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FIELD LAB: INTERNATIONAL EXPANSION PROJECT OF R1
FINANCIAL FORECAST

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Abstract

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

Keywords: Finance, Furniture Market, Germany, Internationalization, Financial Planning

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Executive Summary

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

a) Financial Forecast: A financial forecast will be created to provide a solid foundation for firm's global expansion endeavours, aligned with the previous steps. This forecast will enable prudent resource allocation and risk management throughout the expansion process. By implementing this comprehensive approach, R1 will be equipped to navigate the complexities of global expansion, seize new opportunities, and achieve sustained growth in the competitive office and home furniture and supplies industry.

1. Introduction

1.1. Objectives and Scope

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

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

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

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

“such as finance and detailed foreign market information” (Buckley, 1989; Kahiya & Dean, 2016; Knight, 2001; OECD, 2018).

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

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

2. Literature Review

2.1. Internationalization: definition and origins

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

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

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

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

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

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

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

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

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

3. Methodology

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

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

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

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

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

4. Strategic Analysis of The Company Situation

4.1. Firm Overview and Project Background

4.1.1. Profile And Management

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

and markets, serving both individual consumers and businesses, although with a predominant focus on the latter.

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

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

R1 has achieved recognition and success through various means. The "PME Lider" award in 2021, which acknowledges the merit of national SMEs with superior economic-financial performance, reflects recognition of its leadership and management practices. Its competitive advantage lies on high quality products, product assembly, custom-made products, a wide variety of goods, a physical showroom (the largest in the Northern region of the country with a little over 4000 m²) and its online presence.

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

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

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

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

4.1.2. Product & Business Portfolio

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

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

4.1.3. Operations

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

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

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

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

4.1.4. Segmentation, Targeting and Positioning

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

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

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

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

As mentioned previously, R1 specializes in customizable furniture at affordable prices, primarily focusing on the B2B sector with large-scale projects for private and institutional clients. Although they have offered a range of products, including furniture, decor, and cosmetics, to individual consumers, their growth is geared towards business partnerships. However, in the upscale market segment, companies like BoConcept and Archipassport, known for their high-quality and unique offerings, pose significant competition to R1, especially in furnishing homes, hotels, and offices. BoConcept offers a wide range of furniture products and interior design services focusing on “transforming places in in more extraordinary places” (BoConcept). With more than 120 materials options to choose from, the Danish company allows customer to customize every piece to their exact liking. Archipassport, while having a somewhat overlapping offering, goes one step further, offering more than 300 thousand products across 3500 brands. Besides offering high-end home furniture and related products, the Italian company has the important distinction of also creating customizable kitchens, and office spaces (Archiproducts), directly competing with R1’s main areas of interest. By organizing a prominent, attention grabbing, worldwide design competition, Archipassport also creates for itself a unique competitive advantage where it can have large customers come to them instead of the other way around. IKEA has managed to excel in both fields, with unique and relatively affordable products, both for the home and the office, possibly forming one of the most compelling cases against R1. Creating and popularizing the Ready-to-Assemble

furniture trend, the Swedish company design allowed public-transport-riding-customers to easily shop at their store, and when delivered, reduced products' shipping costs (Journal of Physics, 2019). Furthermore, by assembling their own furniture, clients have reported a sense of accomplishment and esteem, driving overall sales (Newsletter Pro). While the company has a very well-known furniture selling business, other business areas include kitchen design, houses and flats, and solar PV systems (IKEA), (Topalov, 2016), all in an effort to improve diversification and business resilience. Besides the very well-known B2C operations' side, IKEA also has B2B operations, offering design, planning, delivery, and assembly services. (IKEA Business). While all the previously mentioned entities may pose as obstacles to R1's expansion plans, MCL may pose the most acute challenge as its operations largely overlap with the former entity's plans, working both in the B2B and B2C spheres. Its operations largely consist of customized kitchens, partitions & furniture, and doors & cladding, with strong ties to its industrial producers as well with its industrial clients. The company has worked with large educational, health, and sport entities, and is now expanding its distributions centres across Portugal to better access its clients (MCL media).

4.1.5. Strategy

Strategy, often subdivided into Business Level or Corporate level, can be defined as the multitude of steps that guarantee the workings of a company and, preferably, create and sustain some kind of competitive advantage (Institute for Strategy & Competitiveness - Harvard Business School, n.d). While the former tries to answer the question of "How to adapt the existing product to gain market share or increase profitability", and focuses on a single market, the latter tries to answer the question of "What business should the firm get in to?", defining the actions that shape the boundaries of the firm. As defined by Markides (2004), "a company has to decide on three main issues: who will be its targeted customers (...); what products or

services it will offer its chosen customers (...); and how it will go about achieving all this— what activities it will perform (...)" (LBS, 2004). R1, as an intermediary in the furniture business, has set out to supply large-scale projects with what it has identified as a market opportunity to offer custom sized furniture. While private customers have been catered to in the past, bigger operations guarantee revenue streams and reduce overall transportation costs for the company. Its net of trusted and closely connected national furniture producers assures high quality products at reasonable prices, though its main advantage lies with the connection it creates with the client. Through its presence at construction expositions and fairs, R1 can showcase its products and services to a wide range of potential clients, and, by offering customizable furniture, it can tailor its solutions to the specific needs of each client. This competitive advantage has allowed R1 to become a significant provider of furniture for large-scale projects. Moreover, with client receivable accounts balance having a consistent growth year-over-year, R1 may be financing its clients as a way of growing its business.

4.1.6. Financial Overview

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

R1's revenue drivers can be divided into various segments, with a noteworthy 11% increase from 2020 to 2022. In the latter year the company reached a little over three million in revenues (**Figure 2**). Although net income and EBITDA experienced substantial growth, 45% and 39% respectively, its costs maintained relatively stable, with a slight decrease in employee expenses and a marginal decrease in material costs, which, as of 2022, together accounted for

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

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

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

industry averages since 2020, suggesting exemplary inventory control and operational efficiency.

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

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

Profitability metrics, such as return on equity (ROE) and return on assets (ROA), reflect a competitive performance. With a 6% ROE increase from 2020 to 2022, R1 managed to end the latter year with a respectable 22.2% ROE, still above industry standards of 10% to 20%. Typically ranging from 5% to 15%, the firm's ROA went up by 22%, reaching 9% in 2022 (**Figure 5**). The variation is primarily due to a higher profitability increase (45%) compared to the slight increase of assets (only 19%). This suggests that the assets are being

more efficiently utilized to generate revenue, potentially due to factors such as excessive idle capacity or obsolete inventory. The higher ROA is backed by the increase in asset turnover, indicating improved asset efficiency in generating revenue. Profit margins improved from 7.4% to 9.7%, indicating increased profitability and a higher percentage of revenue that remains as the firm's profit after accounting for various costs and expenditures. Finally, to assess the sensitivity of R1's operating income (also known as earnings before interest and taxes, or EBIT) to changes in its sales/revenues, the degree of leverage ratio (DOL) was considered. The high 3.4 DOL value indicates that the company has higher fixed costs relative to variable costs. This means that small changes in sales can lead to more significant changes in operating income and a higher exposure to sales fluctuations.

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

4.2. Market & Industry Analysis

4.2.1. PESTEL Analysis

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

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

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

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

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

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

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

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

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

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

4.2.2. Porter's Five Forces

i. Competition in the industry

Competition between companies poses a motivator to strive for excellence in the business (Indeed, 2023). Betting on product differentiation through new designs or better materials could be the key to being competitive in these sectors. Because of its long existence, the office and home furniture markets are highly competitive and have many players. However, it turns out to

be a fragmented market in the sense that the biggest companies in the industry do not dominate it completely. With so many homes, hotels, companies, and offices being furnished every day, there still seems to be enough demand to justify new entries into the market. The larger and most established companies benefit mostly from their reputation on the market and economies of scale, with all the benefits that come along with it. To conclude, considering all the mentioned factors, the competition in this industry is medium to high.

ii. Potential of new entrants in the industry

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

growth of this market and its trends results in a moderate to high potential for new entrants in the industry.

iii. Power of suppliers: Moderate to low

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

iv. Power of customers

The improvement and increase in access to information over the years have become global and a force for consumers: through the Internet it is simple to compare almost every product on the market, complicating the supplier's job. In the case of the B2B furniture industry, it often works based on budgeting, which means that consumers' bargaining power is quite high and there is a high price elasticity. Another factor that benefits them is that it is a market with many players and similar products. On the other hand, one factor that can reduce the client's bargaining power

is product differentiation. In the real estate market, the main deciding factor is often the design of the product. The company operates with the possibility of their clients having a large credit period, giving them the chance to pay after a long time, a factor that increases their bargaining power. Taking all these factors into account, the group can conclude that customers have a high bargaining power in the furniture industry.

v. Threat of substitute products

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

4.2.3. Consumer Trends and Forecasts

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

2022). In this section, the group will explore the primary trends that are currently influencing the global furniture industry.

i. Customization and Tailoring

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

ii. Remote Office Trend

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

iii. Increase in Demand for Sustainable Options

The industry is undergoing a significant transformation, driven by the increasing awareness of environmental responsibility and thus, the demand for sustainable, eco-friendly products aligned with the Sustainable Development Goals (Forbes, 2023). Moreover, sustainable manufacturing practices, including recycling, waste reduction, minimizing carbon footprints

and a shift towards a circular economy are becoming integral to the industry's core (Ross, 2016; Schwab, 2018; Ratnasingam, 2019) as consumers are now more mindful than ever of their environmental impact and seek ways to make responsible choices when furnishing their homes.

4.2.4. Country Specific Advantages (Porter's Diamond)

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

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

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

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

4.3. Firm-Specific Advantages

4.3.1. Resources and Competences

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

4.3.2. Firm-specific Competitive Advantages

To assess the success factors in R1's internal and external environments, a VRIO analysis is applied (Murcia et al., 2022) (**Table 2**). According to Barney (1999), to achieve a sustainable competitive advantage, companies should leverage resources that are valuable, rare, inimitable, and organized. Resources and capabilities are considered valuable if they enable the organization to address critical success factors in its business environment. Rarity comes into play when competitors are unlikely to possess similar resources, while inimitability refers to resources that are challenging for competitors to replicate. Moreover, resources must be well-organized, requiring effective internal structures to exploit and leverage them. R1's VRIO analysis reveals that having a diverse product portfolio, the ability to establish and maintain

trustworthy long-term partnerships, outsourcing production and maintaining an optimized online presence are all capabilities that are valuable and well-organized. However, they do not provide R1 with a distinct competitive advantage, only parity. Therefore, the company should prioritize other resources and capabilities to attain a sustainable competitive edge. Conversely, possessing specialized knowledge in international management is a valuable, rare, and well-organized resource, offering significant benefits but providing only a temporary competitive advantage. Lastly, the ability to customize and tailor furniture represents a resource that is valuable, rare, inimitable, and well-organized. R1 should capitalize this resource in a way that extends beyond the boundaries of the firm.

4.4. Diagnosis for Project

4.4.1. Motives

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

4.4.2. SWOT Matrix

When analysing the company, it was possible to highlight four **strengths**: Long-standing presence in the Portuguese market; Custom-made furniture; Direct and strong relationships with producers and customers; and Storage space. As mentioned in the firm overview, R1 has been

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

By carrying out an internal analysis of the company, the group was also able to find four **weaknesses**: Little to no emphasis on sustainable products; Outdated website design; Not controlling the entire manufacturing process; and Dependence on Outsourcing to deliver products and to assemble furniture. In a world where “78 percent of US consumers say that a sustainable lifestyle is important to them” (NielsenIQ, 2020), not considering it relevant and

not having eco-friendly products is a weakness these days. With all the ESG measures that have been implemented, any company has an ethical duty to follow them and to show concern for this issue. Furthermore, “more and more consumers are seeking sustainable and eco-friendly products “(Forbes, 2023), so it is essential that companies follow this path, otherwise, they will lose a large proportion of potential customers to competitors and end up with a bad reputation in the market. Although production costs on sustainable products still tend to be higher, the trade-off of having them remains highly positive. The current R1 Website presents an outdated and confusing design and therefore constitutes a weakness for the company. In an industry where online sales are very important; the website is an essential tool for obtaining customers. Although R1 holds a close and direct relationship with most of the producers of its products, it is ultimately a weakness that the company doesn't produce them itself. Dependence on producers creates the possibility of losing control of things like the time and quality of product production, the increase in furniture prices, possible miscommunication when creating custom-made furniture, the need for transportation, and even supply chain risks. All these possible problems that the company faces mean that there is less control over its business, and it is always at risk. If there is a problem with a product, although it may be the producer's fault, it will be R1's name that will be tarnished.

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

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

In terms of **Threats**, the high number of competitors, and the price fluctuation of raw materials were the most relevant ones when performing the external analysis. According to the European Commission, due to the presence of countries with very low production prices, the market ends up being highly competitive for most European countries. Over the years, with the globalization process, countries like China have started shipping all over the world more and more easily and charging prices that are unbeatable in Europe. Online sales were another sector that increased the sector's competitiveness. Due to the ease of display and reduced costs associated with this new sales channel, there has been a huge increase in industry players. The fluctuating prices of natural materials have been a worrying threat to many sectors. The COVID-19 pandemic and

the war in Ukraine were two recent events that caused the prices of various materials to rise exponentially. For example, because of the disruptions caused by the pandemic, the price of metal in the United States has increased by 250% (BCG, 2022). Although these events have had a huge impact on the price of materials, they depend on countless other factors, such as supply and demand, regulation, geopolitics, inflation, natural causes, and the functioning of value chains. A perfect example for the furniture industry is the fluctuating price of wood. According to Statista, in April 2021 a thousand board feet cost 1,500 US dollars, and two years later, in April 2023, the value dropped to 351.8 US dollars per thousand board feet.

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

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

competitive position. The group can therefore consider R1's competitive strategy to be towards a “Differentiation Focus”.

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

4.4.4. Overall Readiness

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

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

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

From a financial perspective, the expansion does not require substantial financial outlays and thus entails limited financial risks. However, it faces challenges in managing its working capital, particularly with a collection period exceeding the industry norm. This predicament, especially pertinent in developing nations, may represent an increased risk of further delayed or non-payments at all. Unfortunately, these emerging markets represent a significant portion

of expansion opportunities, given the rising levels of construction and infrastructure investments. In contrast, the company has undergone a notable shift in its capital structure from a debt-reliance model to one more reliant on equity financing, thereby enhancing its financial stability and ability to meet its obligations. Since the group does not know the origin of the invested capital, we cannot conclude if there was a dilution of ownership or not. Although in a very competitive and cyclical industry, R1 managed to demonstrate strong revenue growth, improved cost efficiency, and substantially increased its net income. It is also important to consider the inherent risks associated with an international expansion, including demand fluctuations, supply chain disruptions, competition, and exchange rates variations.

5. Geographical Analysis

5.1. Chapter Overview

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

5.2. Variable Selection Criteria

Since R1 originally expressed full openness to every market, a total of 266 countries and regions taken from World Data Bank were considered. The following phase entailed an elimination strategy, wherein 160 of these countries and regions were systematically excluded. The exclusion criteria were structured to filter out nations facing ongoing conflicts (World Population Review, 2023) and countries characterized by a substantial absence of pertinent data, marked by at least a 30% deficiency in the selected variables. Additionally, nations exhibiting simultaneously low GDP per capita [GDP per capita (current US\$) (2022)] unfavourable ease of doing business indices [Ease of doing business score (0 = lowest performance to 100 = best performance) (2022)], and elevated rates of political instability and violence or terrorism (Political Stability and Absence of Violence/Terrorism: Estimate) were purposefully disregarded. Finally, sixty-three countries were left (**Table 3**). The aim was to narrow down the pool of prospective countries to those displaying a favourable overall environment, where R1 would be able to thrive. This selective process laid the groundwork for a more refined analysis focused on countries demonstrating the potential to offer conducive settings for R1's expansion efforts. Initially, a total of 34 variables were considered, subdivided in 6 distinct categories: political, economic, technological, environmental, logistics and infrastructures and industry/country specific (**Table 4**). Subsequently, a Pearson correlation analysis was performed (**Figure 8**) which assesses the “strength of the linear relation between two jointly normally distributed variables” (Forthofer, Lee & Hernandez, 2007). Reducing the number of correlated variables allows for a more focused selection of variables that are diverse and contribute uniquely to the analysis (Hair, 2009). It ensures that the clusters formed are based on distinct and meaningful differences among countries. For those reasons, variables exhibiting a Pearson correlation higher than 0.8, considered as highly correlated (**Figure 9**), were subject to further analysis. The objective was to retain only one of each of the closely

related indicators. The outcomes of the Pearson correlation analysis revealed noteworthy associations between several variables within the dataset. A substantial correlation was observed between population growth and two distinct parameters: Industrial design applications by resident and urban land area (Pearson correlation scores of 0.97 and 0.99, respectively). Since a Total Population variable was already being considered, the decision was made to exclude the population growth variable from further analysis. Additionally, the Pearson analysis concluded that the GDP was positively correlated with two other parameters: the Furniture Market Size (Revenues 2022) and Urban Land Area, exhibiting Pearson correlation coefficients of 0.95 and 0.8, respectively. Given the presence of two other GDP-related metrics, namely GDP per capita and GDP per capita growth, a strategic decision was taken to eliminate the GDP variable. Finally, the correlation analysis identified a positive correlation between the ease of doing business and the Political Stability and Absence of Violence/Terrorism variable (Person correlation score of 0.99). Since the latter was already considered as a country exclusion factor and owing to its significance in assessing favourable business environments, the decision was made to keep the first one. Contrary to any initial assumptions, it's important to note that countries with larger population sizes do not consistently exhibit proportionally higher Furniture Market sizes or revenues associated with the furniture industry.

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

i. Political Variables

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

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

ii. Economic Variables

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

They include:

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

iii. Social Variables

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

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

iv. Technological Variables

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

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

v. Environmental Variables:

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

- Environmental Performance Index
- SDG Index (2023)

vi. Logistics and Infrastructure Variables

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

- Logistics Performance

vii. Country Specific Variables

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

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

viii. Demand-Related Variables

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

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

ix. Supply-Related Variables

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

5.3. Missing Values

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

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

Economic Freedom emerged as the parameters experiencing the highest percentages of missing data.

5.4. Standardization of the Variables

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

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

Where:

nij represents the scaled final value of country j for variable i ;

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

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

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

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

Where:

n_{ij} represents the scaled final value of country j for variable i ;

x_{ij} represents the raw data value of country j for variable i ;

$\min x_{ij}$ represents the minimum value for variable i .

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

5.5. Country Clustering

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

To perform the analysis two clustering methods were considered. The hierarchical clustering and k-means clustering methods are both unguided techniques employed for grouping similar data points together. However, they differ in their approach to forming clusters and their suitability for various scenarios. When analysing countries, the number of distinct groups or clusters they might naturally fall into is often not known in advance. Contrary to the k-means clustering, which partitions the data into a predefined number (k) of clusters, the hierarchical clustering does not require the number of clusters to be predefined, making it suitable for an exploratory analysis. Moreover, the dendrogram provides a visual representation of the clustering process, showing the relationships between clusters at different levels of similarity.

Therefore, the hierarchical method is applied. Among the array of available alternatives such as between-groups linkage, nearest neighbour, furthest neighbour, centroid clustering, median clustering, and Ward's method, the choice was directed towards the latter. Its capacity to handle varying cluster sizes, while minimizing within-cluster variance, can be meaningful when analysing diverse attributes across countries. The analysis identified 8 different clusters within the 62-countires data set (**Table 5**).

5.6. Country Ranking Analysis

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

(**Table 6**), providing a structured and weighted assessment of their respective potential for R1's international expansion.

5.7. Selection of Potential Markets

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

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

framework for business operations, particularly beneficial for R1 as it looks to expand internationally.

A significant aspect of this relationship is the German market's consistent appreciation for Portuguese craftsmanship, especially in furniture, which will be mentioned later in section 9. German consumers prioritize “visual appearance, price, and quality in furniture acquisition, followed by functionality and ecological aspects” (Inkeri, Minna & Toppinen, 2015). While Portuguese consumers value “functionality, sustainability, and affordability” (Statista, 2023). This shared sensibility means that Portuguese furniture, known for quality and know-how (Machado & Fernades, 2004), is likely to be well-received in the German market. Furthermore, the presence of a substantial Portuguese community in Germany presents an added advantage. Globally, Germany is in the seventh position in the ranking of countries with the highest number of Portuguese residents (Rinke & Flores, 2007). Migrants often retain a preference for products from their homeland. As noted by Sahak, Newman & Yani-de-Soriano (2015) “the stronger the migrant consumers’ association to their origin identity, the higher their willingness to purchase homeland products”. This offers R1 a ready customer base that appreciates and values Portuguese furniture for its quality and cultural significance. Lastly, the robust tourism exchange between the two nations has facilitated greater cultural understanding and appreciation. According to Statista (2023), around 0.98 million Germans have travelled to Portugal on vacation in the last twelve months (Statista, 2023).

These cultural and economic ties between Germany and Portugal, coupled with an existing affinity for Portuguese style and quality in the German market, create an ideal environment for R1's expansion efforts, leveraging the established market presence and benefiting from the shared design sensibilities and economic collaboration within the European Union framework. The existing demand and appreciation for Portuguese furniture in Germany, evidenced by high import rates, provide a ready market for R1's offerings. As stated by the United Nations

COMTRADE (2023) was around one hundred and six million dollars. This aligns perfectly with R1's strategy of leveraging existing markets and building upon established consumer preferences. Furthermore, Germany's role as a hub for furniture industry fairs is particularly advantageous for R1, which prioritizes partnerships and collaborations established through such events. These fairs offer invaluable opportunities for networking, showcasing products, and forging new business relationships. The ability to engage directly with potential partners and customers at these events can significantly boost R1's market entry and brand recognition in Germany.

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

Turning to the UK, the post-Brexit landscape has introduced a new level of complexity and unpredictability. The UK's departure from the EU has resulted in new trade regulations, which could lead to increased costs and delays due to customs checks, tariffs, and non-tariff barriers

(Jozepa, 2023). Moreover, the ongoing political flux has the potential to lead to further regulatory changes, creating an unstable environment for long-term business planning. For a company like R1, which relies on the seamless movement of goods and materials, these factors could disrupt supply chains and inflate operational costs. Additionally, the current socio-political climate in the UK may affect consumer confidence and, consequently, spending in sectors such as furniture, which often mirrors the broader economic trends.

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

In each of these markets, the challenges presented are not necessarily insuperable. However, would require resources and capabilities that R1 may not currently possess. For this reason, it is essential that the company selects a market that not only has growth opportunities but also matches its strengths in operations and can be effectively served considering the company's current financial and logistical capabilities. Germany, with its larger market size, cultural and economic ties to Portugal, and leading role in the European furniture industry, remains the more strategic and prudent choice for R1's current international expansion. Looking ahead, Germany

not only offers immediate alignment with R1's operational capabilities and market strategies but also serves as a strategic launchpad for future expansion. Success in the German market can provide R1 with critical insights into international operations, enhance its financial stability, and refine its expansion strategies. These gains would be helpful in exploring more distant and diverse markets in the future, such as those in Asia or the rest of Europe. By starting with Germany, R1 sets a foundation for sustainable growth, ensuring that each step of international expansion is built on experience, knowledge, and financial robustness. This careful, strategic approach positions R1 to navigate the complexities of global expansion successfully, turning challenges into stepping stones for future ventures.

5.8. Limitations

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

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

The subjective selection of variables introduces bias, as certain important factors may have been excluded or irrelevant ones included. The absence of data on countries beyond top performers

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

5.9. Conclusion

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

However, this decision is not without its limitations. The quality of data and the handling of missing values, which accounted for about 8.33% of the dataset, posed significant challenges, potentially impacting the accuracy and reliability of the results. The project's focus on the furniture segment, while consistent with R1's business model, limited the breadth of the analysis and may have overlooked broader market dynamics. The subjective selection of variables and the exclusion of data on countries beyond the top performers further constrained the analysis. Moreover, the impact of the COVID-19 pandemic, particularly on data from 2020, added complexity and potential distortion to the findings. The clustering algorithms, while effective

in creating homogeneous groups, may not have fully accounted for the significant internal diversity within each cluster. Additionally, the dynamic nature of countries, with continuous shifts in economic, political, and social landscapes, presents uncertainties that might not have been fully captured in the analysis.

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

6. Financial Forecast

6.1. Assumptions

As R1 navigates the complexities of an international expansion, several key assumptions were carefully considered to create a realistic and comprehensive financial forecast. Given the decision to opt for an export strategy, without setting up a physical presence or a new legal entity in Germany, our assumptions revolve around leveraging existing networks and partnerships. These assumptions take into consideration the market conditions, the regulatory environment, and the company's resources, which are not always aligned with the suggested recommendations in the previous segments. Additionally, due to the dynamic nature of international trade and market fluctuations, they are subject to ongoing evaluation and adjustments. As both Germany and Portugal are integral parts of the Economic and Monetary

Union (EMU), where the euro serves as a shared currency, concerns regarding exchange rates between these countries are unnecessary.

6.1.1. Market Size and Revenue Estimation

The **market size** estimation considers several segments within the furniture industry, including home furniture, office furniture, kitchen furniture, and others. Statistically, the German furniture market has shown steady growth over the years, reflecting a consistent demand for both domestically produced and imported furniture. In 2024, the German furniture market is expected to attain a substantial **revenue** of US\$54.61 billion (Statista, 2023), and it is anticipated to grow annually at a 3.03% rate (**CAGR** 2024-2028). However, the previously provided figures correspond to B2C and currently, the estimated distribution ratio of B2C and B2B sales, in Germany, is assumed to be 70% and 30%, respectively. So, for what R1 is concerned, and since it will focus on B2B, an estimate can be derived from the projected US\$53 billion concerning B2C transactions. Thus, the estimated market size pertaining to B2B transactions amounts to approximately US\$23.4 billion in 2024. The same CAGR of 3.03% is assumed for the B2B segment, which implies a projected market size to reach US\$26.37 billion in 2028.

As of 2019, 5 key market players accounted for 55% (Statista, 2023) of the market share: IKEA, XXXLutz, Hoffner, Otto and Tessner. This meant the rest of the stores accounted for the other 45% and given R1's expected incapacity to compete with those 5 major market players, it will fall on 45% market segment. Consequently, out of the estimated US\$23.4 billion, the estimated market size of B2B transactions related to non-top 5 performers is estimated to be 10.53 US\$ Billion in 2024. The **market share** of R1, for the same year, is expected to reach 0.004%, increasing by 0.001% annually over the initial four years. This implies R1's **expected revenues** to be US\$421.25 thousand in 2024 and US\$949.34 thousand by 2028 (**Figure 12**).

6.1.2. Cost Estimation

All the estimations rely on a series of assumptions derived from historical data and future projections, which can be found on **Figure 13**.

The **Costs of Goods Sold (COGS)** for R1 were calculated as a percentage of revenues. As of 2022, R1's COGS represented 62% of revenues, so this value was considered, indicating a US\$ 261.17 thousand for the year 2024. Projections anticipate a gradual increase, reaching approximately US\$588.59 thousand by the year 2028. This set of assumptions and figures imply maintaining gross margins and do not consider volume discounts and the potential advantages of economies of scale. Additionally, they do not account for the anticipated steep decrease of inflation rates on the upcoming years (Statista, 2023), underlining potential limitations over the forecasted period. **Personnel expenses** are expected to increase with the international expansion due to the positive correlation between revenue growth and higher labour demand. The average percentage of personnel costs relative to revenues, over the last three years, accounts for 11.2%. If sales are expected to increase US\$245.73 thousand in 2024, then staff expenses should also be expected to increase approximately US\$27.56 thousand. However, as the company intends to outsource most of the expansion-related services, the extra costs are already considered within transportation costs. Moreover, apart from sporadic travels and furniture fairs attendance, R1 will be directing its operations remotely. Therefore, the firm will require hiring a local brand ambassador or **sales representative**, attending the furniture events, and engaging directly in fieldwork to establish new connections, whether with prospective clients or distributors. This individual's importance would lie in its market expertise, serving as a crucial asset in navigating regulatory demands and providing on-the-ground support to the company's operations. Initially, their compensation would be structured on a commission basis, set at 5% of the company's German revenues. Regarding **transportation and assembly costs**,

since R1's projects will vary significantly in size and material needs, no precise data-based estimations can be formulated. Instead, these costs will be calculated as a fraction of COGS. Previous projects' cost of transportation within French territory, conducted by R1 and excluding assembly expenses, accounted to approximately 5% to 10% of the COGS. Notably, this insight aligns with the findings in "The Geography of Transport Systems" (2014) that similarly identifies transportation costs as constituting 10% of COGS. Therefore, considering the greater distance between Germany and Portugal, a conservative approach would involve adopting the higher value of 15% for estimating both transportation and assembly expenses in the German market. According to findings from The CMO Survey carried out by Deloitte in 2022, the average **marketing** budgets generally constitute around 10.4% of company revenues. However, due to R1's targeted strategy focusing on client acquisition through furniture fairs and sales representatives' efforts, the allocated budget for marketing activities was conservatively estimated at 5%. This figure would suggest, as of 2024, US\$21.06 thousand, which can be further divided into two segments: expenses for a marketing freelancer and advertising. The expenses associated with the **marketing freelancer** were derived using an average hourly rate of \$60 (Upwork 2023) and an anticipated commitment of 5 hours per week. This individual would be primarily responsible for R1's digital marketing activities, such as managing Google Ads, Facebook Ads, and Instagram Ads. The average cost per click in Germany in search engine advertising, across all industries, is estimated to be US\$0.92 cents (Statista, 2020). However, the maximum budget allocated for **advertising** is determined by the difference between the overall marketing budget and the compensation for the marketing freelancer. The advantage inherent in utilizing these platforms, lies in its significant level of control over real-time advertising expenditures and its heightened flexibility to adjustments R1 might consider appropriate, therefore responding dynamically to market trends and optimize performance. The company's strategic approach to establishing its presence predominantly through furniture **fairs**

requires an upfront investment. This aligns with past successful strategies implemented in countries such as Senegal and France. The overall expenses involved in presenting a brand at a furniture fair in Germany can vary significantly, however, drawing from previous experiences and R1's staff assessments, an estimation of US\$12 thousand is considered as the anticipated cost incurred per fair. These costs include booth rental fees, which vary based on factors like booth size or location within the fair, expenses related to booth assembly, covering construction, decorations, digital screens, and branding elements to create an engaging presentation space. Logistical expenses also play a significant role, including transportation costs for shipping display materials, furniture items, and staff to and from the fair location. The average daily cost of a mid-range trip is US\$165 (Budget Your Trip, 2023), which means 925\$ for a 5-day trip, travel costs included (average 100\$ per round trip). Marketing and promotional costs, such as catalogues, brochures, flyers, as well as personnel expenses such as travel, accommodation, meals, and allowances, also contribute substantially to the overall initial investment. Furthermore, the investment includes insurance coverage for both the booth and displayed products, serving as a risk mitigation measure. R1 plans to partake in two fairs annually for the initial 5 years, incurring a US\$24,000 expense, starting in 2024.

6.1.3. P&L Statement

Anticipated **net income** for the fiscal year 2024 is forecasted to register a positive US\$41.66 thousand value and by 2028, in the company's fifth operational year, net income is projected to reach six figures with a US\$121.21 thousand result (**Figure 14**)

Exportation of goods from Portugal to Germany, refers to goods traded between member states within the European Union. In this case, if goods are supplied from one EU member state to another, the transaction is considered an intra-EU supply. Similarly, these transactions are zero-rated, meaning that they are subject to a 0% VAT or GST rate (PwC, 2023). Moreover, SMEs

operating in mainland Portugal, may benefit from a reduced **Corporate Income Tax (CIT)** rate. The reduced rate of 17% is applied to the initial EUR 25,000 of taxable income, while the standard CIT rate (21%) applies to the excess (Portal Serviços Públicos, 2023). Given R1's entry strategy, depreciation and amortization are also considered as null.

6.2. Operational Risks

The Basel Committee (2001) defines operational risk as “the risk that deficiencies (...) will result in unexpected loss”. Despite Portugal and Germany both being part of the EU, several operational risks merit consideration, potentially affecting forecasting outcomes.

An ongoing concern arises from **geopolitical tensions**, notably the conflicts between Ukraine and Russia, which could lead to volatile inflation. R1's dependency on commodities prices renders the company vulnerable to substantial impacts in its **COGS** should prices experience significant shifts. Moreover, given its reliance on **transportation for logistics**, any significant changes in oil prices could substantially impact costs. To mitigate this risk the company should consider diversified procurement strategies. Another risk to be considered lies in the company's success being contingent upon the outcomes of **fairs** and furniture events. These events will directly influence R1's market penetration and revenue generation. Finally, the effectiveness of the **sales representative** and **marketing freelancer** are particularly relevant for brand establishment and customer engagement.

6.3. Investment Plan

In a scenario where a company is exporting indirectly to Germany without establishing a physical presence in the new country, the **capital expenses (Capex)** associated with internationalization might be more limited compared to a situation involving setting up operations or infrastructure in the foreign market. For the new **website** assembly, R1 is

expected to spend, already in 2024, US\$ 18.7 thousand (**Figure 15**). These costs include the design and development, content management systems, e-commerce functionality and SEO tools. The new website would facilitate purchases and budget planning and although incurred during the first operational year. Website maintenance and support costs are recognized as annual ongoing Capex and are estimated to account for 10% (US\$ 1.87 thousand) of the initial website assembly investment. Due to the unavailability of R1's financial records, Orbis' three-year estimations were employed to compute the **Net Working Capital (NWC)**. Stock turnover is estimated to remain constant at 16 days. Although the average collection period was initially estimated at 140 days, acknowledging the comparatively shorter collection cycles in this market, a revised period of 100 days has been considered for Germany. Finally, the average payment period was considered to remain at 52 days. In its initial year, R1 requires an investment of approximately US\$94.52 thousand for inventory build-up and associated expenses. During this period, the **Free Cash Flow (FCF)** estimate is anticipated to be approximately negative US\$ 71.56 thousand (**Figure 16**). By the year 2028, the Free Cash Flow is projected to reach a positive US\$87.24 thousand.

Given the nature of R1's strategic approach and the absence of asset acquisitions upon market entry, the **salvage value** is deemed to be null.

6.4. Financing Plan

The costs associated with **financing** could rise in correlation with the scale of the projects. Larger endeavours may require external funding, however and according to recent literature, one of the significant constraints that SMEs face is limited access to finance. Given the solely reliance on Orbis estimations concerning R1's financials, the comprehensive assessment of the company's capability to commit to the **initial investment** of US\$113.22 thousand, to cover

Capex (US\$ 18.7 thousand) and working capital needs (US\$94.52 thousand), is limited. Nonetheless, based on these estimations, it is conceivable that R1 may necessitate to resort to long term external financing to accommodate the upfront capital needs. In the absence of a loan, R1's forecasted Free Cash Flow (FCF) for 2024 stands at a negative US\$68.05 thousand, so that value is considered as the required **loan** value. No buffer was considered as the company is anticipated to have the capability to manage unforeseen losses using its current cash and cash equivalents. Leveraging Portugal's prevailing corporate loan interest rate of 6.07% (as of Oct. 2023, Banco de Portugal 2023) applicable to loans under 1 million euros, the US\$68.05 thousand loan would imply annual **interest expenses** of approximately US\$4.56 thousand (**Figure 17**). The loan repayment is expected to commence from the third operational year, coinciding with the anticipated first positive FCF, leading to a gradual decline in interest expenses. From 2027 onwards, the loan is projected to be fully repaid.

Loan repayment and annual Interest payments (in US\$ Thousand)					
	2024	2025	2026	2027	2028
Loan	68,05	68,05	38,01		
FCF		30,04	46,95	66,37	87,24
Interest	4,56	4,56	4,56	2,55	0,00

Figure 17: Loan Repayment and annual Interest Expenses

6.5. Financial Viability

6.5.1. Net Present Value (NPV), Internal Rate of Return (IRR) and Payback Period

The NPV was utilized to assess the project viability. Given the absence of precise financial details from R1's financial reports, the WACC cannot be calculated. A discount rate, derived from more generalized metrics, is considered instead (**Figure 18**):

Discount Rate = Cost of Debt x Weight of Debt x (1-CIT) + Cost of Equity * Weight of Equity

Where:

Cost of Equity (CAPM) = Risk-free Rate + (Beta x Market Risk Premium)

The cost of debt was considered as the average 2022 corporate interest rate of 4.5% (Banco de Portugal, 2022). The Portuguese 10-year government bond was considered as the risk-free rate, at a 3.056% yield (World Government Bonds, 2023) and the Portuguese Market Risk Premium at a 0.082% rate (Statista, 2023). The Beta of the furniture market was estimated as the US furniture and home furnishing's industry levered beta (1.27 as of Betas by Sector (US), 2023). Assuming the 7.72% discount rate, R1's NPV is estimated to be US\$114.68 thousand and its IRR 0.55% (**Figure 19**). The anticipated payback period is 1 year and approximately 11 months.

6.5.2. Profitability Metrics

Given R1's market entry approach, apart from the website, no new assets will be acquired. Since the attribution of sales to the website cannot be estimated, there is no foundation to calculate the Return on Assets (ROA). Moreover, as this study does not include a forecast for the profit and loss statement of R1's Portuguese business, an estimation of Return on Equity (ROE) for forthcoming years remains elusive. For those previously mentioned reasons, only the **Return on Sales (ROS)** and **Net Income margin** will be considered as primary profitability metrics (**Figure 20**). In 2028, the Net Income margin is expected to reach 13%, compared to the initial 10% in 2024. Similarly, for the same period, the ROS is estimated to increase from 13% to 16%. These improvements stem from increased revenues as a result of higher market share and market size expansion.

Profitability Ratios					
	2024	2025	2026	2027	2028
Net Income Margin	10%	11%	12%	12%	13%
ROS	13%	14%	15%	16%	16%

Figure 20: Profitability Metrics

6.6. Sensitivity and Scenario Analysis

Given the foundational reliance on assumptions within the analysis, some values will most likely differ from the real ones. To calculate the impact that variations in two key variables could have on the NPV and consequent project's validity, a sensitivity analysis was conducted (**Figure 21**). The first scenario delved into the NPV's response to shifts in anticipated revenues and Cost of Goods Sold (COGS). Unsurprisingly, a decrease in revenues coupled with an increase in COGS significantly impacted the NPV negatively. The second analysis explored NPV fluctuations in response to average collection period and average payable period changes. As the average collection period decreases and the average payable period increase, the higher the NPV. For the third and final analysis the cost of debt and cost of equity variations were analysed, essentially, replicating the impact of the discount rate on the NPV. A decrease in both the cost of debt and equity results in a reduced discount rate and an NPV increase.

In addition to the base scenario, two more economic scenarios were considered: an optimistic and pessimistic outlook (**Figure 22**). A scenario analysis holds significance for new projects primarily due to its ability to assess potential outcomes under various plausible conditions. It aids in understanding the project's sensitivity to changes in critical variables and market conditions. Following the prior operational risk analysis, the optimistic and pessimist scenarios were determined on potential variations in revenues, COGS and transportation costs. The optimistic outlook is characterized by higher revenues (lower furniture market size growth) and diminished COGS and transportation prices, intricately linked with fluctuations in commodities and oil prices or volume discounts. This scenario implies financial and geopolitical stability, however, given the prevailing economic uncertainty and future landscape, it is regarded as a less probable scenario. In stark contrast, the pessimistic outlook is distinguished by the opposite. This perspective anticipates lower revenues, escalated COGS, and heightened transportation costs, indicative of a period steeped in recessionary trends.

Given the almost negligible negative NPV associated with the pessimistic scenario and solid project's financial basis, it is recommended for R1 to proceed with the project.

(in US\$ Thousand)	Scenario Analysis		
	Pessimistic	Base	Optimistic
Furniture Market Size Growth	2,03%	3,03%	4,03%
COGS (% of Revenue)	65%	62%	59%
Transportation Costs (% of COGS)	18%	15%	12%
NPV	-4,32	114,68	232,89

Figure 22: Scenario Analysis

7. Conclusion

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

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

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

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

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

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

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9. Appendix

List of Abbreviations

AI - Artificial Intelligence

B2B - Business-to-Business

B2C – Business to Consumer

CAGR - Compound Annual Growth Rate

CAPEX – Capital Expenditure

CIT – Corporate Income Tax

COGS – Cost of Goods Sold

CRM – Customer Relationship Management

CSR – Corporate Social Responsibility

D&I – Diversity and Inclusion

DDM - Data Driven Marketing

DNA - Deoxyribonucleic acid

DOL – Degree of Leverage

EBIT – Earnings before Interest and Taxes

EBITDA – Earnings before Interest, Taxes, Depreciation and Amortization

EMU – Economic and Monetary Union

ESG – Environmental, Social and Governance

ETS – Emissions Trading Systems

EU - European Union

FCF – Free Cash Flow

FRG - Federal Republic of Germany

GDP - Gross Domestic Product

ICT - Information and Communication Technology

IED – Industrial Emissions Directive

ILO - International Labour Organization

IRR – Internal Rate of Return

LCU – Local Currency Units

M&A – Mergers and Acquisitions

MCDA – Multiple Criteria Decision Analysis

NPV – Net present Value

NWC - Net Working Capital

OECD - The Organization for Economic Cooperation and Development

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

PP&E – Property, Plant and Equipment

PV - Photovoltaic

R&D – Research and Development

ROA – Return on Assets

ROE – Return on Equity

ROS – Return on Sales

SDG - Sustainable Development Goals

SEO - Search Engine Optimization

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

SME's - Small and Medium-sized Enterprises

SOHO – Small Office Home Office

SPSS - Statistical Package for the Social Sciences

STP – Segmentation, Targeting and Positioning

SWOT – Strengths, Weaknesses, Opportunities and Threats

UK - United Kingdom

US - United States

VRIO - Value, Rarity, Imitability, and Organization

WACC – Weighted Average Cost of Capital

WU - Western Union

List of Tables

Type of Capabilities	Competencies/Resources
Threshold Capabilities	Diversified Product Portfolio Allows for revenue diversification, expanded customer bases, and cross-selling opportunities by offering a wider range of products
	Outsourced Production By outsourcing production, R1 can benefit from cost reductions, scalability (quickly adjust resources based on business needs), reduced risk, and cost predictability
	Establishment and Maintenance of Trustworthy Partnerships Crucial for business operations, facilitating collaborations and alliances vital for industry competitiveness. Aids in the resource of Ability to Finance Clients

	Online Strategy Essential due to R1's way of working mostly as an e-commerce business. Contributes to the company's visibility and accessibility online
Distinctive Abilities	Customized and Tailored Furniture Pieces Sets R1 apart by offering unique and personalized furniture solutions that cater to individual customer preferences
	Ability to Finance Clients This allows clients not to pay R1 in advance while the company pays suppliers first. This is a form of collaboration in the financial aspect. It alleviates financial constraints for clients, fostering trust and a good relationship between R1 and its customers

Table 1: Strategic Capabilities

	Valuable	Rare	Inimitable	Organized	Conclusion
Diversified Product Portfolio	Allows for revenue diversification, expanded customer bases, and cross-selling opportunities, globally	In this industry, the majority of companies also provide an extensive selection of products	R1 does not engage in manufacturing, so, it is relatively easy to find companies that specialize in producing a wide range of products, thereby facilitating the creation of a diversified product portfolio	Having a diversified product portfolio aligns with the company's overall strategic goals, as it facilitates smoother market penetration in international markets and broadens the customer base	Competitive Parity Although this is an important resource, it does not allow R1 to distinguish itself from its competitors. For this reason, the company should focus on other resources and capabilities that can bring a sustainable competitive advantage
Ability to establish and maintain partnerships	A trustworthy and diversifiable supply chain allows for product diversity	In this industry, forming partnerships is common and expected, to leverage lower prices	Although R1's competitors (particularly international) can establish the same partnerships, few do. International manufacturers do not have the same level of cost-	By teaming up with new assembly partners who have advanced technical knowledge, we're set to boost the quality of our final products. Plus, this means R1 can	Competitive Parity Although this is an important resource, it does not allow R1 to distinguish itself from its competitors. For this reason, the

			efficiency and skilled workforce as Portuguese manufacturers	smoothly handle a potential increase in orders thanks to the added production capacity	company should focus on other resources and capabilities that can bring a sustainable competitive advantage
Outsourced Production	By outsourcing production, R1 can benefit from cost-reductions, scalability (quickly adjust resources based on business needs), reduced risk and cost predictability	It is common for companies with a diversified portfolio to build partnerships with manufacturers	This process can easily be imitable by competitors	Outsourcing allows start-ups to move and make decisions faster, which contributes to greater efficiency levels and a better service, as the company can focus on strategic/core decisions, instead of the manufacturing process	Competitive Parity Although this is an important resource, it does not allow R1 to distinguish itself from its competitors. For this reason, the company should focus on other resources and capabilities that can bring a sustainable competitive advantage
International Management	The company has some degree of knowledge of working abroad and with international entities. This expertise proves extremely useful when considering the broader context of international expansion	This capability is not rare as furniture companies are usually expanded internationally and/or have operations abroad	For a company to become international, it is usually necessary for it to undergo substantial transformations and highly invest on information and resources, making it hard to imitate	R1 has formed partnerships with international organizations, which the company can leverage on by applying its knowledge of doing business abroad in a bigger scale	Competitive Parity This capability is beneficial for R1's international expansion plans, but similar capabilities might be present among competitors in due to the commonality of international expansion strategies
Financing clients	Financing clients can be valuable as it allows R1 to attract more	The capability to finance clients, particularly in the B2B	It can be challenging to imitate due to the risk involved.	For this to work, R1 would need a well-structured	Temporary Competitive Advantage This can provide a

	business by offering financing options to its clients. It enables them to make larger purchases without immediate payment	furniture industry, might not be exceedingly rare, as some competitors may also offer similar financing options. However, executing this strategy effectively and at scale could be less common	Establishing a system where R1 pays suppliers before receiving payment from clients requires robust financial stability, risk assessment, and strong relationships with both suppliers and clients.	financial system, stringent credit policies, risk management protocols, and efficient collection procedures and to proactively monitor client payments, which the company does not currently seem to have	temporary edge over competitors by attracting more customers in the short term. However, in the long run, R1 may face significant financial risks due to delayed leading to potential bankruptcy or financial instability
Customization and Tailoring	R1 provides the possibility of personalizing furniture, which allows it to distinguish itself from competitors and build a stronger relationship with its customers.	According to R1, there is a gap in the market for companies offering this type of service	To be able to offer this service, companies would have to make severe changes on their catalogues, supply chains and overall strategies, which is not feasible in the short-term	R1 is still not taking full advantage of this capability by offering this service and is not fully capitalizing on this distinctiveness .	Competitive Parity Although this capability sets it apart to some extent, R1 needs to further exploit this capability in order for it to develop into a sustainable competitive advantage

Table 2: VRIO Analysis

United Arab Emirates	Finland	Mauritius
Armenia	France	Malaysia
Australia	United Kingdom	Netherlands
Austria	Georgia	Norway
Azerbaijan	Greece	New Zealand
Belgium	Hong Kong SAR, China	Oman
Bahrain	Hungary	Poland
Bahamas, The	Ireland	Portugal
Belarus	Iceland	Qatar
Barbados	Italy	Rwanda
Brunei Darussalam	Japan	Saudi Arabia
Botswana	Kazakhstan	Singapore
Canada	Korea, Rep.	Serbia
Switzerland	Kuwait	Slovak Republic

China	Lithuania	Slovenia
Cyprus	Luxembourg	Sweden
Czechia	Latvia	Thailand
Germany	Moldova	Turkiye
Denmark	North Macedonia	Uruguay
Spain	Malta	United States
Estonia	Montenegro	

Table 3: Countries considered after the elimination process

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

Table 4: Initial Variables Selected

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

		Exchange rates (1291,45) and ICT development (8,85). On the other hand, the country presents unfavourable scores in Tariff Rates (5,48), Population Growth (0,00), Revenue Growth (-0.23) & Taxes on international trade (1.3%).
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Table 5: Clusters and their characteristics

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

Table 6: Final country ranking

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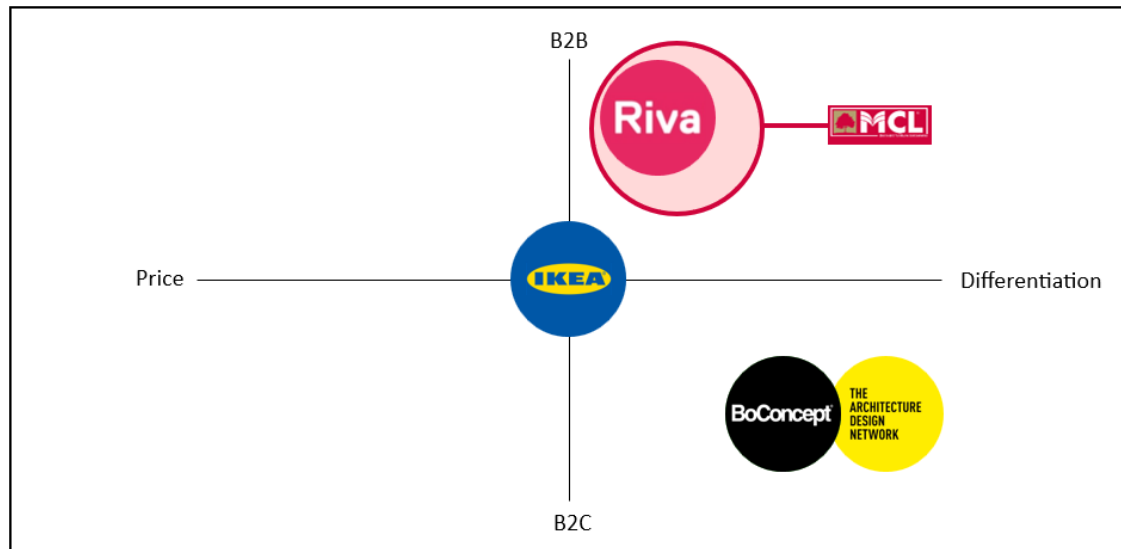


Figure 1: R1, IKEA, Archipassport, BoConcept, and MCL positioning map

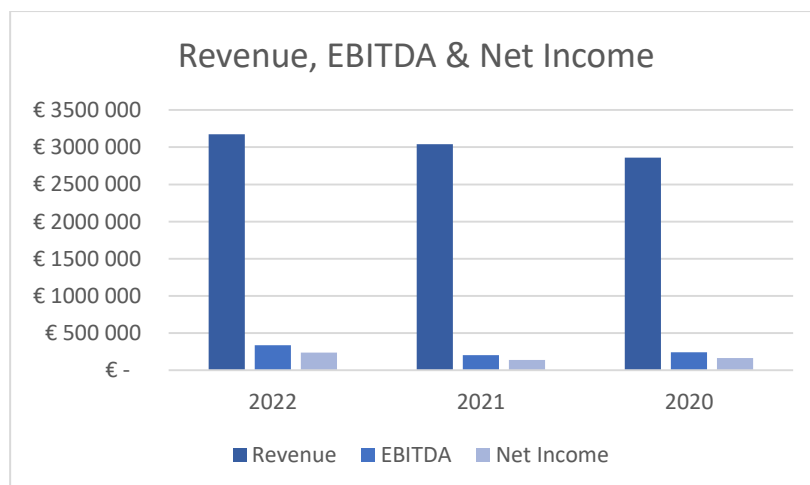


Figure 2: Revenue, EBITDA and Net Income

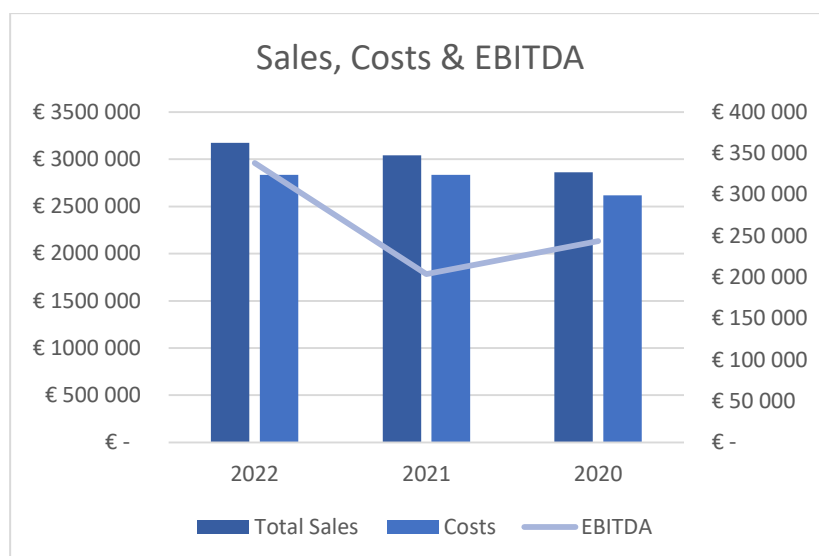


Figure 3: Total Sales and Costs & EBITDA

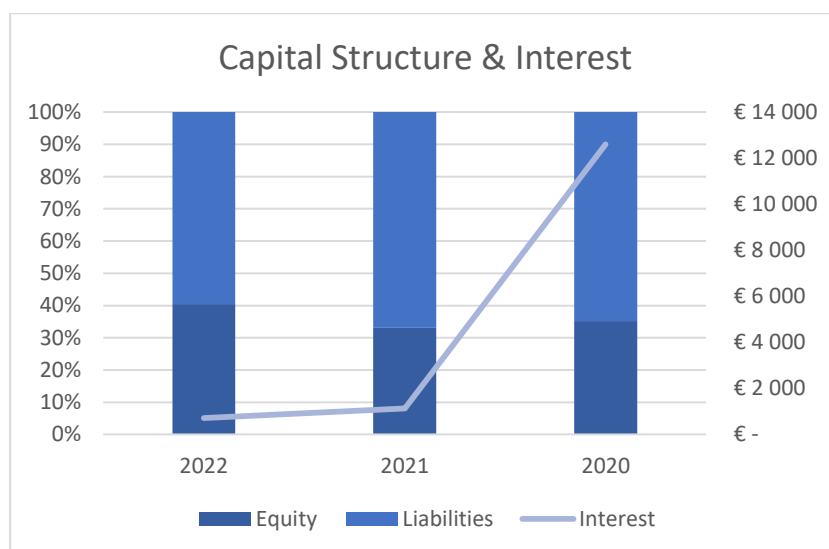


Figure 4: R1's Capital Structure and Interest Expenses

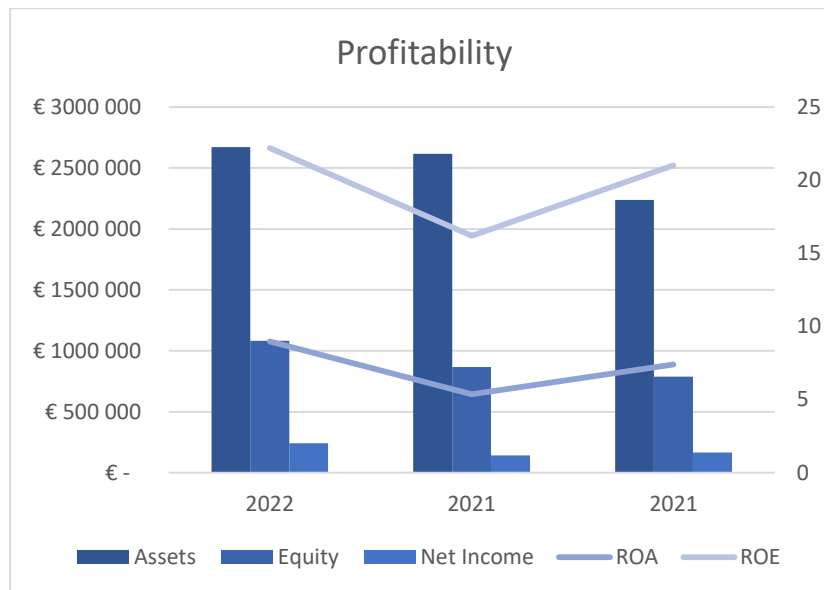


Figure 5: Profitability

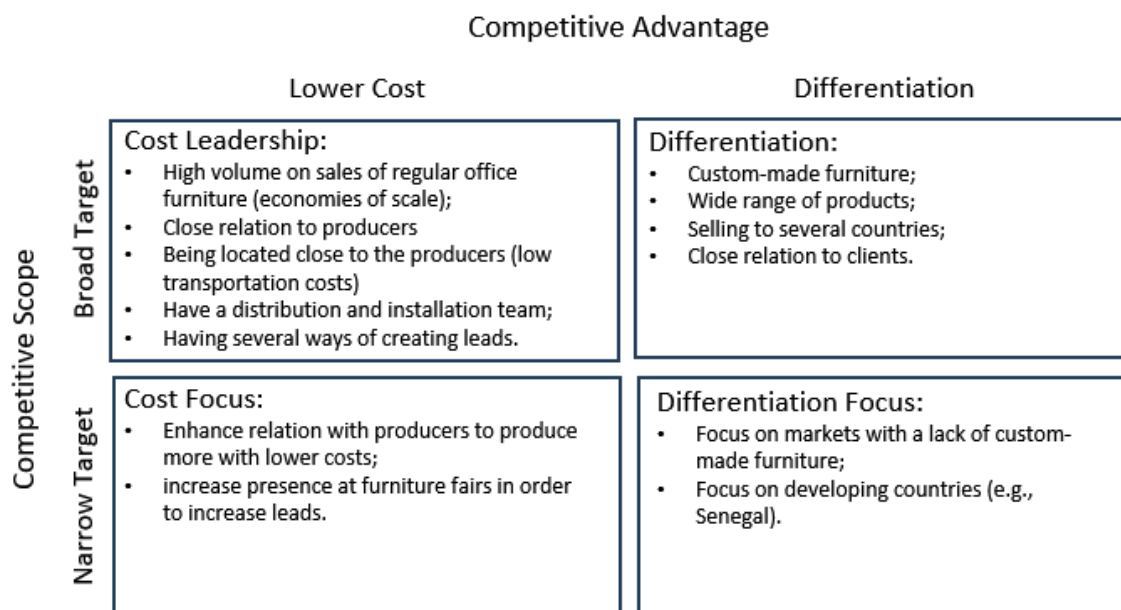


Figure 6: Porter's Generic strategies

		Firm-specific advantage	
		Weak	Strong
Country-specific advantage	Strong	1	3
	Weak	2	4

Figure 7: FSA-CSA matrix

	International Touri	Unemployment, tot	Tariff rate, applied	Net investment in r	Total Population (2	Popula	GDP	GDP	Ease	Rule of	2023	Logist	Inflatio	Control	Econo	Individ	Taxes	Consu	Enviro	New	Indust	Urban	Trade	E-										
	smen	total	total	ment in	tion	tion	per	per	of	Law:	SDG	infra	cs	of	mic	uals	on	mer	nment	busine	ial	land	freedo	E-										
	Touris	t, total	applie	ment in	tion	growth	capita	capita	doing	Percent	Index	Quality	Perfor	Corrup	Stabilit	freedo	ing	revenu	al	sses	design	area	m	Develo										
	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000										
International Touri																																		
Unemployment, tot	-0.0405	10000																																
Tariff rate, applied	-0.1100	0.1130	10000																															
Net investment in r	-0.0200	-0.1249	0.2272	10000																														
Total Population (2	0.5452	-0.0705	0.0160	0.0167	10000																													
Population growth	-0.1531	-0.0876	0.0446	-0.1202	-0.0863	10000																												
GDP (current US\$)	0.6557	-0.0280	-0.0263	0.0380	0.7332	-0.0612	10000																											
GDP per capita (cu	0.0155	-0.4172	-0.1862	-0.0320	-0.0739	0.3601	0.1248	10000																										
GDP per capita grc	-0.0767	0.1338	0.2834	-0.0438	-0.0545	-0.0554	-0.1075	-0.1575	10000																									
Ease of doing busi	-0.2056	-0.1536	-0.1062	0.0340	-0.2357	0.2350	-0.1668	0.5711	-0.0575	10000																								
Rule of Law: Perc	0.0451	-0.3264	-0.2520	0.0890	-0.1006	0.2379	0.0772	0.7225	-0.1668	0.7616	10000																							
Revenue \$US B (2	0.0668	-0.1231	-0.0489	-0.0219	0.5121	-0.0235	0.3550	0.1766	-0.1098	-0.1284	0.1263	10000																						
Revenue Growth (2	0.2078	-0.1105	-0.1890	-0.0425	0.2425	0.2312	0.3175	0.3787	-0.1275	0.4505	0.5242	0.2374	10000																					
Democracy Index (	0.0612	-0.0780	-0.3613	0.0870	-0.1784	0.0104	-0.0019	0.3881	-0.1638	0.3852	0.6434	0.0667	0.2824	10000																				
2023 SDG Index	0.0413	-0.1177	-0.0510	0.0511	-0.0005	0.0459	0.0483	0.1126	-0.0034	0.0750	0.1776	0.0720	0.1450	0.4515	10000																			
Infrastructure Qual	0.2663	-0.6893	-0.2249	0.1217	0.0740	-0.0340	0.1616	0.4039	-0.1902	0.1641	0.5301	0.1634	0.3560	0.4322	0.1896	10000																		
Logistics Performa	-0.1061	-0.1162	-0.1596	0.1398	-0.1840	0.0633	0.1335	0.0222	-0.2951	0.2945	0.2432	0.2279	-0.0563	0.1542	10000																			
Inflation, consume	-0.0245	0.2300	0.0016	-0.0781	-0.0826	-0.1165	-0.1021	-0.2321	-0.0676	-0.3681	0.3224	-0.0328	-0.1855	0.0155	0.1032	-0.1426	-0.1643	10000																
Control of Corrupt	0.0140	-0.1665	-0.0952	0.0337	-0.1028	0.3233	0.0521	0.6986	-0.0724	0.7943	0.8363	0.0989	0.4380	0.4558	0.0895	0.2346	0.2397	-0.3639	10000															
Political Stability	-0.1810	-0.1743	-0.1233	0.0430	-0.2277	0.2635	-0.1636	0.5666	-0.0603	0.3964	0.7974	-0.1245	0.4521	0.3365	0.0796	0.1869	0.3117	-0.3337	0.8028	10000														
Economic freedom	0.0346	-0.0422	-0.1519	0.0271	0.0275	0.0576	-0.1076	0.1187	-0.0350	0.0023	0.0821	-0.1450	-0.0722	0.0361	-0.1265	0.0605	-0.0632	-0.1708	0.0361	0.0760	10000													
Individuals using tl	-0.0536	-0.4674	-0.3009	0.0730	-0.1664	0.1701	-0.0422	0.5699	-0.0659	0.3521	0.4328	0.0043	0.2336	0.1764	0.0734	0.4765	0.1877	-0.3421	0.3773	0.3562	0.1651	10000												
Official exchange	-0.0900	0.0894	0.4423	0.7237	-0.0281	0.1068	-0.0447	0.2055	0.0640	-0.1302	-0.1271	-0.0810	-0.0695	-0.0737	-0.0571	-0.8931	0.0396	-0.0013	-0.1087	-0.1263	-0.0425	-0.3423	10000											
Taxes on internat	-0.4234	0.4726	-0.0453	-0.0228	-0.0211	0.1915	-0.0463	-0.2697	0.0332	-0.0586	-0.3517	-0.0469	-0.1008	-0.2333	-0.1949	0.0762	-0.1734	-0.0768	0.0186	-0.0425	-0.3423	10000												
Tax revenue (% of	0.0050	0.1789	-0.2690	-0.0666	-0.1411	-0.0041	-0.1424	0.0657	0.0429	0.0879	0.2130	-0.1065	0.0519	0.8015	0.4778	0.0004	0.2387	0.1511	0.1045	0.0894	-0.1321	-0.0026	0.0702	10000										
Consumer Price In	-0.0418	0.1149	0.1145	-0.0521	-0.0201	-0.2548	-0.0606	-0.2669	-0.1542	-0.3817	-0.4633	-0.0678	-0.4532	-0.2093	-0.0123	-0.4369	-0.2276	0.6429	-0.3827	-0.4130	-0.1544	-0.1544	-0.0045	10000										
Environmental Perf	-0.0635	-0.0512	-0.2788	-0.0420	-0.2449	0.1550	-0.0735	0.3862	-0.0230	0.4539	0.5013	-0.0042	-0.1853	0.4560	0.4533	0.0696	0.2514	-0.1710	-0.0586	0.5512	-0.2254	10000												
Furniture, parts in	0.3537	-0.1441	-0.1016	0.0388	0.1071	0.0138	0.1752	0.1505	-0.1642	0.0948	0.2372	0.1863	0.1712	0.2669	0.2126	0.2710	-0.0067	-0.1918	0.3111	0.1123	0.1965	0.0852	-0.0663	-0.4117	10000									
New businesses re	0.3076	-0.0894	-0.1036	-0.0545	0.2633	-0.0647	0.1977	0.0345	-0.0494	-0.0506	0.1177	0.1280	0.1964	0.0862	0.0312	0.1547	-0.0348	-0.0098	0.1394	-0.0357	0.1078	0.0657	-0.0638	0.1390	-0.0185	0.1346	0.4381	10000						
Industrial design	0.4547	-0.0400	0.0372	0.0540	0.3754	-0.0695	0.5792	-0.1330	-0.0357	-0.2175	-0.1263	0.3275	0.1932	-0.2044	-0.0116	0.0504	-0.2036	-0.0541	-0.1181	-0.2094	0.0911	-0.1734	0.0089	-0.0171	-0.1126	0.0025	-0.2188	0.0315	0.2685	10000				
Urban land area (s	0.5710	-0.0828	0.0059	0.0067	0.9326	-0.0886	0.6051	-0.0485	-0.0660	-0.2231	-0.0728	0.0663	0.2874	-0.1557	0.0095	0.0851	-0.1700	-0.1056	-0.0780	-0.2752	0.0108	-0.1536	-0.0421	-0.0225	-0.1469	-0.0386	-0.1933	0.1083	0.2450	0.1083	0.2450	0.9444	10000	
Trade freedom Ind	-0.0496	-0.1123	-0.2514	-0.0577	-0.0286	0.2129	-0.0047	0.1766	0.015	0.1336	0.2034	0.0114	0.2594	0.3536	0.1782	0.2569	0.0391	0.0451	0.0632	0.1343	-0.0228	0.2002	-0.2049	-0.1516	0.2713	-0.1033	0.5091	0.0906	0.0304	-0.0268	-0.0212	10000		
E-commerce index	0.2183	-0.1388	-0.4120	0.0009	-0.0235	-0.0014	0.1178	0.4117	-0.3705	0.0553	0.4673	0.1473	0.1625	0.1789	0.3125	0.6404	0.1607	0.0063	0.2498	0.0958	0.0125	0.3266	-0.1282	-0.4267	0.3100	-0.0773	0.2556	0.3023	0.1864	-0.0534	-0.0081	0.2745	10000	
E-commerce index	0.1078	-0.1955	-0.3334	0.1844	-0.1339	0.0119	0.0690	0.6556	-0.3323	0.4570	0.6513	0.1205	0.2340	0.5011	0.2331	0.6197	0.0953	-0.2552	0.5274	0.4640	0.2352	0.7224	-0.2507	-0.3969	0.1561	-0.1987	0.4361	0.3225	0.1582	-0.1535	-0.1069	0.1513	0.5570	10000

Figure 8: Pearson correlation analysis

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

Figure 9: Pearson's Correlation Scale

	United Arab	Armenia	Australia	Austria	Azerbaijan	Belgium	Bahrain	Bahamas	Belarus	Barbados	Brunei	Botswana	Canada	Switzerland	China	Cyprus	Czechia	Germany	Denmark	Spain	Estonia	
Tourism (2019)	0.1160	0.0087	0.0434	0.1463	0.0145	0.0429	0.0508	0.0333	0.0543	0.0044	0.0204	0.1280	0.1488	0.0542	0.7460	0.0189	0.1707	0.1816	0.1519	0.5791	0.0280	
Unemployment, total (% of	0.0364	0.0080	0.0273	0.0212	0.0183	0.0178	0.0714	0.0099	0.0240	0.0122	0.0139	0.0048	0.0192	0.0238	0.0204	0.0143	0.0422	0.0334	0.0240	0.0077	0.0171	
Tariff rate, applied, weights	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
Net investment in nonfinan	0.0003	0.0064	0.0000	0.0002	0.0267	0.0000	0.0267	0.0000	0.0000	0.0000	0.0267	0.0267	0.0005	0.0004	0.0002	0.0267	0.0000	0.0033	0.0008	0.0017	0.0003	
Population growth (21-22)	0.3333	0.0000	0.3333	0.3333	0.0000	0.3333	0.3333	0.3333	0.3333	0.0000	0.3333	0.6667	0.6667	0.3333	0.0000	0.3333	0.0000	0.3333	0.0000	0.3333	0.0000	
GDP per capita (current US\$	0.4252	0.0555	0.5101	0.4123	0.0612	0.3922	0.2385	0.2488	0.0625	0.1583	0.2939	0.0612	0.4348	0.7285	0.1006	0.2474	0.2186	0.3831	0.5298	0.2322	0.2241	
GDP per capita growth (ann	0.4750	0.9449	0.1784	0.2893	0.3067	0.1864	0.3060	1.0000	-0.2705	0.7128	-0.1755	0.2973	0.1109	0.0935	0.2175	0.3350	0.1639	0.0522	0.2175	0.3633	-0.1668	
Ease of doing business scor	0.7233	0.1444	0.8398	0.7088	0.1602	0.6748	0.3155	0.8156	0.1894	0.9418	0.9757	0.8980	0.7572	0.9514	0.2912	0.6068	0.7718	0.6941	0.7961	0.5485	0.7379	
Rule of Law: Percentile Ran	0.7877	0.4623	0.9104	0.9575	0.2594	0.8821	0.6509	0.5566	0.1179	0.6038	0.8019	0.6604	0.9292	0.5764	0.5283	0.6887	0.8349	0.9198	0.9953	0.7736	0.8792	
Revenue \$US B (2022)	0.0161	0.0001	0.0446	0.0241	0.0003	0.0243	0.0015	0.0441	0.0018	0.0283	0.0002	0.0007	0.0753	0.0226	0.3500	0.0014	0.0089	0.2135	0.0156	0.0417	0.0013	
Revenue Growth (2019-202	0.0400	0.0000	0.7600	0.0800	-0.4400	0.2000	-0.1200	-0.9600	-1.0800	0.7200	1.0000	0.2800	0.8400	0.3600	0.8000	0.1200	0.4000	0.3600	0.0800	0.6000	0.0000	
Democracy Index (2022)	0.2956	0.5739	0.8879	0.8359	0.2926	0.7788	0.2569	0.7706	0.2029	0.5291	0.7197	0.7880	0.9052	0.9317	0.1978	0.7523	0.8124	0.8970	0.9460	0.8226	0.8114	
2023 SDG Index	0.8030	0.8445	0.8744	0.9482	0.8468	0.9159	0.7339	0.7016	0.8929	0.7995	0.7569	0.7224	0.9044	0.9274	0.8295	0.8353	0.9435	0.9608	0.9873	0.9263	0.9007	
Infrastructure Quality Index	0.9277	0.7275	0.8302	0.9329	0.8113	0.9151	0.8218	0.8630	0.7731	0.6048	0.7348	0.8472	0.8470	0.9769	0.8166	0.7851	0.8784	0.9455	0.9130	0.9465	0.9475	
Logistics Performance	0.6512	1.0000	0.9070	0.8860	0.6581	0.5814	0.5814	0.6047	0.5000	0.7465	0.5116	0.6047	0.7558	0.6186	0.5605	0.6977	1.0000	0.5349	0.6279	0.8140	0.5791	
Inflation, consumer prices (	0.0668	0.1195	0.0911	0.1182	0.1915	0.1328	0.0502	0.0776	0.2103	0.1514	0.0509	0.1614	0.0940	0.0393	0.0272	0.1162	0.2088	0.0950	0.1065	0.1160	0.2683	
Control of Corruption: Perc	0.8349	0.5613	0.9528	0.8491	0.1698	0.8962	0.5943	0.8443	0.3160	0.8915	0.8396	0.7406	0.9340	0.9717	0.5519	0.6604	0.7453	0.9575	1.0000	0.7500	0.9104	
Economic freedom Index 20	0.7318	0.6484	0.7998	0.7128	0.7128	0.5173	0.8260	0.6698	0.4994	0.5221	0.6198	0.5757	0.6377	0.5733	0.7914	0.9368	0.6544	0.7577	0.7580	0.7640	0.8605	
Individuals using the Intern	1.0000	0.7861	0.9624	0.9253	0.8600	0.9279	1.0000	0.9429	0.8689	0.8582	0.9808	0.7350	0.9283	0.9557	0.7305	0.9076	0.8267	0.9143	0.9887	0.9390	0.9098	
Official exchange rate (LCU	0.0028	0.3373	0.0011	0.0007	0.0013	0.0007	0.0003	0.0008	0.0020	0.0015	0.0011	0.0096	0.0010	0.0007	0.0052	0.0007	0.0181	0.0007	0.0055	0.0007	0.0007	
Taxes on international trad	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
Tax revenue (% of GDP) 20	0.0198	0.6353	0.6571	0.7094	0.4414	0.6411	0.6562	0.5536	0.3493	0.4682	0.5594	0.6472	0.3944	0.2723	0.2351	0.6516	0.4176	0.3069	1.0000	0.3947	0.6013	
Consumer Price Index (201	0.8697	0.6714	0.7716	0.7656	0.5222	0.7717	0.8554	0.8090	0.1511	0.6677	0.9600	0.5594	0.9037	0.7872	1.0000	0.7749	0.9037	0.7118	0.8211	0.8410	0.8271	0.6728
Environmental Performanc	0.6727	0.6200	0.7715	0.8537	0.4955	0.7471	0.5392	0.7214	0.6226	0.6829	0.5866	0.6932	0.6418	0.8460	0.3646	0.7445	0.7689	0.8010	1.0000	0.7266	0.7882	
Furniture: parts imports by	0.0689	0.0020	0.1544	0.1516	0.0065	0.1123	0.0045	0.0016	0.0183	0.0005	0.0005	0.0003	0.3916	0.1774	0.1183	0.0033	0.1056	1.0000	0.1551	0.1579	0.0113	
New businesses registered	0.0046	0.0074	0.3052	0.0041	0.0118	0.0444	0.0675	0.0684	0.0093	0.0012	0.0004	0.0339	0.0680	0.0682	0.2995	0.0143	0.0336	0.0939	0.0684	0.1001	0.0262	
Industrial design applicatio	0.0201	0.0001	0.0033	0.0003	0.0001	0.0283	0.0000	0.0263	0.0003	0.0024	0.0269	0.0000	0.0009	0.0043	1.0000	0.0000	0.0007	0.0426	0.0002	0.0153	0.0000	
Trade freedom index	0.8211	0.7789	0.9474	0.8316	0.7263	0.8316	0.8842	0.5263	0.7474	0.6105	0.8842	0.8316	0.8737	0.9158	0.7789	0.8316	0.8316	0.8316	0.8316	0.8842	0.8842	
E-commerce index (2020)	0.8154	0.5203	0.9447	0.9260	0.6257	0.9051	0.6225	0.8123	0.8217	0.8885	0.8187	0.4035	0.9468	1.0000	0.6267	0.8144	0.8947	0.9739	0.9854	0.8853	0.9468	
ICT Development 2017	0.8029	0.6414	0.9176	0.8931	0.6904	0.8697	0.8463	0.7249	0.8408	0.8140	0.7517	0.5111	0.8653	0.9733	0.6236	0.8653	0.7973	0.9343	0.9699	0.8675	0.9060	

	Finland	France	United Kingdom	Georgia	Greece	Hong Kong	Hungary	Ireland	Iceland	Italy	Japan	Kazakhstan	Korea, Rep.	Kuwait	Lithuania	Luxembourg	Latvia	Moldova	North Macedonia	Malta	Montenegro
Tourism (2019)	0.0151	1.0000	0.1875	0.0355	0.1561	0.2566	0.2818	0.0503	0.0101	0.4379	0.1463	0.0391	0.0803	0.0393	0.0282	0.0048	0.0383	0.0008	0.0035	0.0162	0.0115
Unemployment, total (% of	0.0147	0.0134	0.0280	0.0088	0.0082	0.0198	0.0292	0.0229	0.0262	0.0124	0.0379	0.0200	0.0358	0.0403	0.0180	0.0213	0.0156	0.0439	0.0066	0.0356	0.0065
Tariff rate, applied, weights	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Net investment in nonfinan	0.0001	0.0013	0.0012	0.0000	0.0002	0.0267	0.0270	0.0002	0.0017	0.0006	0.2313	0.0210	1.0000	0.0267	0.0000	0.0001	0.0000	0.0001	0.0004	0.0000	0.0287
Population growth (21-22)	0.0000	0.0000	0.0000	0.0000	-0.3333	-0.3333	0.0000	0.3333	1.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.3333	0.6667	0.0000	-0.3333	0.0000	0.3333	0.0000
GDP per capita (current US\$	0.3997	0.3240	0.3627	0.0524	0.1640	0.3874	0.1460	0.8229	0.5766	0.2702	0.2675	0.0889	0.2551	0.3420	1.9964	1.0000	0.1728	0.0440	0.0521	0.2685	0.0000
GDP per capita growth (ann	0.1298	0.1653	0.3038	0.7244	0.4830	-0.1885	0.3524	0.7817	0.2777	0.2988	0.1073	-0.0051	0.2023	0.5584	0.0529	-0.0087	0.1479	-0.7113	0.1820	0.4242	0.4801
Ease of doing business scor	0.8204	0.5776	0.6407	0.2961	0.5049	0.6845	0.6990	0.8106	0.9805	0.6019	0.8932	0.3350	0.6650	0.5583	0.7136	0.8883	0.6214	0.2282	0.5242	0.8301	0.4563
Rule of Law: Percentile Ran	1.0000	0.8538	0.8915	0.5660	0.5991	0.8774	0.6321	0.9151	0.9528	0.5849	0.9245	0.3585	0.8491	0.5755	0.8302	0.9858	0.7972	0.4198	0.5000	0.7642	0.4858
Revenue \$US B (2022)	0.0094	0.1040	0.0946	0.0008	0.0050	0.0124	0.0076	0.0074	0.0010	0.0668	0.0859	0.0026	0.0314	0.0051	0.0016	0.0016	0.0009	0.0004	0.0005	0.0009	0.0001
Revenue Growth (2019-202	0.1200	0.2000	0.2800	-0.5600	-0.2000	1.0000	0.6800	0.8800	0.0000	0.0800	0.4800	0.2000	-0.9200	-0.0800	0.6400	0.6000	-0.2000	-0.4000	0.4000	0.0000	0.0000
Democracy Index (2022)	0.9470	0.8226	0.8440	0.5301	0.8124	0.5382	0.6769	0.9307	0.9704	0.7839	0.8491	0.3140	0.8186	0.3904	0.7452	0.8981	0.7513	0.6351	0.6218	0.7849	0.6575
2023 SDG Index	1.0000	0.9447	0.9412	0.8641	0.9032	0.9150	0.9147	0.9228	0.9021	0.9078	0.9147	0.8249	0.8998	0.7419	0.8848	0.8940	0.9297	0.9055	0.8353	0.8698	0.0000
Infrastructure Quality Index	0.8742	0.9403	0.9319	0.7086	0.8145	0.9853	0.8459	0.8071	0.8008	0.8816	0.9769	0.7159	0.9654	0.7170	0.8071	0.8910	0.7966	0.6939	0.7013	0.7862	0.6667
Logistics Performance	0.5116	0.5698	0.5349	0.5581	0.5814	0.6279	0.6372	0.5581	0.8605	0.5381	0.5814	0.4581	0.8372	0.5837	0.8372	0.7674	0.7326	0.4186	0.4651	0.8874	0.5349
Inflation, consumer prices	0.0985	0.0722	0.1095	0.1646	0.1335	0.0260	0.2020	0.1080	0.1149	0.1134	0.0346	0.1388	0.0704	0.0550	0.2726	0.0877	0.2942	0.3975	0.1964	0.0851	0.0803
Control of Corruption: Perc	0.9953	0.8538	0.9292	0.7217	0.5660	0.9245	0.5142	0.9387	0.9151	0.6887	0.9057	0.4858	0.7689	0.5896	0.7642	0.9623	0.7547	0.4292	0.4387	0.6179	0.5094
Economic freedom Index 20	0.6851	0.8212	0.7008	0.7402	0.8677	0.9344	0.6496	0.6257	0.9297	0.6544	0.0346	0.7592	0.7271	0.7926	0.5983	1.0000	0.8224	0.8784	0.7291	0.6031	0.7641
Individuals using the Intern	0.9281	0.8610	0.9668	0.7644	0.7849	0.9309	0.8864	0.9517	0.9969	0.7486	0.8291	0.9092	0.9757	0.9970	0.8693	0.9866	0.9118	0.6129	0.8302	0.8747	0.8222
Official exchange rate (LCU	0.0007	0.0007	0.0006	0.0023	0.0007	0.0007	0.2885	0.0007	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Taxes on international trad	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Tax revenue (% of GDP) 20	0.5774	0.7184	0.7190	0.6222	0.7190	0.5318	0.6646	0.4737	0.6533	0.7196	0.5990	0.2418	0.4319	0.5196	0.5812	0.7303	0.6364	0.5205	0.4688	0.6844	0.4888
Consumer Price Index (201	0.8288	0.8464	0.7648	0.5931	0.4148	0.7318	0.6751	0.8720	0.6811	0.9395	0.9479	0.7257	0.8197	0.7353	0.6809	0.8081	0.7204	0.4381	0.7556	0.8309	0.7583
Environmental Performance	0.9820	0.8023	0.9974	0.5019	0.7124	0.6475	0.7073	0.7368	0.8062	0.7407	0.7343	0.5250	0.6021	0.5443	0.7176	0.9281	0.7843	0.5481	0.6970	0.9653	0.6021
Furniture; parts imports by	0.0692	0.5256	0.6039	0.0056	0.0177	0.0486	0.0556	0.0319	0.0074	0.1946	0.3369	0.0137	0.0738	0.0212	0.0041	0.0074	0.0206	0.0033	0.0012	0.0019	0.0024
New businesses registered	0.0258	0.2814	0.1000	0.0231	0.0155	0.1283	0.0330	0.0282	0.0032	0.0678	0.0431	0.0532	0.0680	0.0137	0.0068	0.0681	0.0106	0.0670	0.0064	0.0044	0.0042
Trade credit facilities avail	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Trade freedom Index	0.8316	0.8316	0.8632	0.9053	0.8316	0.8071	0.8316	0.8316	0.8421	0.8316	0.7895	0.7895	0.7579	0.8000	0.8316	0.8316	0.8316	0.8316	0.8000	0.8211	0.8316
E-commerce index (2020)	0.9739	0.9385	0.9760	0.7675	0.8259	0.9572	0.8394	0.9793	0.8733	0.8530	0.9249	0.7112	0.9364	0.7164	0.8613	0.8175	0.8113	0.7383	0.7414	0.7602	0.5631
ICT Development 17	0.8775	0.9176	0.9633	0.6448	0.8051	0.9588	0.7717	0.8931	1.0000	0.7840	0.9388	0.7561	0.9855	0.6659	0.8007	0.9432	0.8085	0.7183	0.6693	0.8753	0.7171

		United Arab Emirates	Armenia	Australia	Austria	Azerbaijan	Belgium	Bahrain	Bahamas, The	Belarus	Barbados	Brunei Darussalam	Botswana	Canada	Switzerland	China	Cyprus	Czechia	Germany	Denmark	Spain	Estonia
3%	Tourism (2019)	0.0035	0.0003	0.0013	0.0044	0.0004	0.0013	0.0015	0.0010	0.0016	0.0001	0.0006	0.0038	0.0045	0.0016	0.0224	0.0006	0.0051	0.0054	0.0046	0.0174	0.0000
3%	Unemployment	0.0011	0.0002	0.0008	0.0006	0.0005	0.0005	0.0021	0.0003	0.0007	0.0004	0.0004	0.0001	0.0006	0.0007	0.0006	0.0004	0.0013	0.0010	0.0007	0.0002	0.0000
2%	Tariff rate, app	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1%	Net investment	0.0000	0.0001	0.0000	0.0000	0.0003	0.0000	0.0003	0.0000	0.0000	0.0003	0.0003	0.0000	0.0000	0.0000	0.0000	0.0003	0.0000	0.0000	0.0000	0.0000	0.0000
4%	Population growth	0.0133	0.0000	0.0133	0.0133	0.0000	0.0133	0.0133	0.0133	-0.0133	0.0000	0.0133	0.0267	0.0267	0.0133	0.0000	0.0133	0.0000	0.0133	0.0133	0.0000	0.0133
3%	GDP per capita	0.0128	0.0017	0.0153	0.0124	0.0018	0.0118	0.0072	0.0075	0.0019	0.0048	0.0088	0.0018	0.0130	0.0219	0.0030	0.0074	0.0066	0.0115	0.0159	0.0070	0.0000
4%	GDP per capita	0.0190	0.0378	0.0071	0.0116	0.0123	0.0075	0.0122	0.0400	-0.0108	0.0285	-0.0070	0.0119	0.0044	0.0037	0.0087	0.0134	0.0066	0.0021	0.0087	0.0145	-0.0060
5%	Ease of doing b	0.0362	0.0092	0.0420	0.0354	0.0080	0.0377	0.0158	0.0408	0.0095	0.0471	0.0488	0.0449	0.0379	0.0476	0.0146	0.0303	0.0386	0.0347	0.0398	0.0274	0.0300
2%	Rule of Law: Pe	0.0158	0.0092	0.0182	0.0192	0.0052	0.0176	0.0130	0.0111	0.0024	0.0121	0.0160	0.0132	0.0186	0.0195	0.0106	0.0138	0.0167	0.0184	0.0199	0.0155	0.0100
2%	Revenue SUS B	0.0003	0.0000	0.0009	0.0005	0.0000	0.0005	0.0000	0.0009	0.0000	0.0006	0.0000	0.0000	0.0000	0.0015	0.0005	0.0070	0.0000	0.0002	0.0043	0.0008	0.0000
3%	Revenue Growth	0.0012	0.0000	0.0228	0.0024	-0.0132	0.0060	-0.0036	-0.0288	-0.0324	0.0216	0.0300	0.0084	0.0252	0.0108	0.0240	0.0036	0.0120	0.0108	0.0108	0.0024	0.0180
1%	Democracy Ind	0.0030	0.0057	0.0089	0.0084	-0.0029	0.0078	0.0026	0.0077	0.0020	0.0053	0.0072	0.0079	0.0091	0.0093	0.0020	0.0075	0.0081	0.0090	0.0095	0.0082	0.0000
2%	SDG Index	0.0161	0.0169	0.0175	0.0190	0.0169	0.0183	0.0147	0.0140	0.0179	0.0160	0.0151	0.0144	0.0181	0.0185	0.0166	0.0167	0.0189	0.0192	0.0197	0.0185	0.0183
5%	Infrastructure C	0.0464	0.0364	0.0415	0.0466	0.0064	0.0458	0.0411	0.0341	0.0387	0.0302	0.0367	0.0424	0.0423	0.0488	0.0408	0.0393	0.0389	0.0473	0.0456	0.0473	0.0390
4%	Logistics Perform	0.0260	0.0400	0.0363	0.0354	0.0263	0.0233	0.0233	0.0242	0.0200	0.0299	0.0205	0.0242	0.0302	0.0247	0.0224	0.0279	0.0400	0.0214	0.0251	0.0326	0.0230
1%	Inflation, cons	0.0007	0.0012	0.0009	0.0012	0.0013	0.0005	0.0008	0.0021	0.0015	0.0005	0.0016	0.0009	0.0004	0.0003	0.0012	0.0021	0.0010	0.0011	0.0012	0.0002	0.0000
4%	Control of Corr	0.0334	0.0225	0.0381	0.0340	0.0068	0.0358	0.0238	0.0338	0.0126	0.0357	0.0336	0.0296	0.0374	0.0389	0.0221	0.0264	0.0298	0.0383	0.0400	0.0300	0.0360
4%	Economic free	0.0293	0.0259	0.0320	0.0285	0.0205	0.0207	0.0330	0.0268	0.0200	0.0209	0.0248	0.0320	0.0255	0.0229	0.0317	0.0375	0.0262	0.0230	0.0303	0.0306	0.0300
4%	Individuals use	0.0400	0.0314	0.0385	0.0370	0.0344	0.0371	0.0400	0.0377	0.0348	0.0343	0.0392	0.0294	0.0371	0.0382	0.0292	0.0363	0.0331	0.0366	0.0395	0.0376	0.0300
1%	Official exchan	0.0000	0.0034	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0000	0.0000	0.0001	0.0000	0.0002	0.0000	0.0001	0.0000	0.0000
4%	Taxes on inter	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
3%	Tax revenue %	0.0006	0.0191	0.0197	0.0213	0.0132	0.0192	0.0197	0.0166	0.0105	0.0140	0.0168	0.0194	0.0118	0.0082	0.0071	0.0195	0.0125	0.0092	0.0300	0.0118	0.0100
2%	Consumer Price	0.0174	0.0134	0.0154	0.0153	0.0104	0.0154	0.0171	0.0162	0.0030	0.0131	0.0192	0.0112	0.0157	0.0200	0.0155	0.0181	0.0142	0.0164	0.0168	0.0165	0.0130
1%	Environmental	0.0067	0.0062	0.0077	0.0085	0.0050	0.0075	0.0054	0.0072	0.0062	0.0068	0.0059	0.0069	0.0064	0.0085	0.0036	0.0074	0.0077	0.0080	0.0100	0.0073	0.0007
7%	Furniture; part	0.0061	0.0001	0.0108	0.0106	0.0005	0.0079	0.0003	0.0001	0.0013	0.0000	0.0000	0.0000	0.0000	0.0274	0.0124	0.0083	0.0004	0.0074	0.0700	0.0109	0.0111
5%	New business	0.0012	0.0004	0.0153	0.0002	0.0006	0.0022	0.0034	0.0034	0.0005	0.0001	0.0000	0.0017	0.0034	0.0034	0.0150	0.0007	0.0017	0.0047	0.0304	0.0050	0.0001
6%	Industrial desig	0.0000	0.0000	0.0002	0.0000	0.0000	0.0016	0.0000	0.0016	0.0000	0.0016	0.0000	0.0000	0.0001	0.0003	0.0600	0.0000	0.0000	0.0026	0.0000	0.0009	0.0000
4%	Trade freedom	0.0328	0.0312	0.0379	0.0333	0.0291	0.0333	0.0354	0.0211	0.0299	0.0244	0.0354	0.0333	0.0349	0.0366	0.0312	0.0333	0.0333	0.0333	0.0333	0.0334	0.0330
6%	E-commerce in	0.0489	0.0312	0.0567	0.0556	0.0375	0.0543	0.0374	0.0487	0.0493	0.0533	0.0491	0.0242	0.0568	0.0600	0.0376	0.0489	0.0537	0.0584	0.0591	0.0531	0.0500
4%	ICT Developme	0.0321	0.0257	0.0367	0.0357	0.0276	0.0348	0.0339	0.0290	0.0336	0.0326	0.0301	0.0204	0.0346	0.0389	0.0249	0.0346	0.0319	0.0374	0.0388	0.0347	0.0360

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		Mauritiu s	Malaysia	Netherla nds	Norway	New Zealand	Oman	Poland	Portugal	Qatar	Rwanda	Saudi Arabia	Singapor e	Serbia	Slovak Republic	Slovenia	Sweden	Thailand	Turkiye	Uruguay	United States
3%	Tourism (2019)	0,0002	0,0036	0,0028	0,0008	0,0005	0,0005	0,0122	0,0024	0,0003	0,0002	0,0028	0,0026	0,0003	0,0038	0,0006	0,0010	0,0055	0,0071	0,0005	0,0228
3%	Unemployment	0,0004	0,0008	0,0008	0,0009	0,0009	0,0013	0,0012	0,0005	0,0300	0,0002	0,0005	0,0011	0,0003	0,0005	0,0007	0,0004	0,0035	0,0003	0,0004	0,0008
2%	Tariff rate, app	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
1%	Net investment	0,0000	0,0000	0,0000	0,0000	0,0000	0,0003	0,0000	0,0000	0,0003	0,0002	0,0001	0,0000	0,0003	0,0000	0,0000	0,0000	0,0001	0,0000	0,0000	0,0001
4%	Population gro	0,0000	0,0133	0,0133	0,0133	0,0000	0,0133	0,0000	0,0133	0,0000	0,0267	0,0133	0,0400	-0,0133	0,0000	0,0000	0,0133	0,0000	0,0133	0,0000	0,0000
3%	GDP per capita	0,0024	0,0028	0,0133	0,0252	0,0114	0,0059	0,0043	0,0058	0,0209	0,0002	0,0072	0,0196	0,0022	0,0050	0,0070	0,0133	0,0016	0,0025	0,0049	0,0181
4%	GDP per capita	0,0262	0,0218	0,0101	0,0068	0,0055	0,0088	0,0156	0,0178	0,0132	0,0165	0,0214	0,0008	0,0098	0,0057	0,0155	0,0057	0,0071	0,0141	0,0146	0,0045
5%	Ease of doing b	0,0388	0,0267	0,0367	0,0393	0,0495	0,0323	0,0318	0,0391	0,0432	0,0245	0,0165	0,0500	0,0206	0,0308	0,0364	0,0413	0,0163	0,0070	0,0454	0,0233
2%	Rule of Law: Pe	0,0156	0,0137	0,0187	0,0196	0,0193	0,0133	0,0128	0,0168	0,0159	0,0112	0,0116	0,0198	0,0098	0,0141	0,0165	0,0188	0,0109	0,0074	0,0152	0,0177
2%	Revenue \$US B	0,0000	0,0003	0,0009	0,0003	0,0002	0,0001	0,0006	0,0002	0,0001	0,0000	0,0007	0,0001	0,0000	0,0009	0,0000	0,0007	0,0001	0,0010	0,0001	0,0200
3%	Revenue Grow	-0,0048	0,0216	0,0132	0,0024	0,0156	0,0036	0,0144	0,0048	0,0024	0,0000	0,0012	0,0144	0,0204	0,0012	0,0072	0,0192	-0,0084	0,0252	-0,0012	0,0240
1%	Democracy Ind	0,0083	0,0074	0,0092	0,0100	0,0098	0,0032	0,0072	0,0081	0,0037	0,0032	0,0021	0,0063	0,0065	0,0072	0,0079	0,0096	0,0068	0,0044	0,0091	0,0080
2%	2023 SDG Index	0,0157	0,0161	0,0183	0,0189	0,0181	0,0158	0,0188	0,0184	0,0153	0,0139	0,0156	0,0165	0,0178	0,0182	0,0187	0,0198	0,0172	0,0163	0,0179	0,0175
5%	Infrastructure C	0,0360	0,0409	0,0494	0,0397	0,0396	0,0422	0,0426	0,0438	0,0428	0,0462	0,0409	0,0500	0,0387	0,0412	0,0409	0,0440	0,0355	0,0389	0,0360	0,0461
4%	Logistics Perfor	0,0313	0,0381	0,0363	0,0258	0,0342	0,0269	0,0206	0,0233	0,0270	0,0220	0,0214	0,0242	0,0222	0,0335	0,0391	0,0381	0,0233	0,0307	0,0363	0,0223
1%	Inflation, cons	0,0015	0,0005	0,0014	0,0008	0,0010	0,0004	0,0020	0,0011	0,0007	0,0024	0,0003	0,0008	0,0017	0,0018	0,0012	0,0012	0,0008	0,0100	0,0013	0,0011
4%	Control of Cor	0,0262	0,0249	0,0387	0,0392	0,0396	0,0230	0,0274	0,0304	0,0317	0,0281	0,0255	0,0394	0,0142	0,0242	0,0313	0,0391	0,0143	0,0140	0,0368	0,0330
4%	Economic freed	0,0284	0,0271	0,0335	0,0269	0,0295	0,0228	0,0271	0,0294	0,0283	0,0267	0,0291	0,0257	0,0269	0,0310	0,0266	0,0279	0,0317	0,0284	0,0275	0,0305
4%	Individuals usin	0,0270	0,0387	0,0368	0,0396	0,0384	0,0386	0,0341	0,0329	0,0400	0,0122	0,0400	0,0388	0,0325	0,0356	0,0356	0,0379	0,0341	0,0326	0,0360	0,0367
1%	Official exchan	0,0003	0,0000	0,0000	0,0001	0,0000	0,0000	0,0000	0,0000	0,0000	0,0080	0,0000	0,0000	0,0009	0,0000	0,0000	0,0001	0,0003	0,0001	0,0003	0,0000
4%	Taxes on interr	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
3%	Tax revenue (%	0,0181	0,0095	0,0212	0,0185	0,0239	0,0146	0,0152	0,0192	0,0120	0,0131	0,0072	0,0111	0,0205	0,0163	0,0147	0,0233	0,0126	0,0154	0,0161	0,0088
2%	Consumer Price	0,0133	0,0161	0,0154	0,0153	0,0158	0,0174	0,0144	0,0169	0,0169	0,0105	0,0158	0,0165	0,0120	0,0149	0,0166	0,0166	0,0170	0,0038	0,0078	0,0152
1%	Environmental	0,0058	0,0045	0,0080	0,0076	0,0073	0,0039	0,0065	0,0065	0,0042	0,0042	0,0049	0,0065	0,0056	0,0077	0,0086	0,0093	0,0049	0,0034	0,0048	0,0066
7%	Furniture; part	0,0000	0,0078	0,0077	0,0078	0,0077	0,0077	0,0078	0,0077	0,0077	0,0077	0,0077	0,0078	0,0078	0,0078	0,0077	0,0077	0,0077	0,0077	0,0077	0,0077
5%	New business	0,0004	0,0031	0,0022	0,0021	0,0038	0,0004	0,0027	0,0023	0,0034	0,0010	0,0010	0,0027	0,0006	0,0012	0,0002	0,0037	0,0041	0,0065	0,0003	0,0034
6%	Industrial desig	0,0000	0,0000	0,0016	0,0000	0,0000	0,0000	0,0002	0,0001	0,0015	0,0000	0,0001	0,0001	0,0000	0,0000	0,0000	0,0000	0,0003	0,0045	0,0016	0,0017
4%	Trade freedom	0,0371	0,0349	0,0333	0,0358	0,0379	0,0320	0,0333	0,0333	0,0345	0,0211	0,0312	0,0400	0,0320	0,0333	0,0333	0,0333	0,0299	0,0320	0,0299	0,0316
6%	E-commerce in	0,0365	0,0509	0,0599	0,0579	0,0574	0,0442	0,0514	0,0485	0,0451	0,0177	0,0452	0,0591	0,0471	0,0536	0,0493	0,0568	0,0475	0,0430	0,0354	0,0565
4%	ICT Developme	0,0262	0,0284	0,0378	0,0377	0,0371	0,0286	0,0307	0,0318	0,0321	0,0097	0,0297	0,0359	0,0294	0,0314	0,0329	0,0375	0,0253	0,0271	0,0319	0,0364
	Perf. Score	0,3910	0,4537	0,5205	0,4927	0,5040	0,4011	0,4349	0,4543	0,4732	0,3275	0,3930	0,5299	0,3666	0,4209	0,4486	0,5195	0,3501	0,3969	0,4166	0,4958

Figure 11: Characterized standardized results and Performance Score

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

Figure 12: Furniture Market Size and R1's Revenue Estimation

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

Figure 13: R1's Cost Estimation

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

Figure 14: P&L Statement Forecast

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

Figure 15: Capital Expenditures (Capex)

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

Figure 16: Net Working Capital (NWC)

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

Figure 18: Estimated Discount Rate

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

Figure 19: Project's Viability

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

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

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

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

Figure 21: Sensitivity Analysis on NPV