A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

A COVER BAG STORY: INTERNATIONALIZATION OF SAVE MY BAG TO NORTHERN-EUROPE MARKET

-APPENDIX-

SANDER MATSINA & 2681

A Project carried out on the Master in (Economics/Finance/Management) Program, under the supervision of: Professor Sara Alves

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Appendix. 1 – 5 best selling models from Save My Bag product portfolio

Principe – The maxi bag created for a modern man, loved also by women. Spacious and practical with a zipper.

Miss – The brand's best selling model with classic style, lightness and wide choice of color.

Miss Weekender – The XL size of Miss, meant for travelling or beach.

Portofino - Elegant and simple. Classic shape and precise colors makes it a bag for any occasion. The only style in the collection with a central zip and a small external pocket.

Hippy Clutch – a model that is light and capacious, Hippy Clutch enriches any look with colorful fringes. To be used by hand or with its comfortable strap.

Appendix 2 – Porters Five Forces Framework

Internal rivalry – High

The competition in mid-to premium price handbags is very high, with a lot of well-etablished fashion brands competing in this sector. The market can be described as saturated, but innovative products can find their place, as currently the market is facing a challenge of ''sameness'', as the products do not stand out with specific characteristics.

Threat of new entrants - High

To start up a new brand, significant capital expansion is required for marketing, floor space and production.

Consumers who shop for premium products search for brand recognition, which is usually reached over time. New entrants might find it difficult to achieve without significant investments

The e-commerce however has low barriers to entry and new players can emerge in the online sector.

Bargaining Power of Customers – Moderate/High

Save My Bag sells through both channels, direct-to-customer and wholesale partners. The direct channel, including Save My Bag flagship stores and e-commerce accounted for around 66% of its sales in 2015.

Since wholesale customers accounted for strong 36%, it can be stated that their bargaining power is moderate.

The bargaining power of end customer though is very high, due to the high concentration of competitors and to the high offer in the market. Even if there's a differentiation of the products, it is not strong enough to determine some kind of power over the customers. Save My Bag can count on its innovative material, made in Italy brand and on a higher quality but its competitors have a stronger and more famous brand (due to the important communication and to the marketing activities). Furthermore, the demand has a high sensitivity since the personal accessories are not a necessity and clients take care about prices.

Bargaining Power of Suppliers

Regarding the suppliers, they have a **low power** on Save My Bag. It collaborates only with another Italian company Cervo, who provides them with the raw material. The whole process of production and design is taking place in Bergamo, in the factory of the company.

Threat of Substitutes

There is a high threat of substitutes as the switching cost for customers is very low. The brand is gaining quickly recognition and popularity, but in case of a potential increase in price, the brand loses on of its main advantages, as thereafter the end-customers can opt for another brand as there is a wide selection of handbags in the mid-to premium price range.

Appendix 3 – VRINNO Framework

VRINNO	Valuable	Rare	Hard to imitate	Hard to find substitutes	Organizationally embedded
Competencies					
Product Line	x	-	-	-	-
Production	x	-	-	-	-
Entering Foreign Markets	x	-	-	-	-
Specialized assets					
Brand name	x	x	-	x	-
Patents for design	x	x	x	-	-
Market presence	x	-	-	x	-
Architecture of relationships					
Supplier Relations	x	x	-	x	-
Relations with Intermediaries	x	-	-	-	-

Appendix 4 – SWOT Analysis

STRENGHTS:

Innovative material and unique design, high quality production only performed in Italy. Accessible price range compared to other premium brands. Wide range of products, colors and possibility to customize. Successful entrance to high-end department stores, main tourist destinations and

OPPORTUNITY:

North and South America, which represents some of the largest market, are not yet fully explored by the company.

The airlines have changed their policies, dragging the weight of the hand luggage down in last years. Customer's preference can turn to Save My Bag, since the bags are much lighter than of classic leather or other synthetic bags.

As the trend sees customers turning more practical in their shopping behavior, they might not want to buy a new bag every season, but in case of possibility, customize it. Save My Bag has a wide range of accessories that gives the freedom to individualize the current bag.

THREAT:

The longevity of a handbag can be considered much lower nowadays, because of internet exposure. The products are present everywhere on the brands websites, social media and television, so they get bored of them more quickly, in many cases, without even possessing the bag themselves. This requires quick changes in design and development of wide product line from the brand. As the success of Save My Bag currently lies mainly in the product, the company might find itself in a difficult situation when the novelty of material wears off, and a change in handbag fashion might occur. Also, there is a threat of seasonality, as consumers in Northern hemisphere might rather prefer leather for its known qualities in rough conditions.

WEAKNESSES:

Slow supply chain, as there is only one stock for whole world, creating long lead-times (4-5 weeks within Europe).

Not enough accuracy in the demand side forecasts.

No variation of materials, poly-lycra might not sound appealing to some more conventional customers.

Low brand recognition compared to long-established premium brands.

Dependence from the owner and founder Stefano Agazzi, who leads this company solely on his inspiration and energy.

Appendix 5. – Standardization of the Scoring Model

$$\square_{ij} = Xij - MINi/Ri \times 99 + 1 \quad (1)$$

Where $\square_{ij}$ is the score of country j on dimension i; $\square_{ij}$ is the standardized final value of country j for dimension i; $\square\square\square$" is the minimum value for dimension i; and $\square_{i}$ is the range of dimension i.

Measure	Denmark	Sweden	Norway	Finland	Singapore	Malaisya	Philippines	Indonesia
# of women 30-45 y.o. 5	13	14	11	12	11	43	57	64
Population 5	17	24	15	17	16	64	88	100
GNI 10	88	89	97	92	100	56	13	18
Country Risk 10	100	100	100	100	100	34	34	1
GDP Growth 5	3	11	1	1	43	100	73	86
Ease of doing business15	100	100	100	90	100	84	53	56
Market size 10	81	77	69	63	77	38	27	34
Property rights 5	100	100	100	100	88	51	15	15
Language 5	82	87	88	67	54	28	20	23
Consumer trendiness 15	100	100	93	64	51	44	38	36

Appendix 7. – Options for foreign market entry

	DESCRIBTION	ADVANTAGE	DISADVANTAGES
DIRECT EXPORTING	Producer or supplier directly sells its product to an international market, through intermediaries, agents or in a direct way to the end user	Avoids the costs of establishing manufacturing operations in the host country; Know-how for approaching the target market; Low inventory costs; Low investment costs	High transport costs; Trade barriers; Problem with local marketing agents;
COMPANY OWNED SUBSIDIARY	The company owns 100% of the stock, either setting up a new operation in entered country or enquiring an established firm to promote its product.	Protection of technology; Ability to engage in global strategic coordination; Ability to realize location and experience economies	High Costs and Risks
JOINT VENTURE	Shares marketing and distribution channels to reach a larger set of targets.	With this methodology it is possible to take advantage of local know-how and distribution channels.	As profit will be split between partners, it may take longer to receive IRR; Potential for conflicts and disputes
INDIRECT EXPORT	A process of exporting through a home-based intermediary, which performs all the exporting function.	It is an almost risk-free way to begin, demanding minimal involvement in the export process	The intermediary takes a margin, also requiring sales support and cutting out of direct contact with the end customer