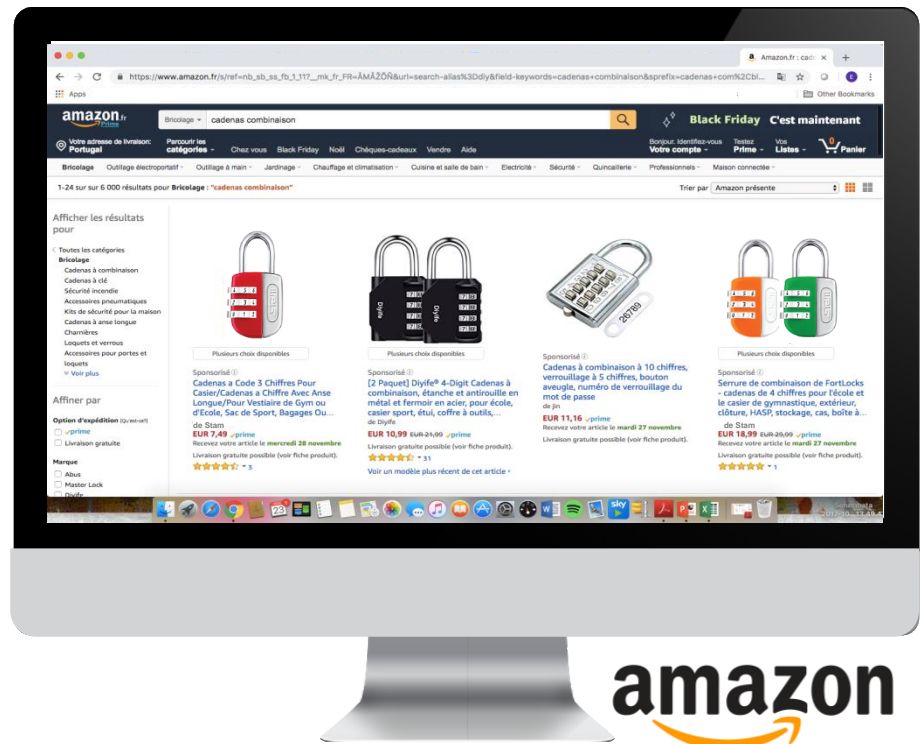
Sales through DIYs will be complemented by an e-commerce strategy. Amazon will be the intermediary to reach the final consumer in the online channel

Place – Online Channel

Massive market coverage

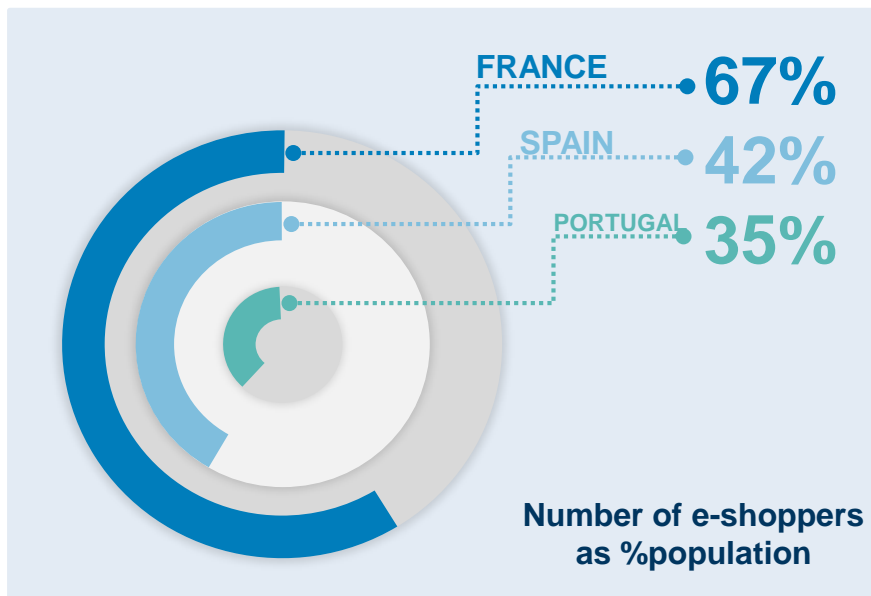
Stam can achieve a massive market coverage through its online channel selling via Amazon, the world's biggest retailer, which has altogether a 25% market share in Europe, more recently, with an annual growth rate of 1,5%. In this way, Stam would have the chance to have:

- **high visibility**
- **more variety** of colors options (entire portfolio sold online)
- **direct access to consumers'** feedback and preferences
- monitoring on **cross-selling**



E-commerce as growing trend

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



After the first 5 years, Stam should consider the idea of starting a business in the vending machine sector, making its padlocks available in public places, in particular at airports

Future Recommendations

A smart way of selling padlocks

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

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



Schools and Universities



Gyms and swimming pools



Airports



To effectively reach its target consumers, Stam needs to adopt a push strategy, focusing and investing mainly in in-store communication initiatives

Promotion – 6Ms



Market

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



Mission

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



Message

“Life is Colors”

Colors express personality and who says we cannot express it through a padlock? Any product can benefit from a creative design!



Media

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



Money

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



Measurement

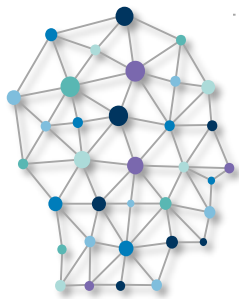
Impact on brand preference will be assessed by sales, while the influence on **brand awareness** will be measured by the number of social media pages’ likes, post likes and shares, website visits

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

Promotion – A combination of Foote-Cone-Belding Grid (FCB)¹ and Rossiter-Percy Grid²

Low Involvement + Think (+ Feel)

Life Colors padlocks, differently from all the other products in the same category and due to their particular positioning in the market, not only answer to a general need of safety, but are also able to make consumers feel some kind of **sensory gratification**. This is due to their intrinsic design features and customizable colors.



71% Of interviewees are not interested in advertisements about products like padlocks



83% Of interviewees do not remember any advertisement about padlock brands

Type of Motivation

Informational
(negative motivations)

Transformational
(positive motivations)

Low-Involvement
(trial experience sufficient)

	
Low Involvement + Think	Low Involvement + Feel
High Involvement + Think	High Involvement + Feel

Type of Decision

High-Involvement
(search and conviction required prior to purchase)

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

Sources: ¹Vaugh, Richard (1980), "How Advertising Works: A Planning Model," Journal of Advertising Research, 20 (September/October), 27-30; and (1986), "How Advertising Works: A Planning Model Revisited," Journal of Advertising Research, 26 (January/February), 27-30.

²Rossiter and Percy: Rossiter, John R., Larry Percy, and Robert J. Donovan (1991), "A Better Advertising Planning Grid," Journal of Advertising Research, 31 (October/November), 11-21.

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

Promotion – In-Store Communication

Given padlocks' overall low frequency of purchase, the entrance of the consumer in a loyalty loop¹ is more difficult to achieve in the short term and requires a relevant investment in brand building activities aimed to increase brand awareness.

At this stage, the priority is to win the consumer at the point of sale



70%

In store communication expenses as % of Marketing Budget + extra costs included in retailer's margin

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

Promotion – Online Communication



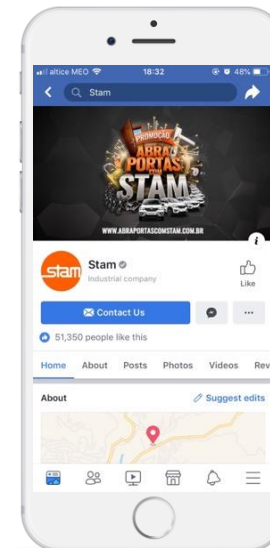
Official website versions for each country



Social media official pages for each country













30%
Online communication expenses as % Marketing Budget (to be increased to 40% only in years of entrance in new markets)



Marketing initiatives' development will take place in 3 main steps given the launch of the product in the different markets, in 3 different years

Implementation – Overview

Phase - Year	2019	2020	2021	2022	2023	2024	2025
Phase 1: Negotiation agreement with Adeo and Amazon							
Phase 2: Launch of the product in Portugal							
Phase 3: Development of Portuguese social media pages and official website							
Phase 4: Start Marketing initiatives in Portugal							
Phase 5: Launch in Spain							
Phase 6: Development of Spanish social media pages and official website							
Phase 7: Start Marketing initiatives in Spain							
Phase 8: Launch in France							
Phase 9: Development of French social media pages and official website							
Phase 10: Start Marketing initiatives in France							

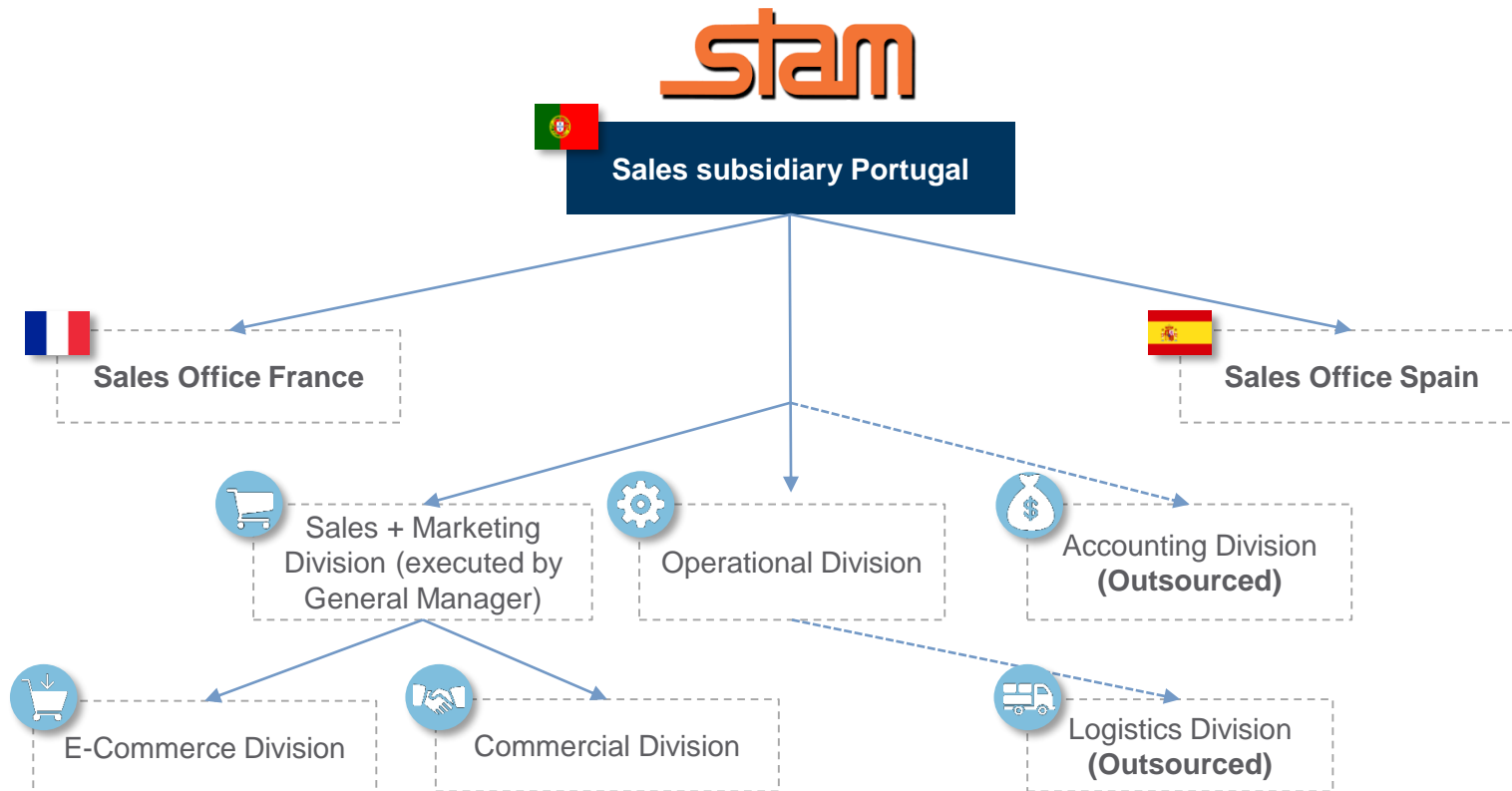
Stam's Operational Plan consists of Company Organisation, Subsidiary Portugal, Supplier and Inventory Management, Distribution and Implementation

Methodology – Operational Plan



In 2022 Stam Portugal will be structured by the main subsidiary with its office and warehouse in Portugal and two additional sales offices in Spain and France

Stam's Organizational Structure – 2022

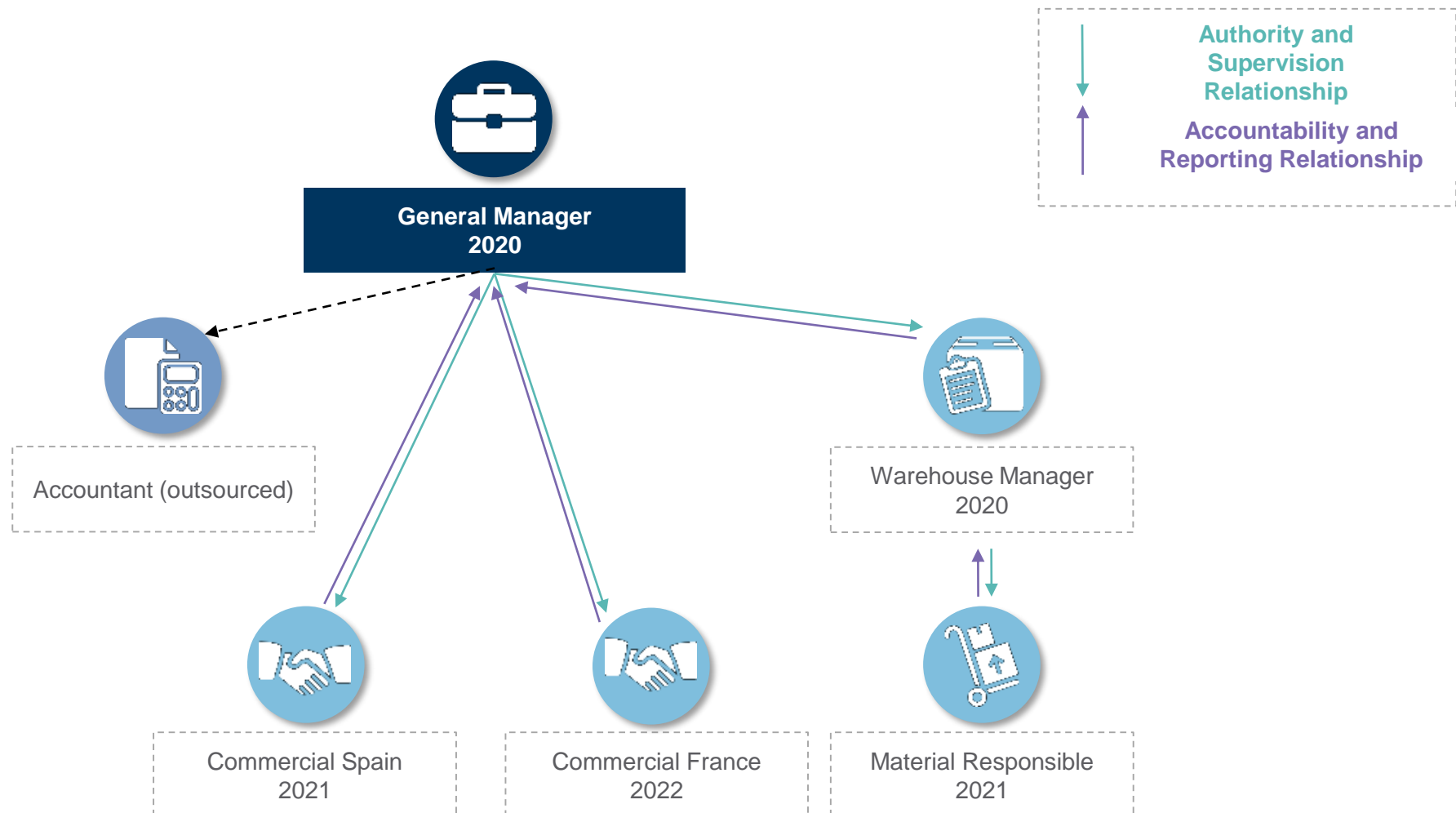


Stam Portugal will be structured in the **main subsidiary**, with its office and warehouse in Portugal, and 2 additional **sales offices** in Spain and France.

This structure will be achieved in a 3-year process. Firstly, the subsidiary in Portugal including Sales + Marketing and Operational Divisions will be opened, secondly the Sales Offices in Spain and France will be added. The Accounting and Logistics Divisions will be outsourced

The Human Resources of Stam in Europe will consist of 5 people: General Manager, 2 Commercials, Warehouse Manager and Material Responsible. The Accounting of the company will be outsourced

Human Resources: Structure General Manager and Employees-2022



Matosinhos, the preferred location for Stam Portugal's sales subsidiary has the advantages of proximity to Leixões port, proximity to Central Europe, proximity to an industrial area and the comparably low rents

Subsidiary Portugal: Location Choice

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



Advantages of Matosinhos

- 1) **Proximity to international port:** Matosinhos **borders directly with the port** facilities of Leixões Port, one of the four biggest international ports of Portugal (Sines, Setúbal Aveiro, Leixões)
- 2) **Proximity to Central Europe:** Leixões is the most northern Portuguese Port and therefore the **closest option to Central Europe** and Stam's aimed Sales Offices in Spain and France
- 3) **Proximity to industrial area:** Matosinhos has a **big industrial area**, where Stam Portugal's potential customers, such as Leroy Merlin and Aki, are located
- 4) **Rent:** Warehouse/Office **rents are comparably low** in the Matosinhos area: average square meter prices per monthly rent (estimated) : € 3,51, comparing to Lisbon area: € 8,12

The sales subsidiary in Portugal will be a leased joint office warehouse space in the Matosinhos' industrial area with approx. 500 m² of total area

Subsidiary Portugal: Matosinhos Office and Warehouse Details

**Joint office
warehouse
space in
Matosinhos'
industrial
area**



Joint Office Warehouse Space Details

- Approx. 500 m² **total area**
- **Division:**
 - 2 Offices General Manager: 15 -20 m² each
 - 1 Office Warehouse Manager: 15-20 m²
 - Space for stock, operations and operational equipment (manual forklift): 400-450 m²

Terms of Usage

- **Leasing:**
 - No budget for investment in real estate
 - No long-term obligations, but high flexibility
- **Terms of Lease:**
 - Unlimited term with 3 months of period of notice to secure both parties
- **Costs:**
 - Rent: € 1.753,58 per month (estimated)
 - Water, electricity, gas: approx. € 1.000,00 per month

Stam Brazil will be Stam Portugal's only supplier, based on a mutual Exclusivity Agreement. To achieve a successful Inventory Management Stam needs to develop a Inventory Management System

Supplier and Inventory Management

Supplier



Mutual Exclusivity Agreement:

- Stam Brazil is Stam Portugal's only supplier
- Stam Portugal is Stam Brazil's only distributor in Europe

Inventory Management

Implementation of Inventory Management System

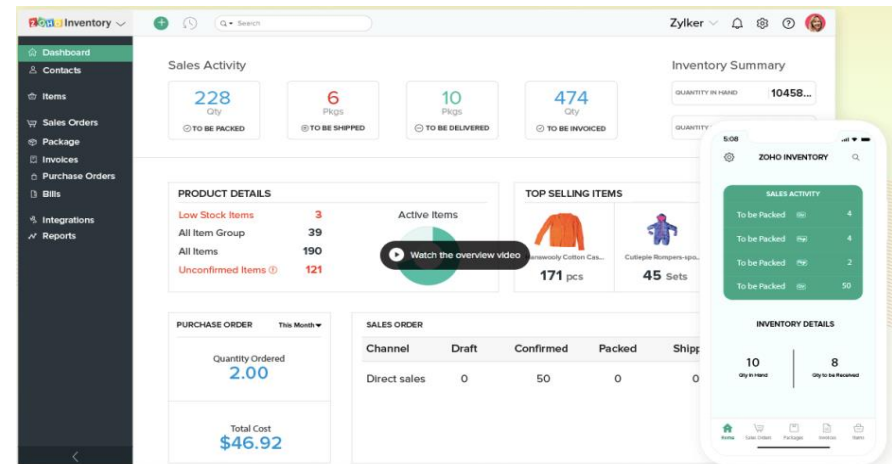
Why?

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

How?

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

Software Recommendation: Zoho Inventory



Stam will have Direct Distribution in Portugal, Spain and France. Therefore, in Madrid and Paris leased Sales Offices will be opened in coworking spaces

Distribution

Direct Distribution in Portugal, Spain and France:

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



Office Space in Coworking Space Madrid / Paris

Co-working Space

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

Terms of Usage

Leasing:

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

Terms of Lease:

- Monthly booking

Costs:

- Rent: € 450,00 per month per person (estimated)
- Water, electricity, gas: included

Stam's Distribution Costs have been computed through an estimated amount of padlock sales and transportation prices given by Torrestir Logistic company

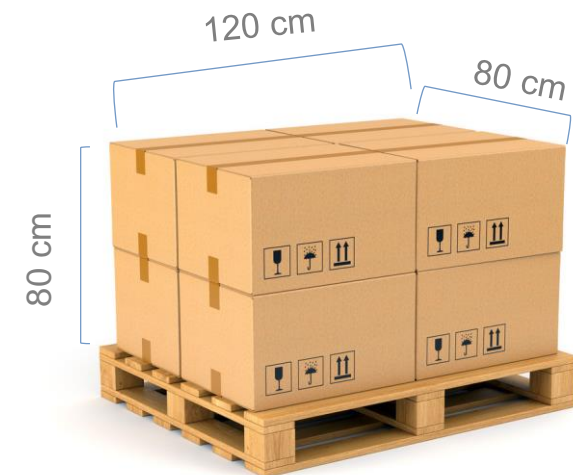
Distribution Costs – Outsourced logistics

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

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

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

Amount and weight of Euro pallets needed:
Due to the Euro pallet's loaded measurement, approx. 2260 padlocks fit on each pallet, weighting on average 145,42 kg



Assessing the given transportation costs from Torrestir, we concluded the following **distribution costs: 0.67% of Sales for Portugal, and from Portugal to Spain and France**

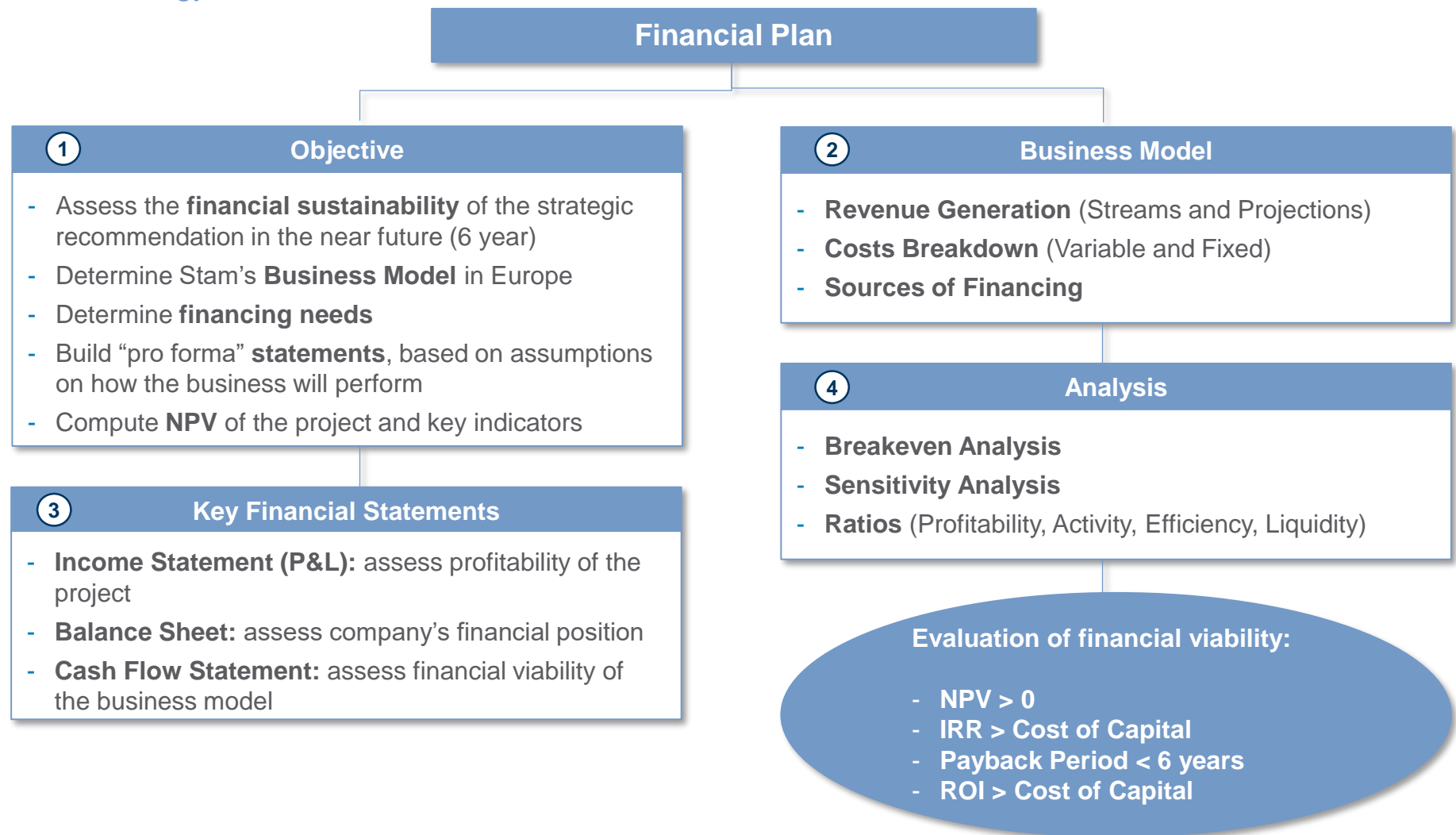
The Implementation of Stam's Business Model of the Sale's Subsidiary in Portugal with Sales Offices in Spain and France is divided into 12 phases throughout the years 2019-2025

Implementation – Overview

Phase - Year	2019	2020	2021	2022	2023	2024	2025
Phase 1: Development of legal requirements and Company Incorporation	▶						
Phase 2: Hiring Process and Team Building Subsidiary Portugal	▶						
Phase 3: Set-up of Stam Portugal - The new European subsidiary	▶						
Phase 4: Start Business in Portugal		▶					
Phase 5: Hiring Process for Sales Office Madrid		▶					
Phase 6: Set-up of Sales Office Spain		▶					
Phase 7: Start Business in Spain			▶				
Phase 8: Implementation of new Sales Office Spain into Operational Process in Portugal			▶				
Phase 9: Hiring Process for Sales Office Paris			▶				
Phase 10: Set-up of Sales Office France			▶				
Phase 11: Start Business in France				▶			
Phase 12: Implementation of new Sales Office France into Operational Process in Portugal				▶			

The Financial Plan aims to assess the financial viability of the strategic recommendations by projecting the key financial statements in the next 5 years

Methodology – Financial Plan



France has the largest market size of base metals, having a higher expected sales potential, followed by Spain and, lastly, Portugal

Business Model – Market Size Estimation: Base Metals Industry

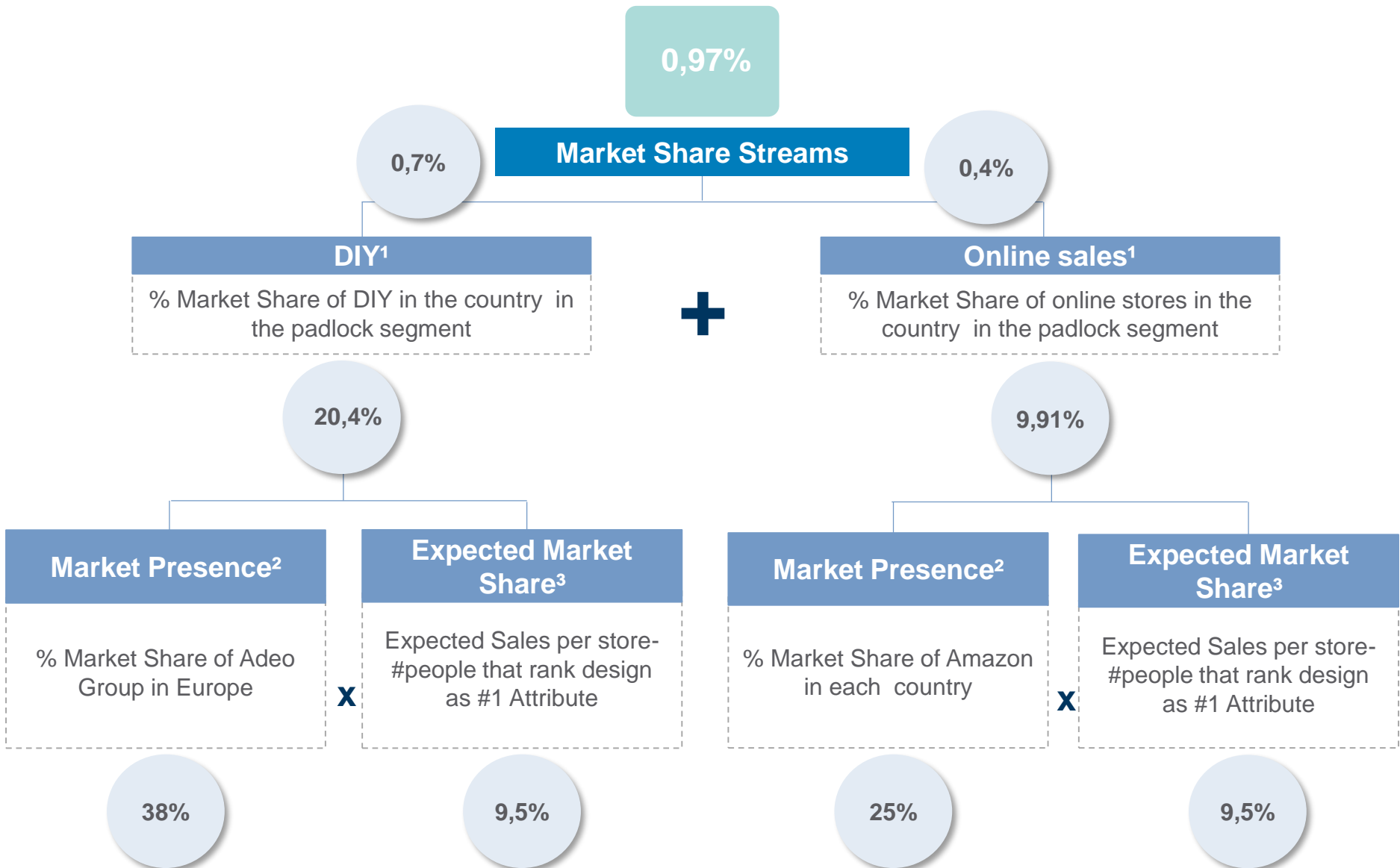


		Portugal	Spain	France
Market size (€) ¹	Imports-Exports+National Production in Sales	€ 2.779.247	€ 23.999.33	€ 46.066.93
	Average Industry Price ¹	€ 1,27	€ 5,43	€ 6,42
Market size (quantity) ¹	Imports-Exports+National Production in number o of padlocks	2.188.383 padlocks	4.419.766 padlocks	7.175.535 padlocks
Expected Sales Potential (Stam PT) ¹	%Market Share x Market size (Quantity) x CAGR [^] _t	21.290 padlocks	43.623 padlocks	71.836 padlocks

¹ All information retrieved from Eurostat: "Sold production, exports and imports by PRODCOM list (NACE Rev. 2) - annual data [DS-066341]"

Through DIY and online sales, Stam PT is expected to reach 0,97% of the total padlock market in Portugal

Business Model – Market Share Estimation Portugal

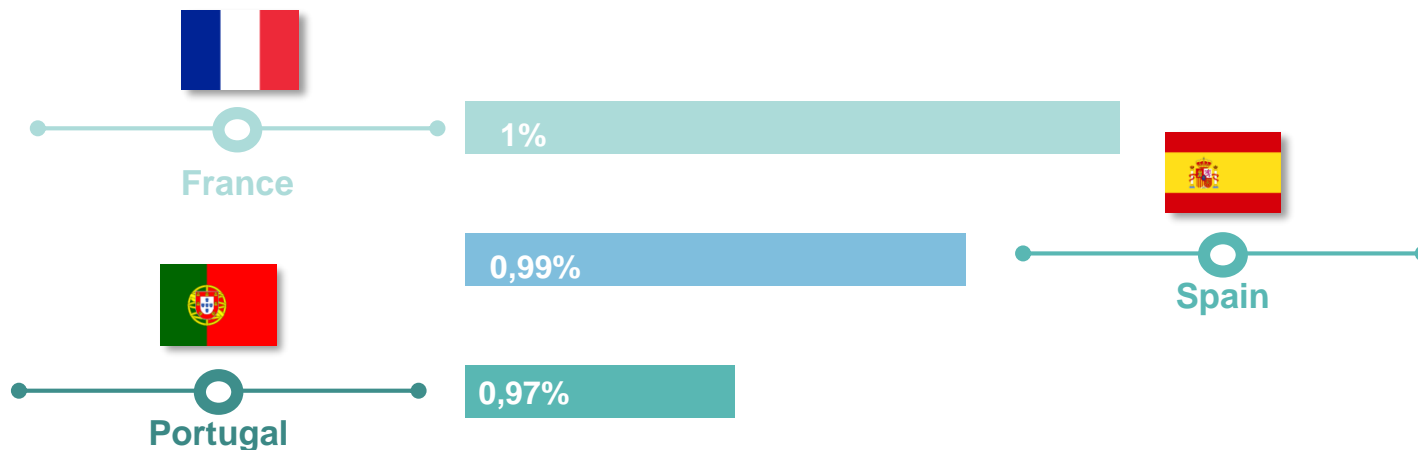


¹ Results according to the % of people who buy a padlock at a DIY, retrieved from a survey performed by the team
² Results according to the stores where the padlocks are sold in each of the 3 countries and the % of market share recorded by each DIY
³ Results on the % of people who rank design as first driver of purchase for padlocks, price in second and the other way around

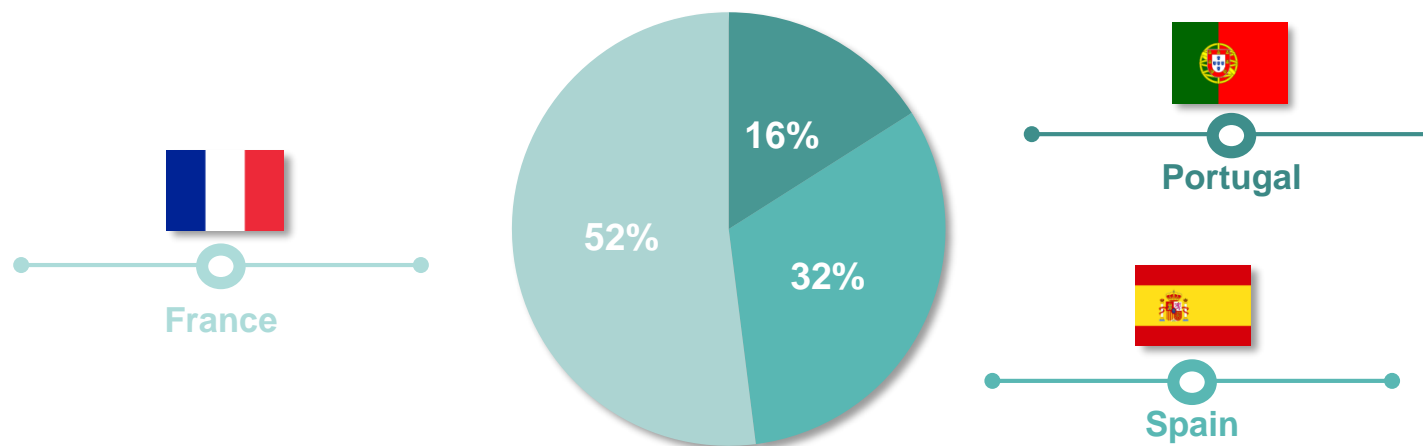
The major segments of revenue are in France and Spain, which is caused not only by the higher market share, but also by the larger market size

Business Model – Revenue Segmentation (1/2)

Market Share per Country



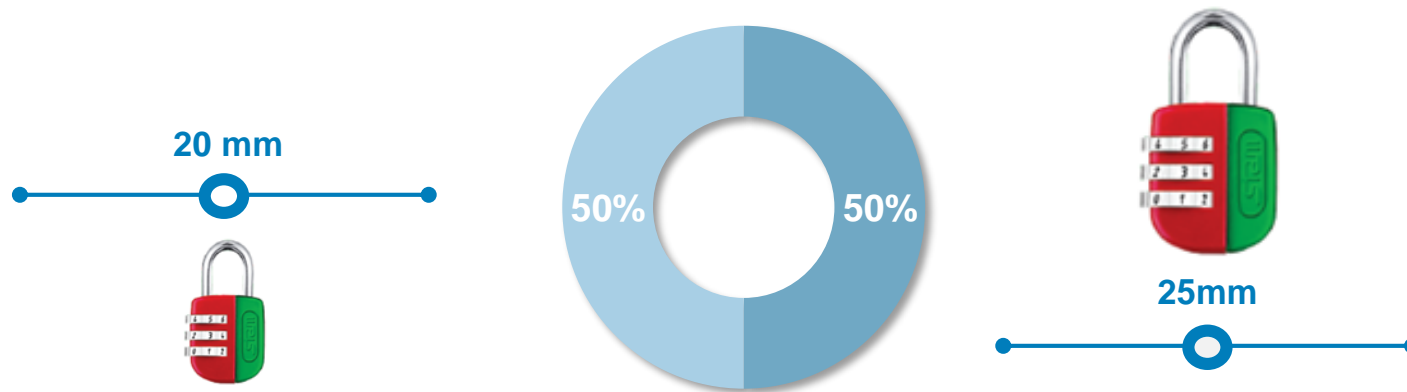
Revenue Streams per Country



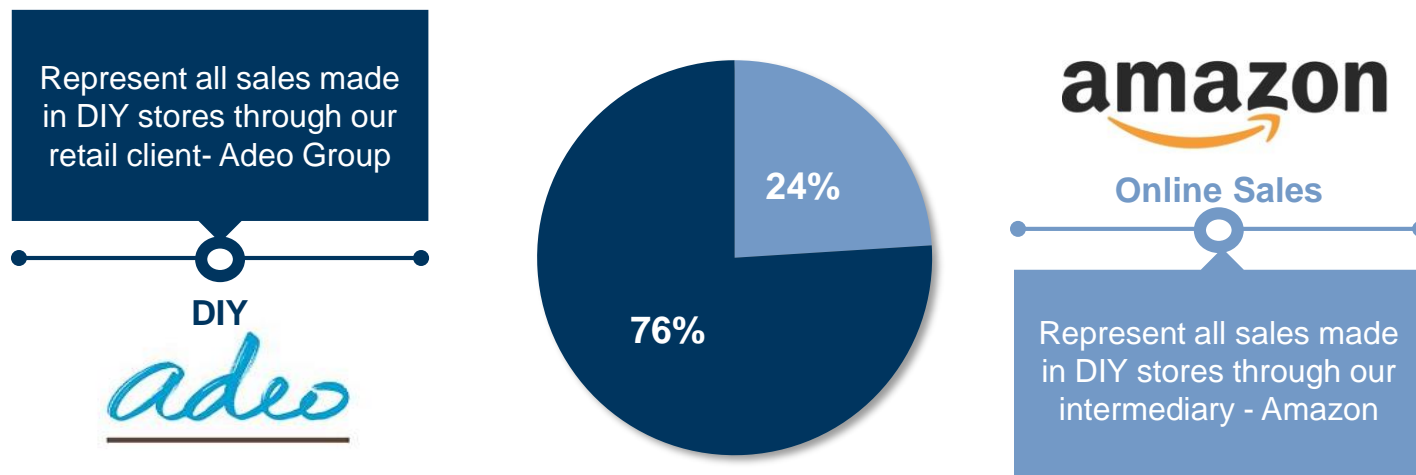
Revenues provided from 20mm and 25mm padlocks will be equally divided between each other. Channel wise, DIYs are responsible for 76% of the revenue, while the online channel represents only 24%

Business Model - Revenue Segmentation (2/2)

Revenue Streams per Product

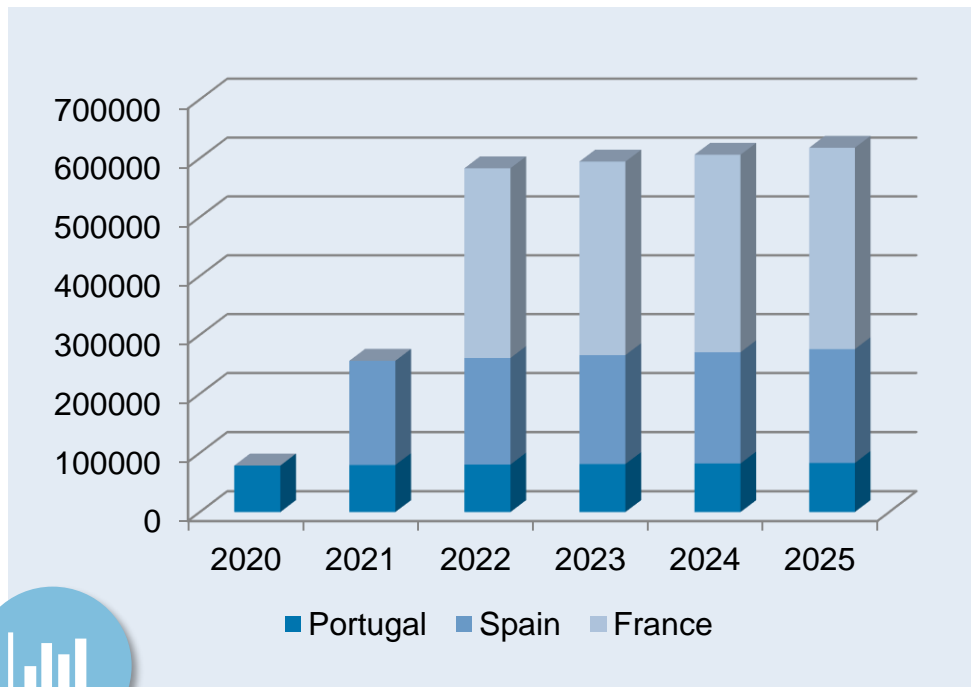


Revenue Streams per channel

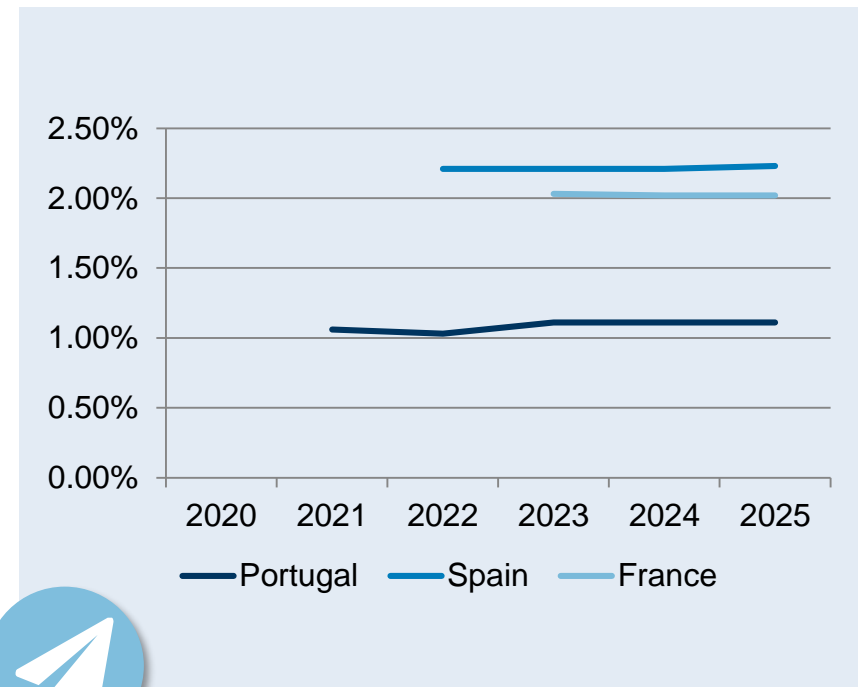


Revenues are expected to increase up to €618k in 2025, as the company expands to a larger number of countries

Business Model – Revenue Estimation



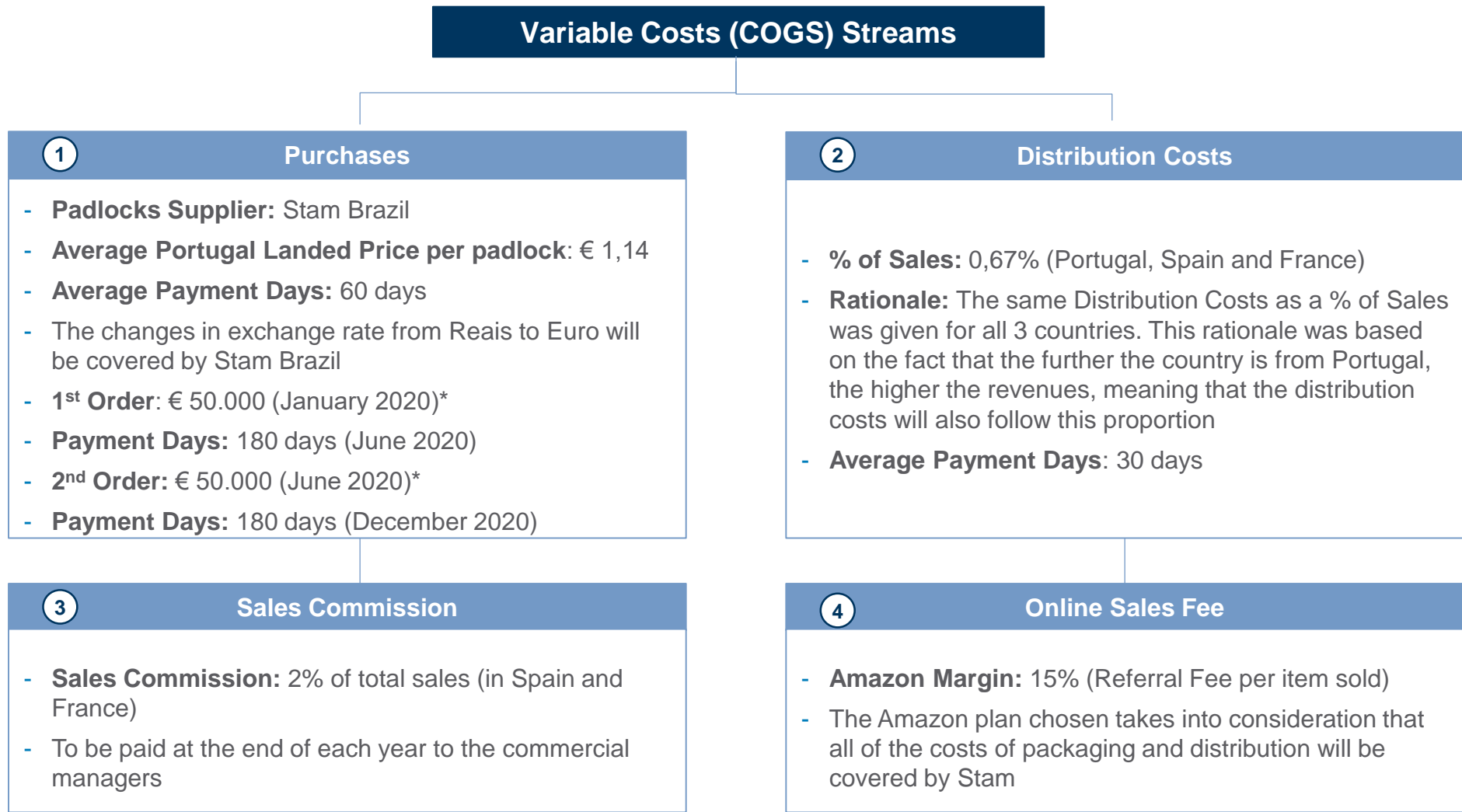
- Revenues have been **increasing** throughout the years as Stam's expansion increases in number of countries
- Initially, in 2020, revenues derive solely from Portugal, where the company offers the padlocks at a lower price
- Whilst in 2021, there is the introduction of Spain in the expansion strategy, pushing revenues up
- The major increase in revenues is in 2022, when Stam reaches France



- The growth rate of revenues is the sum between the CAGR that the market has demonstrated in each country and the impact of marketing expenses
- We believe this growth rate will remain roughly stable throughout time

Stam's Variable Costs consist of the padlock purchases from Stam Brazil, Distribution Costs, Amazon's margin and the Sales Commission to the Commercial Managers

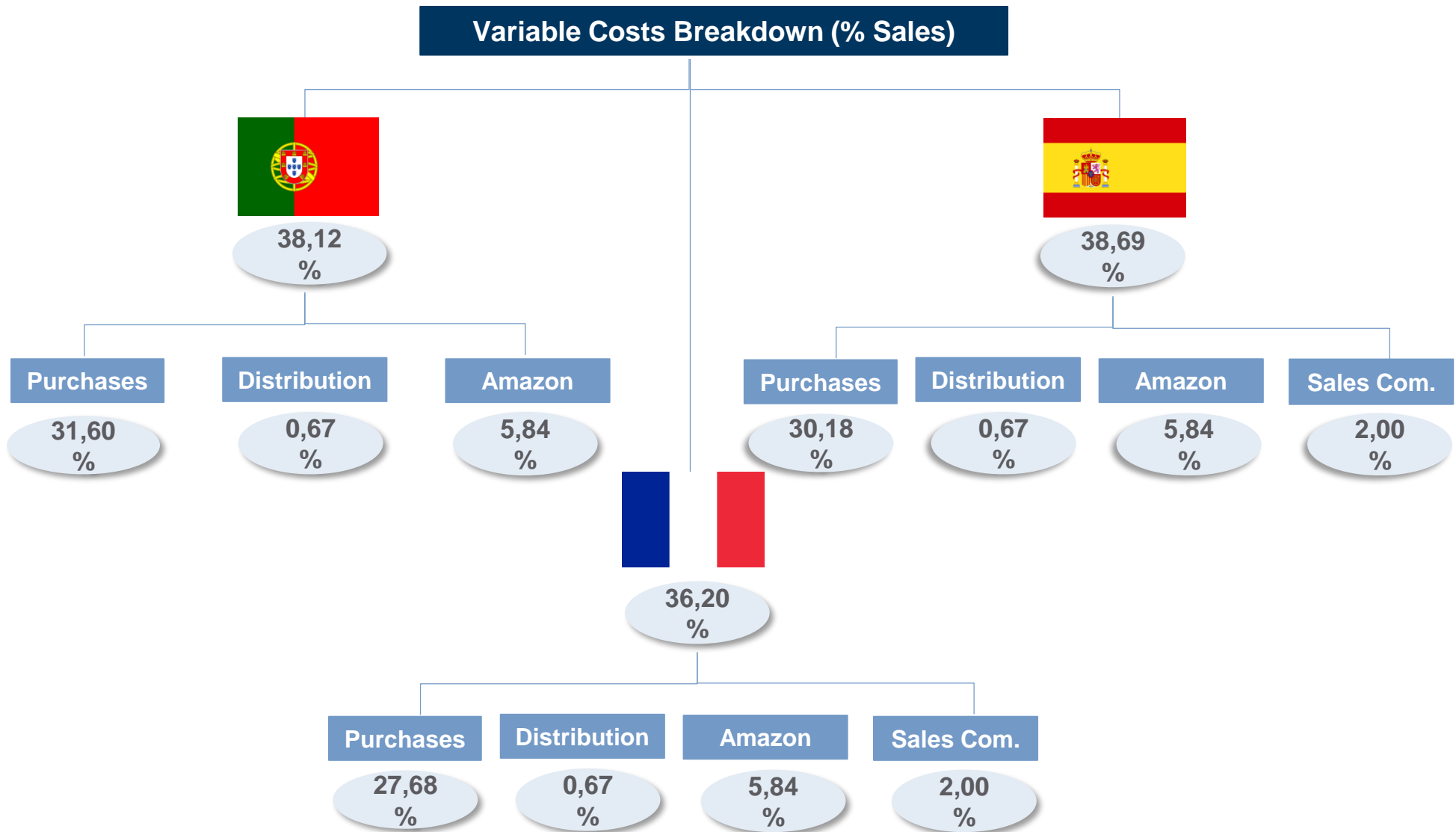
Business Model - Cost Estimation (1/4)



* Already pre-established between Stam PT and Stam BR

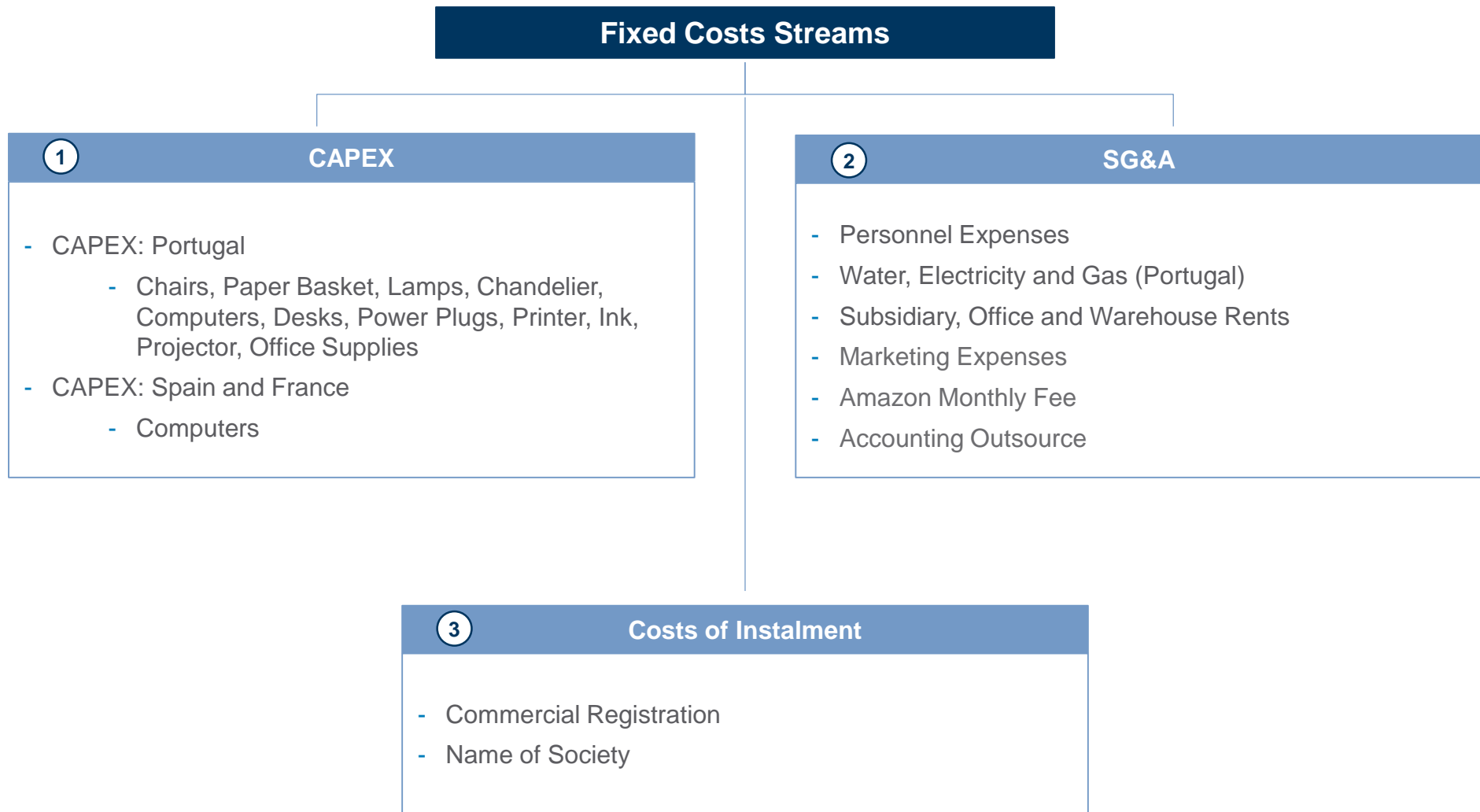
The Costs of Goods Sold represent around 38% of the total sales, with the major expense coming from the Purchase of the padlocks

Business Model - Cost Estimation (2/4)



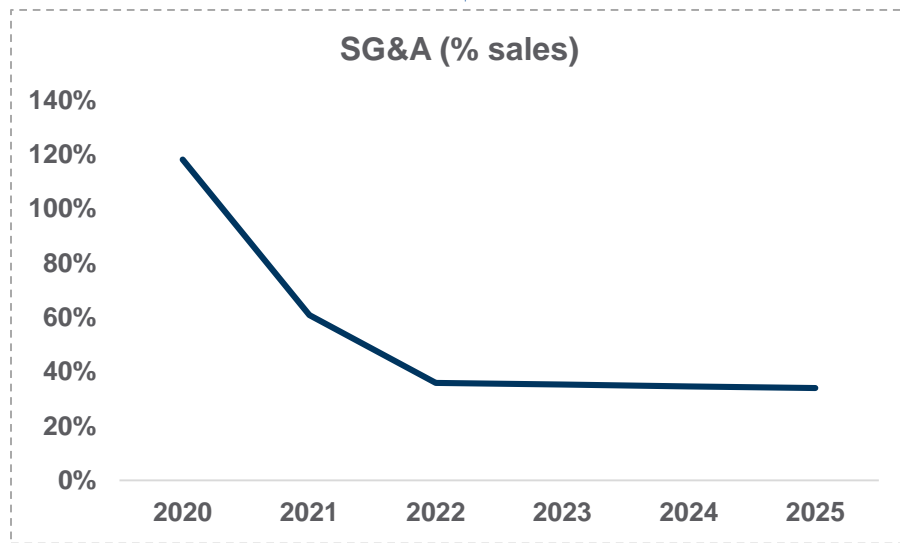
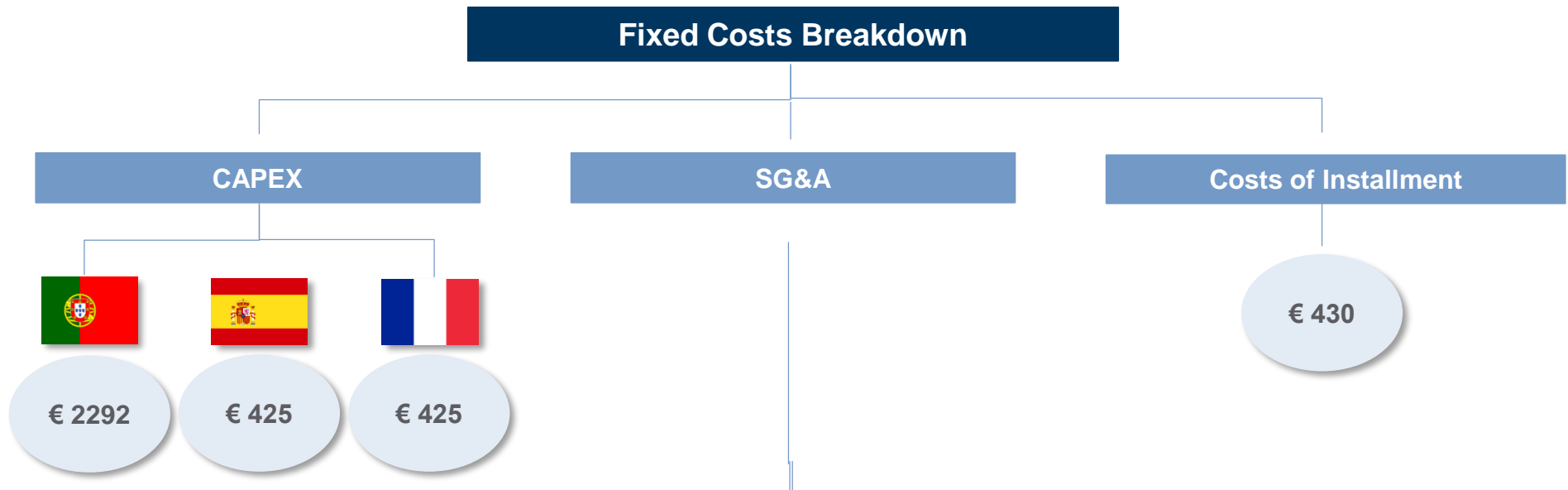
Stam's Fixed Costs come from the CAPEX, Costs of Instalment and SG&A expenses

Business Model - Cost Estimation (3/4)



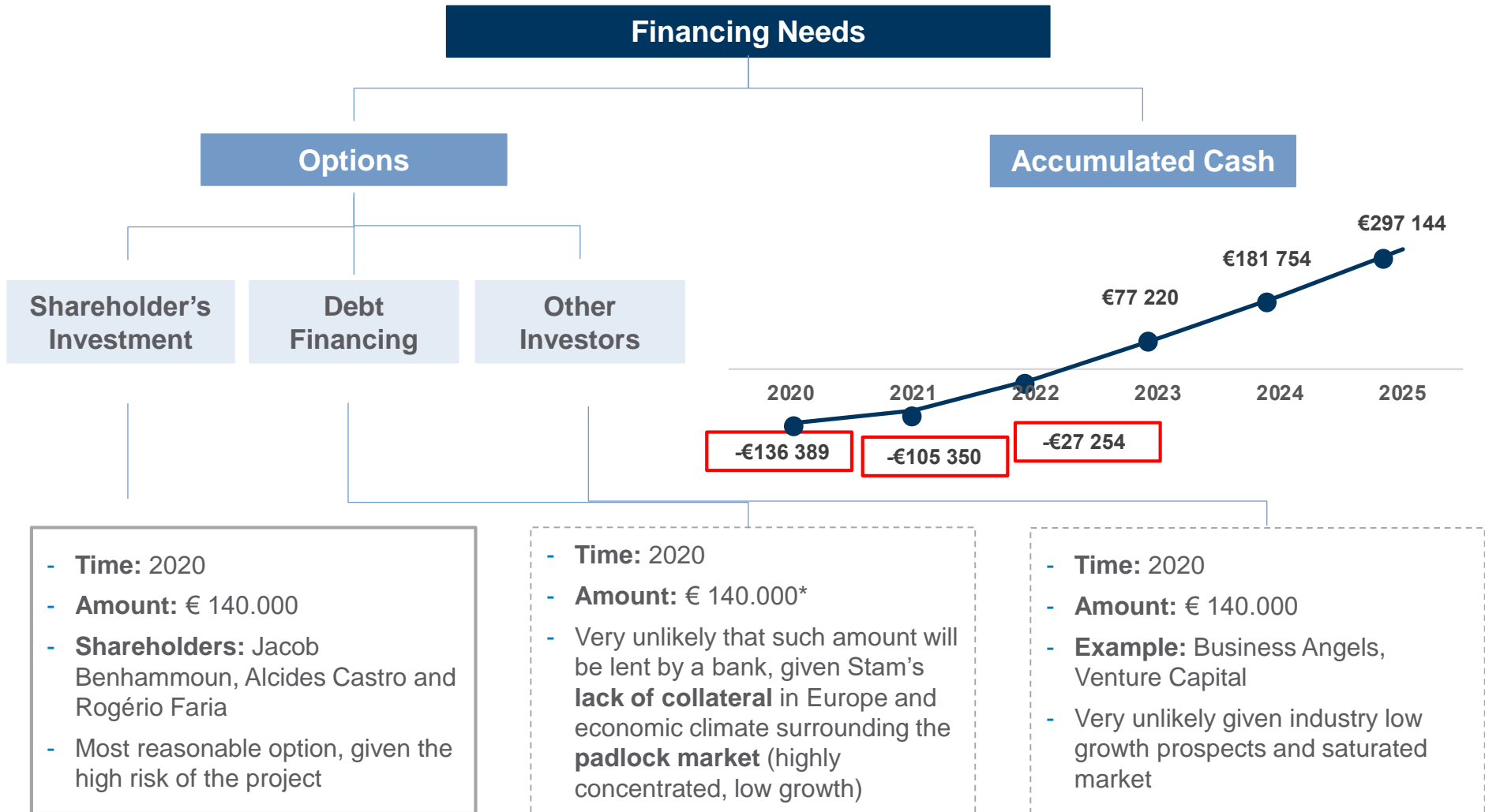
The SG&A costs (% of sales) will decrease throughout the years, with the Personnel costs constituting the main stream of expenses

Business Model - Cost Estimation (4/4)



Given the internal conditions of the company and external status of the padlock market, the best source of financing would be a shareholder's investment

Financing Plan

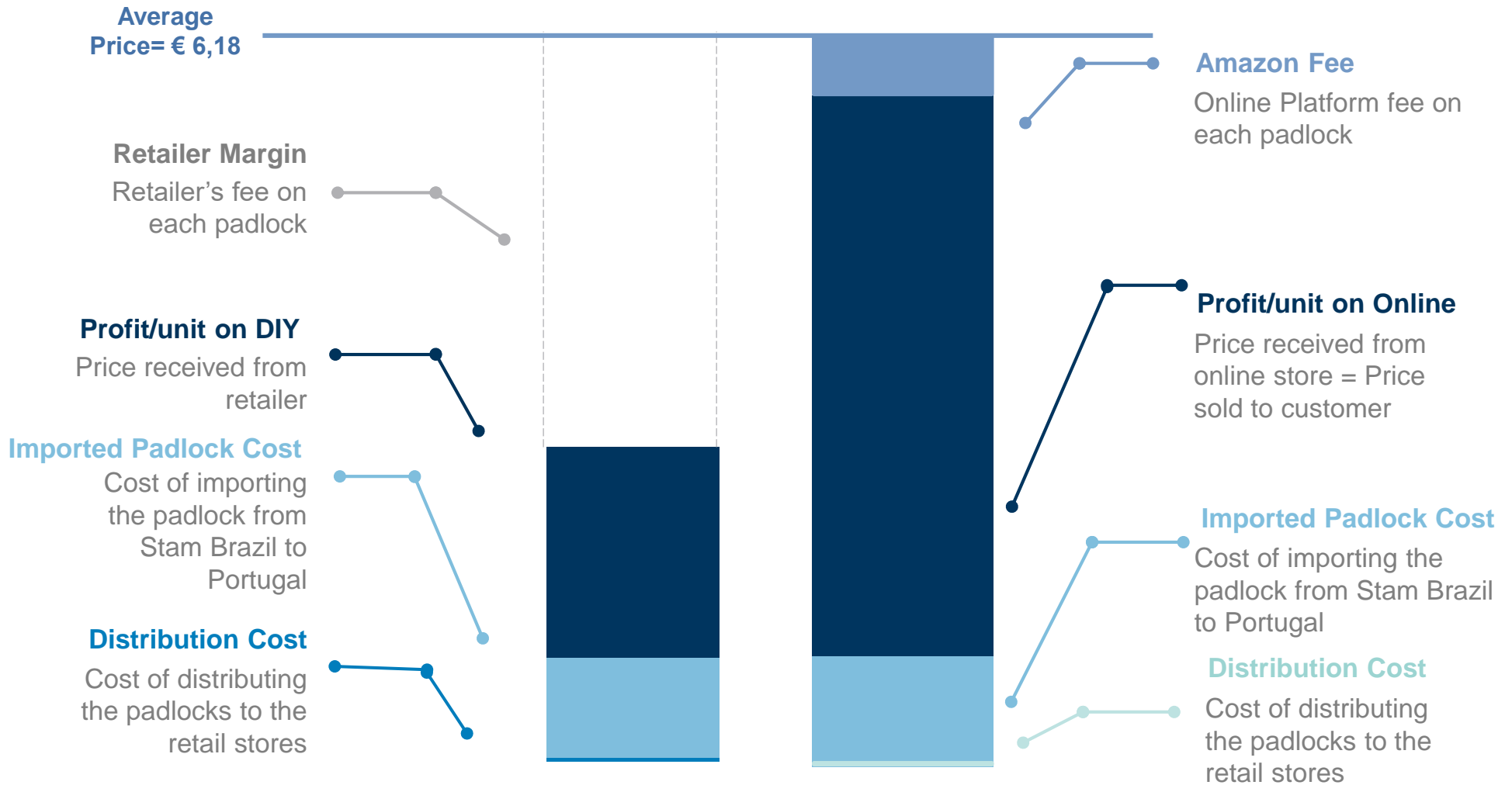


A shareholder's investment is the more realistic source of financing for Stam's expansion strategy into the European market, given the current **internal situation of the company** (no collateral, new in the market) and **external climate of the padlock market** (saturated industry, high concentration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

* Considering Repayment + Interests: The loan is considered to have a maturity of 10 years, with yearly equal payments; Interest Rate: 8%

The profit per unit varies on the channel it is distributed in, being the main differences in price and retailer margins

Profit per unit (1/2)



The profit per unit on online stores is 3 times larger than DIY's, as price is higher and margins for the seller are lower

Profit per unit (2/2)

adeo

Profit per unit = € 1,74

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



Distribution Cost

€ 0,02



Imported Padlock Cost

€ 1,14



Price to Retailer

€ 2,9



Distribution Cost

€ 0,04



Imported Padlock Cost

€ 1,14



Amazon Fee

€ 0,87



Price to Final Customer

€ 5,81



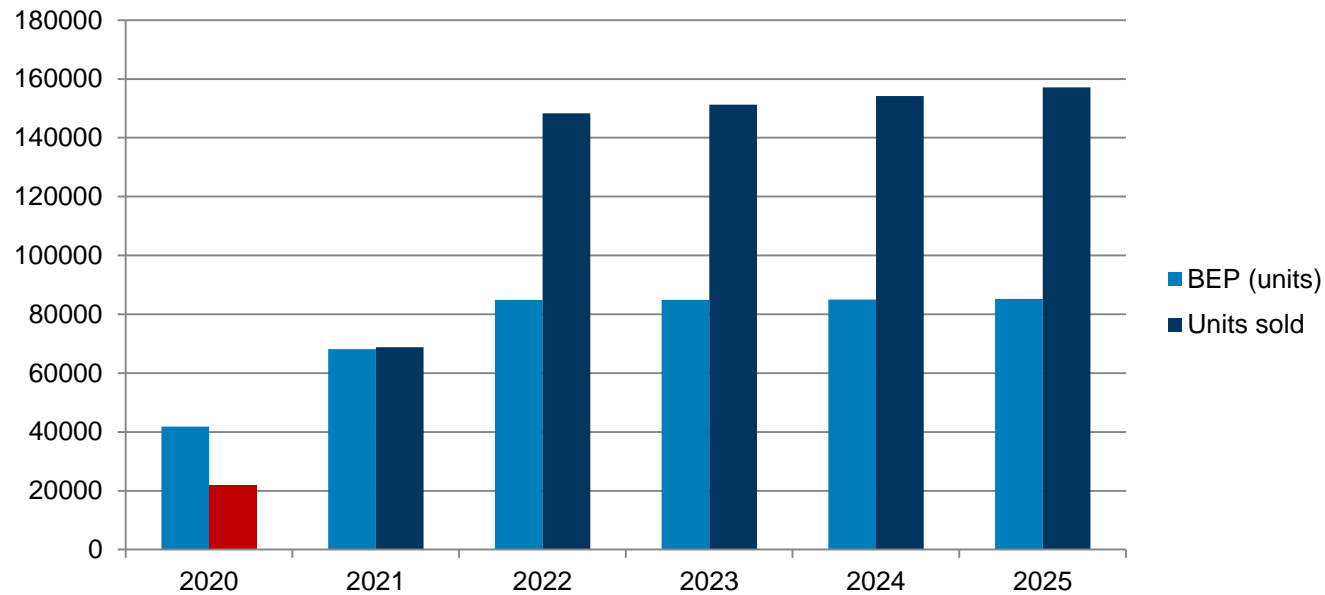
amazon

Profit per unit = € 3,76

Amazon's retailer margin is solely 15% of the price to final consumer, which is much lower than Adeo's margin. This way, the online segment is the most profitable for Stam

The company is not likely to reach BEP in the first 2 years, due to Portugal's dimension

Breakeven Point Analysis (1/2)



 **2020**

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

 **2021**

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

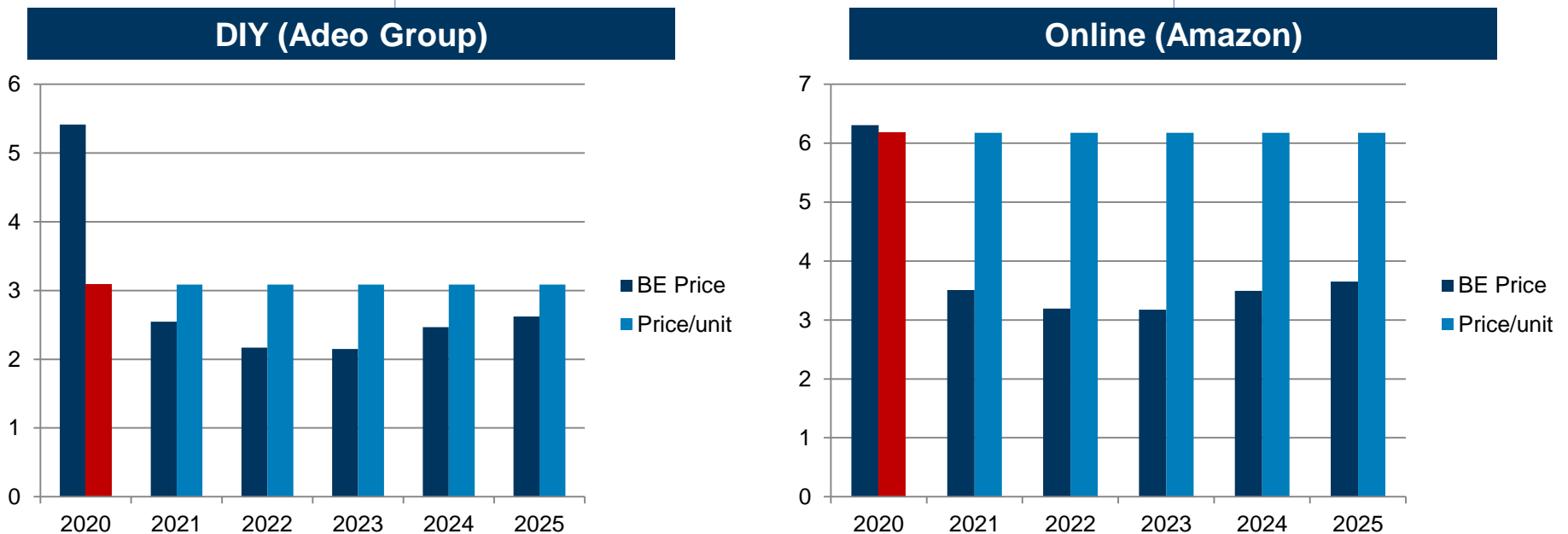
 **2022**

After the entrance in France, the BEP is easily reached, as Fixed Costs and contribution margin become stable and quantity sold is more than enough to cover Fixed costs

The fact that the company will not reach BEP in 2020 does not represent a risk for the company, as it is compensated in the following years

Breakeven Point Analysis (2/2)

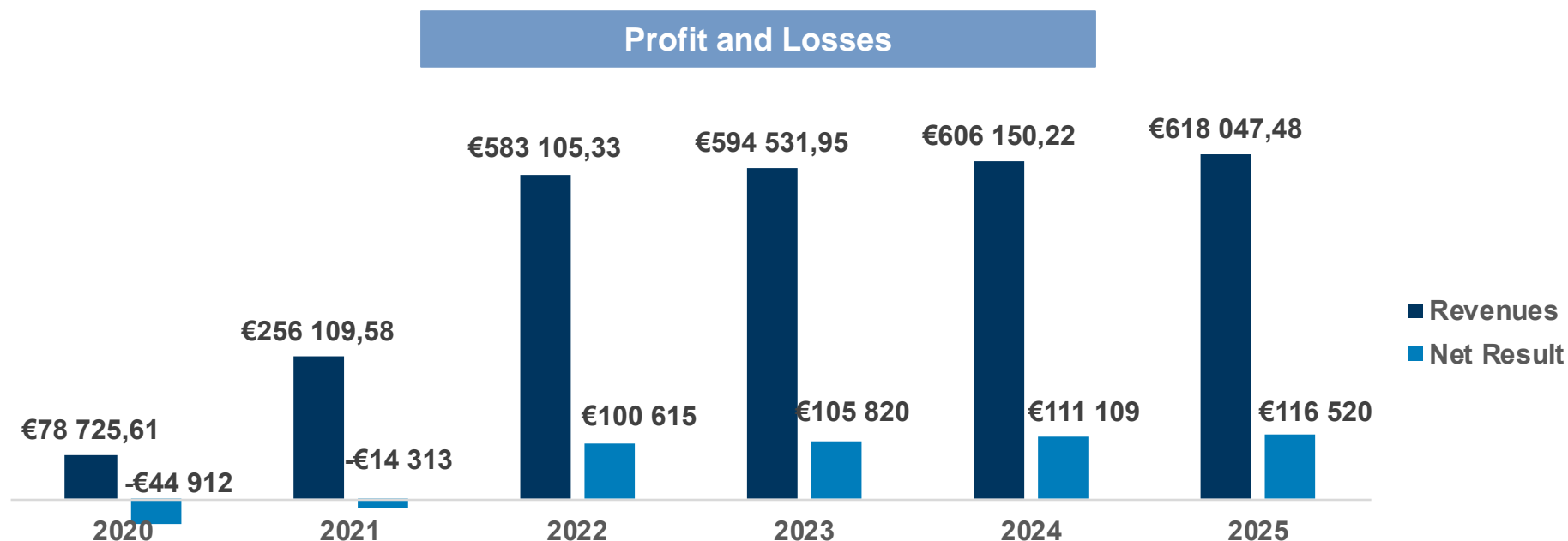
Breakeven Price vs. Price in each Channel



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

Stam will start with a negative Net Income and as it enters France it will become profitable

Results – Financial Statements (1/3)



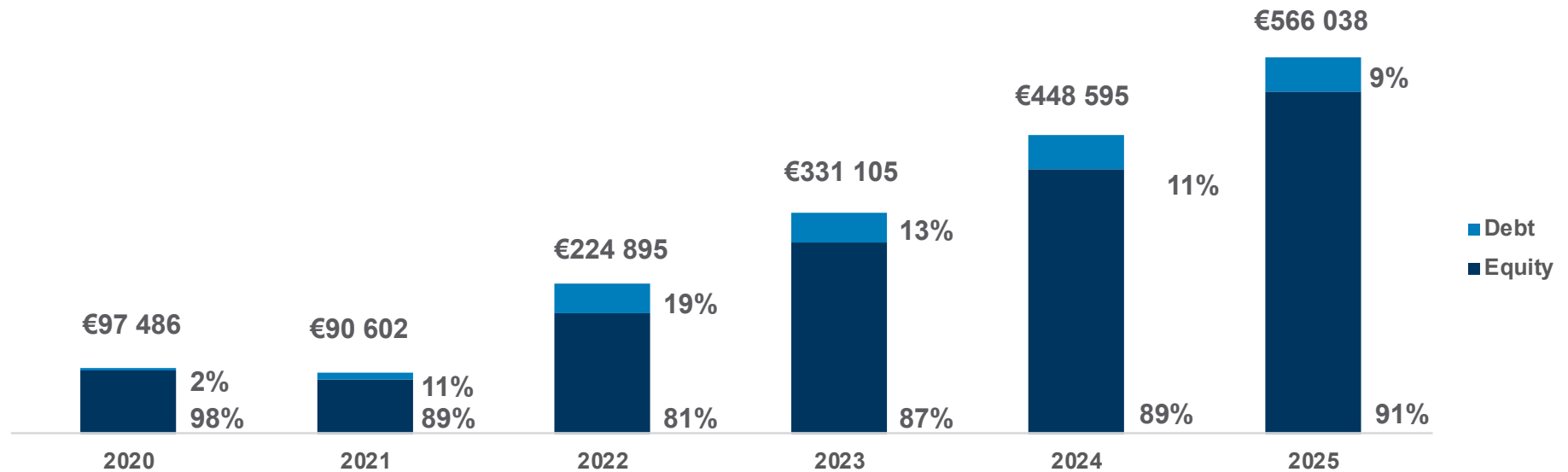
Key Insights

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

The company's total Assets will be financed mainly by Equity throughout the 6-year period

Results – Financial Statements (2/3)

Balance Sheet



Key Insights

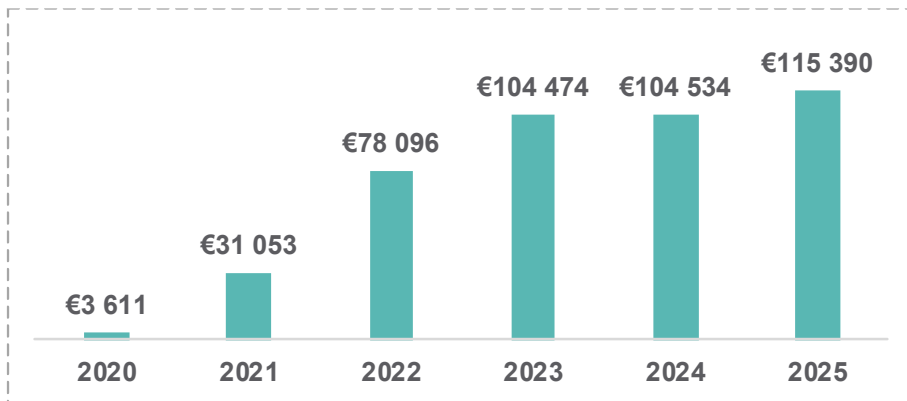
- At the end of the 6-year period, the company would have Assets of € 566 038, **financed mainly by Equity**. These Assets are constituted by **Inventories (0.77%)**, **Clients Receivables (21.97%)**, **Cash (77.23%)** and **Fixed Assets (0.04%)**
- The company's **Debt** is constituted by **Accounts Payable to Suppliers (72%)**, the **State Payables (27%)** and **Distribution Payables (1%)**
- The **Equity** is composed by the **Social Capital** invested by the shareholders (€ 140.000), the **Net Result** from each year, the **Retained Earnings** and the **Legal Reserves**
- Starting in 2022, the company's **inventories will drop down significantly**, after selling all padlocks purchased from Stam Brazil in 2020. From this point onwards, it is assumed **order to delivery (in the DIYs)**, making Cash and Clients Receivables the main accounts for the Assets
- The differences on the company's Assets each year delineate the **effect that the new markets** will have, increasing **148%** when it enters **France (2022)**
- Moreover, the D/E stays roughly the same throughout the years, as **no capital injection or leverage is assumed**

The company will not gain any cash from its sales in the first year, and as it enters Spain and France its Operating Cash Flow becomes positive

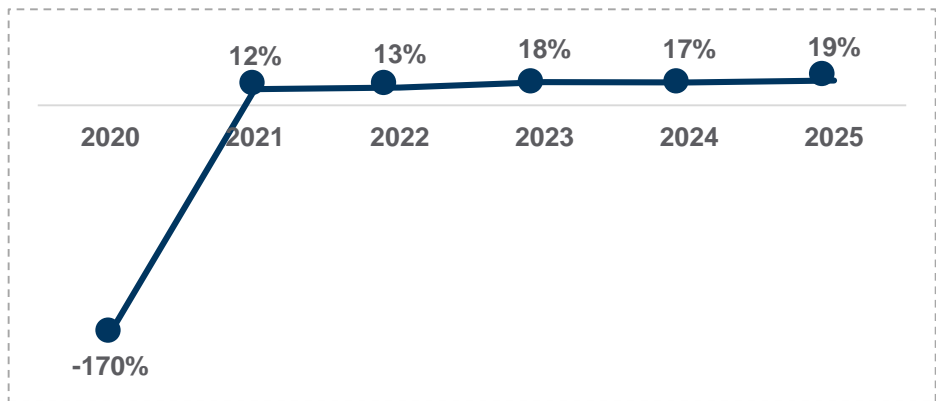
Results – Financial Statements (3/3)

Cash Flow

Cash Flow (end of the year)



Operating Cash Flow (% sales)



Key Insights

- The company's **Cash Flow** is composed by its Operating Cash Flow, Financing Cash Flow and Investing Cash Flow
- The **Cash Flow from Operations** is constituted by the cash received from the customers, as well as all of the operating expenses (variables and fixed)
- The **Cash Flow from Financing** accounts mainly for the investment of € 140.000 from the shareholders, given that no leverage is considered
- Finally, the **Cash Flow from Investing** refers only to the purchase of long term investments, which for Stam would only be the Office Materials (**Capital Expenditures**)

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

If the expected scenario occurs, Stam's internationalization strategy to Europe will be financially viable

Results – Financial Viability

NPV > 0

IRR > Wacc

ROIC > Wacc

**Payback < 6
Period**

- **NPV = € 158.742**

- This indicates that the projected earnings exceed the anticipated costs generated in the 6-year period

- **IRR = 45%**
- **Wacc = 10,96%**

- The IRR is the rate of growth the project is expected to generate. An investment is profitable when its IRR is greater than the firm's cost of capital

- **ROIC = 85,01%**
- **Wacc = 10,96%**

- The average ROIC throughout the 6 years projected is greater than the firm's cost of capital, meaning that value is being created

- **Payback Period = 3,42 Years**

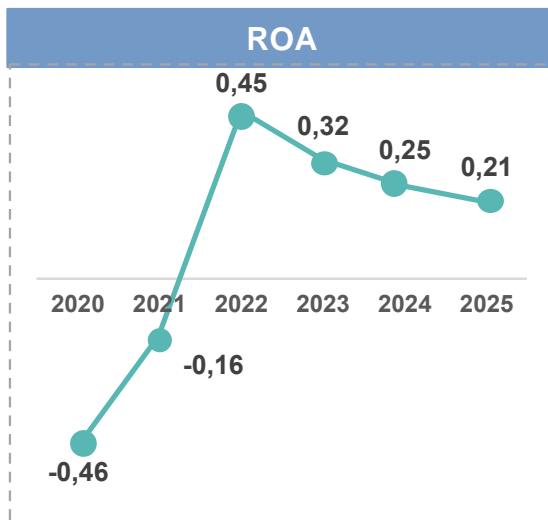
- Stam will recover the investment made in Europe in 3,42 years

- If the expected scenario occurs, Stam's internationalization to Europe will generate a positive NPV and a IRR higher than the company's cost of capital, meaning that the projected earnings will be enough to cover the expected costs and that the company will be creating value
- Therefore, the project would be financially viable

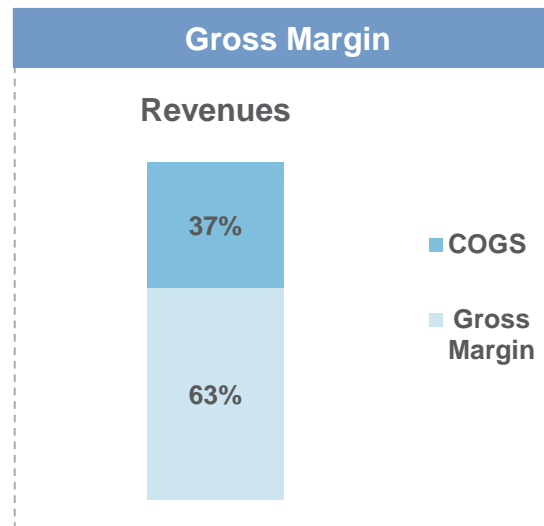
Although the first 2 years will be financially difficult for Stam, the company will start making profits in 2022

Results - Ratios (1/3)

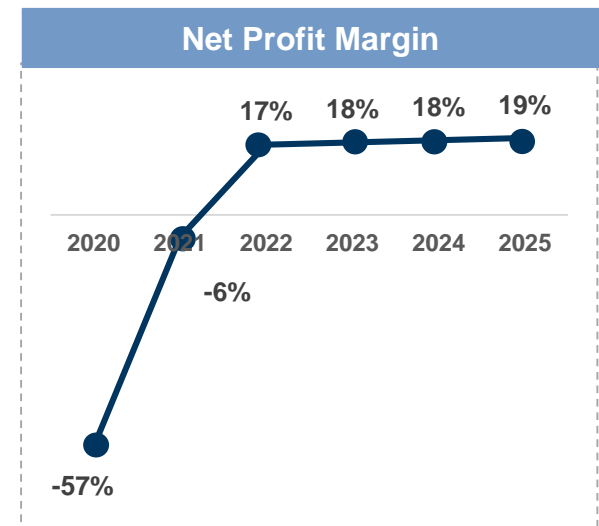
Profitability Ratios



- Throughout the first 3 years, as the company enters the new markets, the **ROA is increasing**, meaning that Stam becomes more efficient in converting the money to purchase assets into profits
- The ROA of 0,21 at the end of year 6, indicates that every € invested by the company generates 21 cents of net income



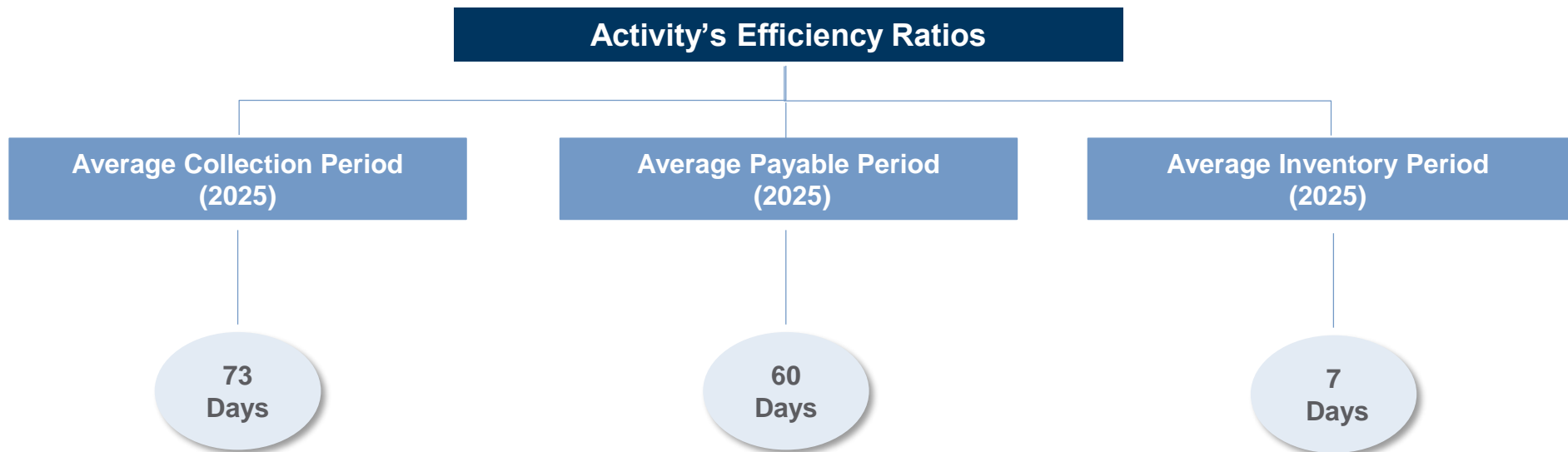
- Stam's gross margin stays more or less the same through the 6-year period, with **an average of 63%**, meaning that after Stam pays its variable, it still has 63% of its revenues to cover the remaining operating costs
- This gross margin is **quite high**, given that on average in comparable industries,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



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

It would take Stam approximately 20 days to turn its initial cash investment in inventory back into cash

Results - Ratios (2/3)



Cash Conversion Cycle

$$CCC = \text{Avg. Collection Period} + \text{Avg. Inventory Period} - \text{Avg. Payable Period}$$

$$= 20 \text{ Days}$$

- It would take Stam approximately 20 days to turn its initial cash investment in inventory back into cash

- Given that Stam is going to buy € 100.000 on purchases from Stam Brazil in 2020, the padlocks are held in inventory until the company is able to sell them all
- After this, it was assumed that the company works with order to delivery in the DIYs*, being necessary a small quantity of backup stock in the warehouse for the online sales

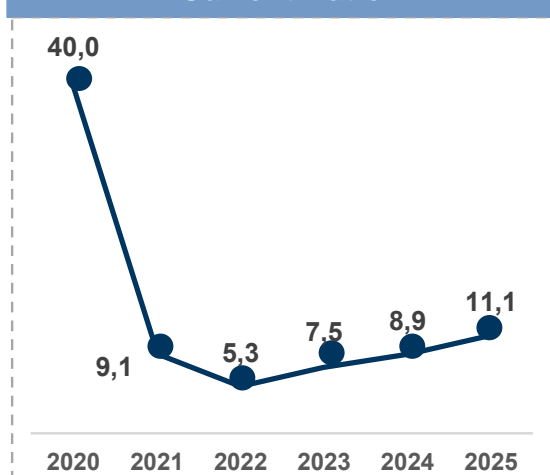
* The company works with Order to Delivery with the ADEO Group in Brazil

Stam will always have enough cash and liquid assets to meet its short-term obligations, throughout the 6-year period

Results - Ratios (3/3)

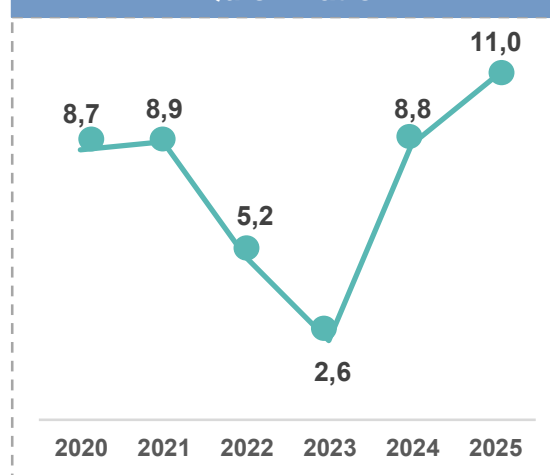
Liquidity Ratios

Current Ratio



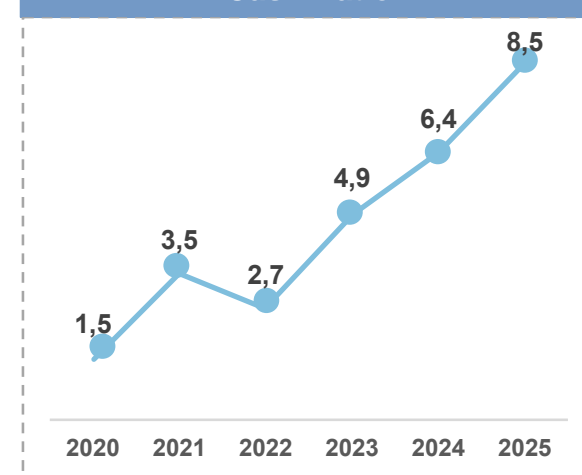
- In the 6-year period, the company has an **average current ratio of 13,6**, meaning that it has enough capital on hand to meet its short-term obligations if they were due at once, remaining solvent

Quick Ratio



- In the 6-year period, the company has an **average quick ratio of 7,56**, meaning that it has € 7,5 of liquid assets (assets that can be quickly converted to cash in the short-term) to cover each € 1 of current liabilities

Cash Ratio

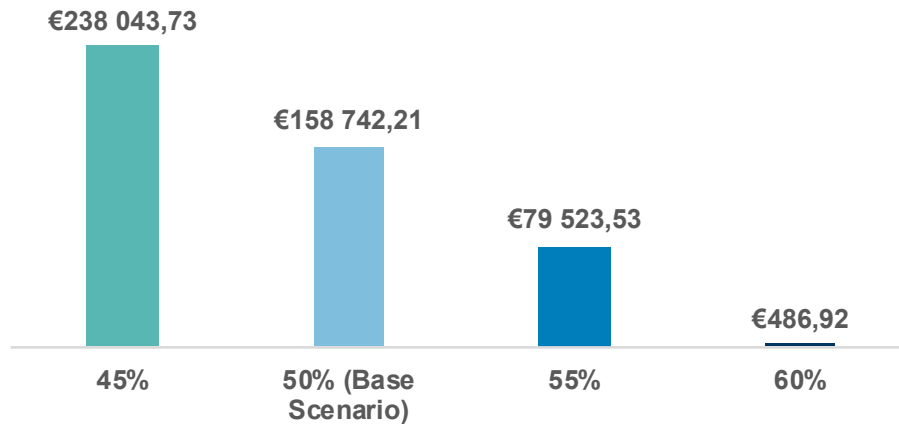


- In the 6-year period, the company has an **average cash ratio of 4,6**, meaning that, overall, there is more cash than current liabilities
- This metric, throughout the 6-year period, is always higher than 1, indicating that there is **sufficient cash on hand to pay the current liabilities**, without having to sell or liquidate other assets

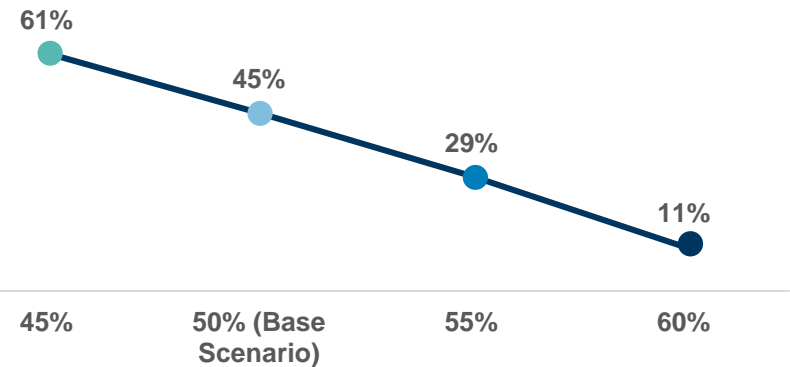
The differences on the company's NPV point the importance of negotiating the retailer's margin with the Adeo Group

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

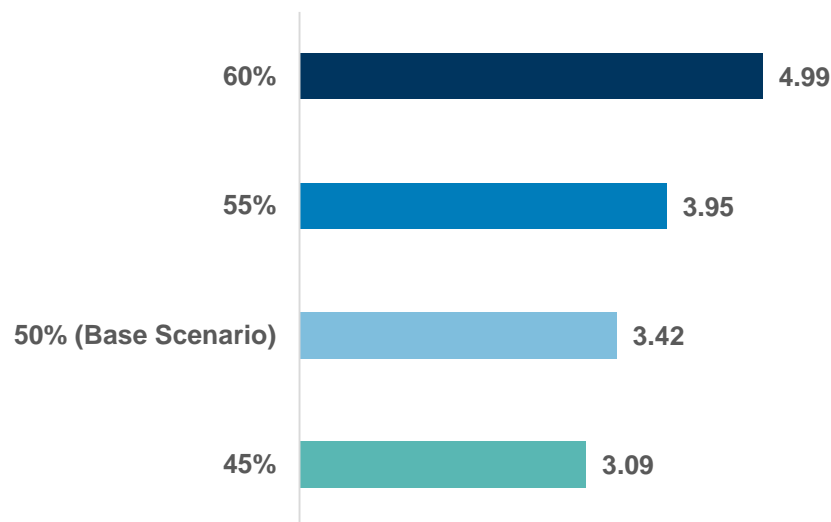
NPV



IRR



Payback Period (years)



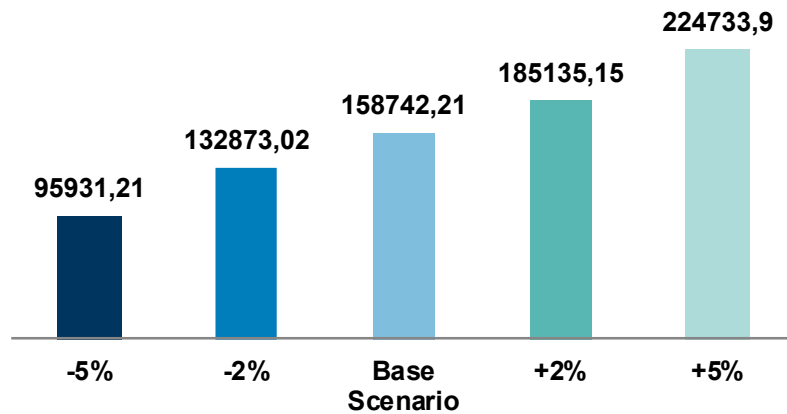
Key Insights

- As expected, the lower the retailer margin is, the better the results for the company
- By looking at the differences in the NPV, it is easy to understand the importance of negotiating the margin as much as possible with the Adeo Group. In fact, from the base scenario (50%) to a retailer margin of 45%, the NPV increases 50%. Contrarily, an increase to 55% and 60% gives a much lower NPV
- The Internal Rate of Return (IRR) also points the importance of the Retailer Margin, as the IRR in the case of 60% retailer margin is almost the same as the company's cost of capital (10,96%), meaning that the company would be creating very little value

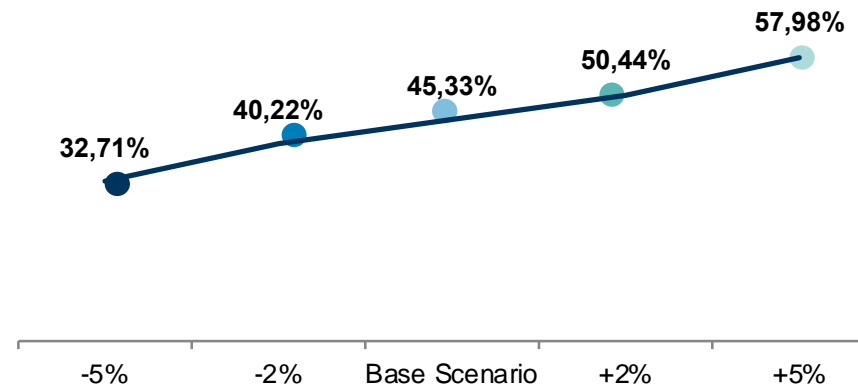
As market presence increases, there are more CFs, increasing NPV, IRR and decreasing Payback Period

Sensitivity Analysis (2/3) – Market Share

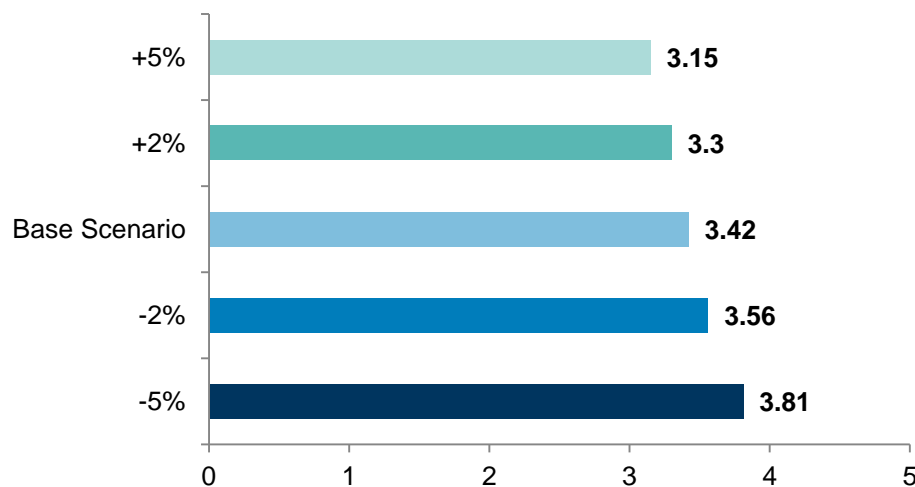
NPV



IRR



Payback Period (years)



Key Insights

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

Market share is the most volatile variable, as small changes have a large impact on the profitability of Stam Portugal

Sensitivity Analysis (3/3) – Price Sensitivity and Market Share

NPV

Price / Market share	-5% variation	-2% variation	0% variation	+2% variation	+5% variation
-5% variation	€ 42.223,52	€ 76.805,91	€ 101.029,81	€ 125.748,24	€ 162.840,20
-2% variation	€ 74.438,22	€ 110.438,65	€ 135.650,89	€ 161.374,93	€ 199.971,96
0% variation	€ 95.931,21	€ 132.873,02	€ 158.742,21	€ 185.135,15	€ 224.733,90
+2% variation	€ 117.434,21	€ 155.315,16	€ 181.840,19	€ 208.901,15	€ 249.500,64
+5% variation	€ 149.703,36	€ 188.989,96	€ 216.497,21	€ 244.558,96	€ 286.658,11

IRR

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

Payback Period (years)

Price / Market share	-5% variation	-2% variation	0% variation	+2% variation	+5% variation
-5% variation	4,33	3,97	3,78	3,61	3,41
-2% variation	3,99	3,70	3,54	3,41	3,24
0% variation	3,81	3,56	3,42	3,30	3,15
+2% variation	3,65	3,43	3,31	3,20	3,06
+5% variation	3,46	3,27	3,17	3,07	2,96

Key Insights

- Through this analysis it is possible to conclude that for the company to generate more value, the **market share would need to increase, as well as the price**
- When **market share decreases up to 5%** it is not possible for the company to create more value for any given prices
- While when it **increases 5%**, in all pricing options the company is able to create more value
- We can conclude that **market share is the most volatile variable** and that small changes affect the whole profitability of the company

Stam Portugal's subsidiary will be located in Matosinhos. It will focus on the commercialization of the Life Colors padlocks line, and it can expect revenues from its activity from 2022 forward

Key Takeways



MARKETING PLAN

- **Product:** Life Colors line
- **Target Segments:** Teens and Millennials & Centennials
- **Level of Competition:** Product Category Level
- **Needs satisfied:** Main needs of consumers (to lock lockers and travel bags)
- **Place:** all DIYs of the retailer group Adeo and onlineplatform, Amazon
- **Price to final consumer:** € 5,21 - € 7,23 (according to size and country)
- **Prices to DIY:** € 2,60 –€ 3,62 (according to size and country)
- **Promotion:** in store (aisle interrupters and danglers) and online promotion (development of social media and company's website)



OPERATIONAL PLAN

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





FINANCIAL PLAN

- **Market:** FR has the biggest Market Size, as well as, Expected Sales Potential
- **Market share:** 0,97% in PT, 0,99% in SP and 1% in FR
- **Sales Point:** Sales on DIYs represent 76% of revenues, while online sales represent 24%
- **Product Sizes:** Two sizes will be sold in equal proportion (50/50)
- **Company's margin:** Much higher in the online sales
- **BEP:** Will only be reached in the 2nd year, as sales in PT are too low
- **Sensitivity Analysis:** NPV is positive in every scenario. The company can only create more value if price and market share increase simultaneously
- **Profits:** Only from 2022 onwards



The strategic and financial projections suggest a highly volatile market, making the entry of the company dependent on the risk that it is willing to take

Final Recommendation

Financially

-  - **Positive Base Scenario:** The expected base scenario is financially profitable for Stam, allowing the company to obtain a positive NPV of €158.742
-  - **High Volatility:** A slight increase on the retailers margin or decrease on the expected market share puts Stam on a position of a very low NPV
- **High Initial Investment:** Expected scenario based on a €140.000 shareholder's investment, which is a very high amount, given the company's initial suggestion (€ 10.000)
- **Negative Short-Term Profits:** The company will experience negative profits in the first 2 years

Strategically

-  - Extended set of **resources and capabilities** that can be transferred from Brazil and developed in the European market
- Possibility of entering with a **Focused Differentiation positioning strategy**, by competing with design attributes, which brings something new into the padlock market
-  - **Highly saturated market:** It is very risky to enter a highly saturated market, where further growth can only be achieved through new product improvements or by taking existing market share from competitors
- **Big International Players:** The European market is characterized by a takeover of big international players, which have acquired great reputation, know-how and established connections, making it difficult for Stam to steal market share

1) Risk-Averse and Short-Term Oriented

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

2) Risk-Taker and Long-Term Oriented

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