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Internationalization Strategy of Gencork to France

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Executive Summary

Gencork is a recent brand and line of products created by Sofalca, an industrial cork agglomerate producer, in partnership with architecture atelier DigitaLab. It consists in a wall covering solution for interiors, that combines the intrinsic qualities of cork with a concept design that combined together create an innovative and valuable product. Gencork was created in a time where Sofalca, solely dependent on isolating product solutions, sought to diversify its range of products, in order to diminish its dependence on only one market and to obtain new sources of revenue. As Gencork presents itself as an innovative product, produced entirely from natural cork, which is a scarce material, and whose transformation know-how is very concentrated in Portugal, Sofalca saw fit not to postpone the brand's internationalization much longer, to reach a wider market that can help the brand grow faster. This way it may benefit from first mover's advantage of associating the product concept to the brand and staying ahead of other Portuguese competitors in a foreign market. Given the youth of the project and the firm's constraints, it narrowed its expansion to European countries, in the short run. France stood out as an attractive market, with high purchasing power, already relevant imports of cork agglomerate (symptom of cork benefits knowledge) and construction growth prospects, which positively correlate with Gencork's performance. Along this reports are depicted the various variables influencing an internationalization process to France, reaching the conclusion that it should be endured, via exports and reaching customers and/or partners in a financially effective manner. Sofalca aims that Gencork will represent close to 10% of its revenues within five years, and this internationalization will route the brand in the path to do so.

Company Background

Gencork is a brand co-created and developed by Sofalca and DigitaLab. The first is the actual owner of the brand and is currently in charge of manufacturing and financing of the project, whilst the second is dedicated to the creative development of the products and of the brand. To better understand the inception of Gencork it is then important to know the background behind it and the companies that endured its creation.

Sofalca is a familiar industrial company that transforms cork into different shaped products. It was born in 1966 and is established in Abrantes, in the centre of Portugal, in a region where the predominant ecosystem is the Dehesa (Montado in Portuguese), in which the cork oaks dominate. Sofalca is therefore surrounded by its major raw material, providing a peculiar and authentic environment to the headquarters.

The transforming process consists on extracting a specific part of the cork oak branches called *falca* (hence the company name), placing these grains in an autoclave, heated by water steam where the cork, limited in space, will expand to the limits of the autoclave, releasing the resin. This resin, once cooled, will act as the agglutinant of the grains of the block. This resulting product is the Insulation Cork Board (ICB), which can then be cut and reshaped according to its end use. It can be cut in thin segments to be embedded into walls, pavements or ceilings due to its insulating characteristics, shaped as furniture or working as a canvas to design a pattern and coat the inside walls of any building (exhibit 1).

Cork is totally recyclable, and the grain leftovers of the ICB, mainly from the shaping and design processes, end up being packaged and sold as filling to pavements or embedded in

concrete, which originates the “light concrete”, preserving its insulating qualities in both applications.

Physically speaking, cork is indeed a very versatile material. It isolates sound, temperature and vibrations, is resistant to extreme temperatures, water, lasts almost forever and even fire does not destroy it, remaining as untouchable as possible, provided it is an organic substance (exhibit 2). Certainly Sofalca also wishes to embrace all these features and hopefully with Gencork it will be heading towards that.

The ideals of the company also align with the characteristics of its raw material, as the company is 95 percent energetically self-sustainable through the use of its biomass, practices a zero-waste policy and is ecologically conscious in the issue of not including chemical components in its products, preserving it 100 percent natural and organic. It has inclusively recently received a distinction for its environmental friendliness called “Declaração Ambiental de Produto” (exhibit 3).

Since Sofalca is too dependent on the insulating market, that still represents 95 percent of its revenues, it has recently started seeking to diversify its range of products and the markets it operates on. It is in this context that Gencork appears. Sofalca partnered with DigitaLab, an architecture atelier that was dared to create patterns for interior wall covering purposes that would work well with cork in terms of feasibility and attractiveness as a design product.

Technically speaking, the ICB used for insulation, is merely expanded. For the more complex and detailed treatment it suffers for the coating applications, the ICB is also compressed to become more resistant to the carving process in the CNC machine (exhibit

4), therefore taking longer to be ready for that precise task. Instead of two weeks, it lasts from 3 to four weeks for the ICB units to be in the optimal state for becoming Gencork products.

The Gencork concept

Combining cork coating of interiors with complex three-dimensional design is a demanding and interesting challenge. Gencork was born to accomplish such challenge and create a unique and innovative product. It combines harmoniously the low tech fully natural and environmental sustainable cork agglomerate with a high tech digital software that replicates complex patterns through an industrial machine called CNC (computer numeric control), a 3D printer that thoroughly sculpts the ICB block according to the digital input designed for each task. This technology broadens the opportunities almost to the horizon of the designer's creativity, within the dimension constraints of the CNC. This creative system enables the alliance of the thermal and acoustic features of the cork with a great aesthetic and decorative dimension.

Gencork embraces the values of sustainable, natural and organic production, coinciding with the ones of Sofalca, introducing a new concept: generative design. "Generative Design is a morphogenetic process using algorithms structured as not-linear systems for endless unique and un-repeatable results performed by an idea-code, as in Nature"¹. The product is not simply the replication of a standardized pattern sample. One of the strengths of the product is the ability to adjust to each request, as the software adjusts the design of a pattern to any dimension so that it will not be composed by a mere repetition of its sample, but

¹ Celestino Soddu, 1992

rather a generative and tailored product that can be seen as only one piece joint together. Due to the capacity of the software to design a product purposely for each case and the capacity of the CNC machine to fulfil its actual creation, Gencork ensures that any product delivered will be the best possible fit for that specific situation, as it is purposely done so.

Having been officially launched in April 2015 in a fair called Tektonika, it immediately was graced with an honourable mention in the Innovation Contest², possibly being a symptom of the future recognition and success of the brand.

Gencork is therefore an interior coating solution that combines the isolating effect with an aesthetic dimension to ensure the maximum comfort to anyone around it. It has various pattern solutions and presents itself as a great option for interior wall coating in any sort of buildings, but especially in establishments like hotels, restaurants, bars, offices, meeting rooms and auditoriums (exhibit 5).

VRIO Framework

The VRIO framework helps assessing to what degree has a company any competitive advantage and how sustainable it is. It's parameters refer to: the value of the actual product or service provided; the rarity of it, regarding the easiness it is to get a similar product elsewhere; the threat of seeing it being imitated by a new or incumbent competitor, as the likelihood that they can and/or will do so; the organizational embedment, which refers to the way the company is organized and aligned in order to take advantage of the previous advantages in way that will capture value to the firm.

² <http://www.construir.pt/2015/05/12/gencork-distinguida-com-mencao-honrosa-no-premio-inovacao-tektonica-2015/>

Value: Gencork provides a high end coating solution with quality products that embrace appreciated values such as sustainability and environmental friendliness provided by the quality of the cork and the beauty respective to the patterns carved in it, enabling it to resist extreme conditions and providing comfort to people surrounded by it, therefore presenting itself as a valuable solution for the targeted customers;

Rarity: It is an innovative product, dependent on the use of a scarce input as is cork and, consequently, so is ICB. Besides it is manufactured in a manner which only one other firm does³, making it a rare and differentiating option in the market;

Imitability: Gencork has developed not only unique and generating design patterns that perfectly fit each singular demand, similar to a tailor service, as it has also been optimizing the integration between the software and hardware components of the product creation. The manufacturing and software design projections' process are well aligned so that the tangible result is exactly the expected one. The breakthroughs in both of this dimensions (intangible and tangible creation) and the integration achieved between the two makes it hard for any competitor to imitate its products in the same quality standard;

Organizationally embedment – Having both parts (Sofalca and DigitaLab) so motivated and interested in the prosperity of Gencork, is a good indicator that this line of products' strengths will be adequately leveraged. However, there are still some relevant deficiencies in the business model. Since Sofalca itself does not have a marketing & sales department and lack the experience in implementing a product to the consumers' market, it will have to seek counselling and possibly a partnership in the market to bridge the gap between the conception and production of the products and its selling to the targeted consumers. Along

³ Corticeira Amorim

with the growth of the project, it will gradually acquire such knowledge and perhaps create a specialized department for that, in order to keep optimizing its process of promoting and selling Gencork. In terms of the conception of the product though, the conditions are extremely good. There is a great interaction between both the creative and production parties, that are always keen on keeping improving and innovating its range of products.

Industry Map

To get acquainted of the current network of Sofalca, that initially supports also the launching of Gencork, here is depicted the overall industry map in which the company is evolved, to get a perspective on whom the suppliers and clients are, and with which strategic partners or competitors it deals with.

Suppliers: The range of cork suppliers that sell to Sofalca are a few local producers in the Abrantes area, namely Soprofe (biggest supplier in terms of quantity), José Nunes Filipe, Paisagem Virtual Lda. and Bem Cortiça. These producers supply the falca cork that is used for the ICB transformation that is used for the production of all of the Sofalca products (insulation, furniture and coating).

ICB production: The transformation from raw cork into black agglomerate happens in their own facilities, where all the specialized machinery and human capital required are insourced, as it is a core activity. The production is vertically integrated and very organized to ensure the best quality of the materials that will then result in the best possible end products. Sofalca has some competition in this activity, although the number of players in the ICB production is limited. The one that stands out is Corticeira Amorim, from group Amorim, which outsizes Sofalca. There are also a few producers in Northern Africa.

However these provide an inferior product, with less quality in the product finishes. Other companies that, not producing agglomerate black cork, produce a substitute product which is the white agglomerate are the Portuguese Sedacor and Dimas & Silva and the Spanish Jaime Ortin Bernat. These companies however use chemical glues in their agglomerates, thus not creating an entirely natural product.

Design partners: Having pursued a differentiation of their product supply, creating a design sector, with different product lines and respective brands. Gencork is one of these brands, which results from the partnership with DigitaLab, led by the architect Brimet Silva. Besides there is also the CorkWave, a similar product to Gencork, consisting also of interior wall coating, which has the design signature of Miguel Arruda, and BlackCork, a furniture product line designed by Toni Grilo (exhibit 6).

Gencork competitors: To say that the above mentioned ICB producers are not direct competitors of Gencork themselves. They all rival with Sofalca in isolation. In wall covering design segment, there is CorkWave, which is also a Sofalca brand, Wave Facade and Braque, both by Corticeira Amorim. These brands also offer a wall covering solution with a design attached, with a wave or weaving like aspect in its products (exhibit 7). These are therefore the direct competitors, which are also recent brands (the Amorim brands' were just presented last November). Their range of patterns and design solutions is narrower though, and the generative design remains as a differentiating and unique attribute of Gencork.

Logistics: Relatively to logistics, storage is not an issue, given the abundance of space in Abrantes for storing materials and finished products. Since it does not deteriorate with time,

there is also not any risk of seeing the contents losing value in case of prolonged storage periods. Transportation is usually performed via ground by Transportadora Nacional de Minde within Portugal and SDV or Gefco for abroad deliveries. In the event of receiving order from countries such as the USA, China, Brazil, or even northern Europe countries, it will also be considered water transport. But for the market in study for this project in particular (France), the transportation will be pursued through ground.

Consumers: At this point, there are still very few Gencork consumers, whose contacts were established mainly at design and construction fairs, both in Portugal and abroad. Although, it can still be highlighted a Dutch client that purchased three samples of different patterns, who is considering purchasing a big order and inclusively expressed interest in being the exclusive distributor in the Netherlands. Currently, around 95% of Sofalca revenues come from the insulation segment, of which 90% is exported, mainly to Western Europe and increasingly to Asia. This production is sold under the brand ISOCOR, established in 1975, that is specialized in this segment and is already very well consolidated in the market (exhibit 8).

Institutional Associations: Being Sofalca an exporting and innovative company that works with a very important strategic raw material for Portugal, it has frequently reached other parties such as governmental entities or cork sector cooperative organizations. In terms of state relationships, the company has in the past resorted to community funds, distributed in the QREN programs, which have for example accommodated half of the expense of having a stand at certain international fairs. Besides it also counts on the assistance of AICEP offices throughout the world, to gather information and counselling regarding the offices' respective markets, for exporting purposes mainly. In terms of private organizations, there

is APCOR, an organization of Portuguese Cork product firms, in which Amorim has too much influence however. Given the energetic efficiency aspect of cork, Sofalca has also been reaching similar cooperative organizations from that sector that may inclusively contribute financially to the presence in international fairs in 2016.

Value Chain

The value chain discrimination of a firm's activities introduced by Michael Porter, enables to divide them into primary and secondary or support activities, and also to differentiate them between core activities that provide the competitive advantage to the company, and the non-core activities that are not unique and may be outsourced for efficiency purposes, liberating resources for the core areas of the value chain.

Among the primary activities of Gencork are the inbound and outbound logistics and the operations, all of them core activities to the company, as they ensure the quality of the materials and of the production process that will enable the end products to reach Gencork standards. Currently, it does not count on a marketing & sales department that would contribute to a more specialised and tailored relationship with the clients, mainly due to the youth of the project. Such activities are done in-house by both Sofalca and DigitaLab, mainly through Paulo Estrada and Brimet Silva, by the direct contact with possible customers that reveal interest in the product.

Relative to the secondary activities, the technological development is the one that stands out as a core activity to the value chain, being the responsible for creating the designs and manufacturing know how that grants the firm its differentiating products. In charge of the designing and development of the different pattern solutions that is offered to the clients is the DigitaLab atelier. It closely works with Sofalca in this project and continuously endures

product testing and development in Abrantes, given the proximity and close relationship they nurture with Sofalca. DigitaLab provides a very valuable input to the company, creating the patterns with the Rhino3D software in script with the programming language python. It is with this tool that DigitaLab also manages to develop algorithms that result in generative patterns which enable to create the previously mentioned tailored composition of plates, perfectly fitting each specific order, according to its characteristics and constraints. DigitaLab also mastered a harmonious integration between the software and the output created by the CNC, delivering the product exactly as planned, thus preventing unexpected surprises coming out of the carving process.

Procurement is also a strategic activity that is performed insource and is likely to remain that way. It is however a less dynamic and important area to the company's activity, hence not addressing it as a core activity. Human resources management is not outsourced simply because the size of the personnel and the frequency of hiring and layoffs does not justify so. However, outsourcing does become suitable in some support activities of the firm infrastructure such as accounting and legal services. It is also a possibility that an outsourced team trained to properly apply the Gencork units will be contracted in the beginning of the internationalization process for a foreign country. This may be done in order to ensure the maximum satisfaction of the first clients in the new market.

Sofalca's cost structure is more concentrated on personnel costs and raw material. It usually accomplishes a margin just below 30% (exhibit 9). This is for the insulation segment. For Gencork, as it is sold as a quality brand, reaches higher growth margins, which surround 40%, depending on the patterns. The cost structure is also very different, but the firm does not yet possess its complete and detailed information.

Internationalization Market Study

Country Selection

The country chosen to endure the internationalization process was done so according to the assessment of various countries according to relevant variables that will overall define the attractiveness of each market. The countries evaluated were selected based on their proximity, development and purchasing power. The different parameters are weighted according to their relevance and each one of them is explained in more detail in exhibit 10.

| | % to algorithm | Spain | France | Belgium | Germany | UK | Switzerland | Italy | Denmark | Sweden |
|--|----------------|-------|--------|---------|---------|-----|-------------|-------|---------|--------|
| Geographic proximity | 10 % | 5 | 4 | 4 | 3 | 3 | 4 | 3 | 2 | 2 |
| GDP growth (annual %) | 10 % | 5 | 4 | 4 | 4 | 5 | 4 | 3 | 4 | 5 |
| GDP from Construction | 15% | 4 | 5 | 3 | 5 | 5 | 3 | 4 | 3 | 3 |
| GDP from Construction Forecast | 15 % | 4 | 5 | 3 | 5 | 5 | 3 | 4 | 3 | 3 |
| Environmental Performance Index | 10 % | 5 | 3 | 3 | 5 | 4 | 5 | 3 | 4 | 4 |
| Design Innovation | 10 % | 4 | 3 | 3 | 4 | 5 | 3 | 5 | 2 | 2 |
| Agglomerate Cork Imports | 30 % | 3 | 5 | 3 | 4 | 2 | 3 | 4 | 1 | 1 |
| Total | 100 % | 4 | 4,4 | 3,2 | 4,3 | 3,8 | 3,4 | 3,8 | 2,4 | 2,5 |

The result of the matrix is the weighted average of the parameters classification (from 1 to 5), highlighting France as the most appealing market for this internationalization process. It stands out the high volume of ICB imports that France has, being a symptom of a higher awareness of the material by its economical agents which may indicate a higher predisposition to use it for interior design purposes. Moreover, the share of construction in the total GDP and the respective forecast for the coming years is also an issue that may help reaching new clients. Finally, one aspect that is not depicted in the matrix is the large Portuguese community residence in France, very familiarized with cork, which is likely to associate it with its origins and be more prone to appreciate and purchase it.

5 Porter Forces analysis of the wall covering market in France

To understand the market in which Gencork will be competing, this analysis describes the different agents that interfere in it, and the power or threat they represent. It is useless to focus on cork solutions, as that niche is yet to be explored in France, so this analysis is concerning the whole wall covering market, which in 2014 was worth \$4.491,6 million, of which, 41.1% fit into the “architectural and decorative segment” (exhibit 11), paying particular attention to the niche market Gencork is now helping create.

- **Supplier Power:** Medium-Low. There are several suppliers to the market, which vary a lot in the products they offer, from raw materials to petrochemical products. There has been also a trend of aggregation of producers, seeking for higher economy scales and some companies also integrated the supply chain backwards. The supplier power is considerate moderate. However, this a relatively less important information for Gencork itself, as it will keep relying on the current falca cork suppliers of Sofalca, which themselves have a medium-low power, since there are few enterprises that buy the falca cork, which is traditionally seen as an inferior type of cork. Their proximity to Sofalca facilities provides them some power though, as it is more convenient to the firm.

- **Buyer Power:** Medium. Buyers benefit from the relatively low substitution costs, and many of the products available in this market have diminished differentiation among them. But the abundance of buyers and the uniqueness of certain products (as Gencork) rebalance the bargaining power.

- **Threat of new entry:** Medium. Initial high costs and regulation constraints are obstacles that are likely to prevent potential entrants. Even though, some new entrants take advantage of the low switching costs of the buyers, when implementing an effective entry

strategy. For the case at study in particular, Corticeira Amorim may become direct competitor, if they expand to France, with their new wall covering brands (exhibit 7).

- **Threat of substitution:** High. There are many options available for wall covering purposes in the market. It can also be said that most of them are within this broad market, not really being substitutes, but mere competitors. In order not to mislead the analysis, and accounting for the particular case at study, the different solutions within the market are here considered as substitutes to each other, to highlight the many differences among them. As there are paints, coatings, woods, stones, etc., that are competitors and substitutes simultaneously.

- **Industry Rivalry:** Competitive market, with many buyers and sellers. In order to stand out, products must be competitive in price, have a strong marketing campaign behind or offer a differentiating product. Buyers are prone to switch, but they have to perceive one of such advantages in order to do so, given the wide range of choice.

SWOT Analysis of Gencork in France

Identifying the strengths and weaknesses of Gencork, and the opportunities and threats that exist in the French market context, the company can better perceive what characteristics it can leverage and how to deal with the obstacles, shaping different strategies and practices that will optimize its performance (TOWS) in France.

Internal Strengths: Offer of a unique and differentiating product to the current market; continuous product development and innovation; low maintenance costs and durability of the product; environment friendly product feature.

Internal Weaknesses: Low brand awareness; the need to create a niche market and promote a new product concept to consumers who do not know it; dependence on Portuguese raw

material and production (away from the French market); inability to create stocks (as each product is tailored to each order).

External Opportunities: pioneers in a new market; chance to be the first company selling an innovative and high-quality product in a great market; increasing trend of cork material and the values of sustainability and pro-environmental aspects; promoting the brand among local atelier, distributors and in design and architectural fairs; relatively high purchasing power of consumers.

External Threats: scarcity of cork may undermine the growth of the business; eventual over-ordering may lead to long waiting periods and provoke losing clients, due to the “bottleneck” manufacturing process; high prices of the product allied to its unawareness may dissuade potential buyers.

TOWS Analysis

SO (Leveraging strengths to seek opportunities): leverage the characteristics and uniqueness of the product to position it as a high quality, green solution for interior design; successfully transmit the brand concept to design and architecture professionals which are more keen to fairly embrace it.

ST (Leveraging strengths to minimize threats): being a quality product that should be positioned as such, the pricing strategy should also be aligned with this high quality, grabbing more surplus from each client, betting on quality instead of quantity (although in the beginning there should be a penetrating price strategy).

WO (Minimizing weaknesses by seeking opportunities): maximize the outcome of the fairs' attendance, by enabling as many architects, designers, distributors, agents and

consumers to physically experiment the product, fully “absorbing” the concept and the actual impact that it creates (which is not possible through a computer screen); position Gencork as a high quality product, less but more financially resourceful buyers.

WT (Minimizing weaknesses and avoiding threats): developing the strategy of Gencork as a premium product should motivate a less logistical demand on the orders, attracting wealthier and more cautious clients that are prone to value and preserve it. Being able to successfully implement this strategy should help avoiding the cons of the product and the constraints of the whole production process.

Internationalization Process

Mode of entry

After deciding to expand the company internationally, it is then necessary to assess the most appropriate manner of doing so. Having in mind the characteristics and limitations of the firm and the targeted market it is expanding to, some strategies become more suitable than others.

Licensing: in this case, Gencork would charge a fee for a licensee to explore the brand and its attained technology and expertise. There are many cons to this solution though: The brand’s unawareness and premature state of establishment as a business model would likely not attract partners; the logistical benefits would be small, given the dependence on the Portuguese raw materials and production; the lack of any design or utility patent could enable copying of the product by trusting its production to a licensee.

International Agent: an agent or distributor acts as an intermediary between the firm and its end clients. It represents the brand, promoting and selling it, thus receiving a

commission on the sales it achieves. These parties have great knowledge of the market and how to behave in it. Agents may however have a small motivation to sell and may also sell substitute or competing products of Gencork. This is a low-cost alternative, providing also low control over the brand management abroad (relevant contacts on exhibit 12).

Strategic Alliance: negotiating an alliance can bring economies of scale, more efficient marketing abroad and risk share, depending on which alliance is established. Sofalca could reach a competitor for a simultaneous entry to the market and leveraging the investment in promotion and logistical efforts. Since Amorim is the only direct competitor of the Gencork products, and given the nature of their relationship (exhibit 13), this is not a viable solution. The company may however ally with a local retailer distributor or architecture ateliers which would in turn sell it or integrate it in their projects respectively, in exchange for a relatively wide margin on the products.

Joint Venture: setting up a new company abroad with a local partner is very often in cases where there are many bureaucracy and barriers to foreigners to make business locally. It is also common when the firm interested in expanding wants to place the production locally. These are not particularly the cases of this internationalization strategy, at least for now. Since Portugal and France belong to a free trade area and in the short run the production is definitely staying solely in Abrantes, this solution loses interest.

Direct Exporting: this is the simplest, least risky solution and the one that represents a smaller investment. Given the limitations of the production logistics and overall brand strategy, that disables any outsourcing or reallocation of the production process, and the

early stage of maturity of Gencork, it appears as a suitable option in the early stage of the brand.

Besides the above mentioned modes of entry, there are other practices or techniques that can help attracting clients and possible partners:

- Attending international design and architecture fairs
- Promoting the brand in specialized platforms and magazines
- Contact directly ateliers specialized in interiors, luring them with the Gencork concept into using it in their projects
- Develop an online store

Considering the hypothesis above, one has then to elaborate the most appropriate mix of solutions. The proposed solution is to, initially, rely on direct exporting, while contacting French ateliers (exhibit 14), scheduling the attendance of international fairs (exhibit 15), start developing an e-commerce store and promote the brand in a specialized magazine/website (exhibit 16), in order to create awareness, interest and demand. These are ways more focused on establishing B2B relationships. In a later stage, after gaining some awareness of the product and its quality, Sofalca may seek a partnership with local distributors, whom would be given a share of the margin. This would not be done in an initial phase, as the company would not benefit from a strong negotiating power, given the brand's lack of recognition.

Implementation Plan

It is then necessary to delineate a plan to properly endure the penetration in the market. All the tasks, contacts and initial investments to be made will be described, supported by a 4 M's analysis, which will then be complemented with a complementary Marketing Mix.

Moreover, crossing the investment planned below with sales projections' and variable costs, the incremental NPV is given for three different scenarios.

4 M's

Minute and Money

| Activity | | Minute | Money | Precedence |
|---|---|---------------------|-----------------|--------------------|
| Creation of Marketing & Sales department | | | Yearly salary | |
| 0 | Contract a Marketing & Sales expert | | 28.000 € | |
| Direct contact w/ Ateliers | | | | |
| 1 | Contract a translator | 2 months | 1.500 € | |
| 2 | Write a "pitch" email | 1 day | | 1 |
| 3 | Contact via phone and email | Throughout the year | 100 € | 2 |
| Online store | | | | |
| 4 | Outsourcing E-store development | 2 weeks | 900 € | |
| 5 | Translating the website | 2 days | | 1;4 |
| Attending Fairs | | | | |
| 6 | Applying to selected fairs | 1 day | | |
| 7 | Applying for state subsidies | 1 month | | 6 |
| 8 | Energie Habitat participation | March (3d) | 10.000 € | 6;7 |
| 9 | Maison & Objet participation | September (4d) | 12.500 € | 6;7 |
| 10 | Architect@Work * | June (2d) | 10.000 € * | *Failure of 8 or 9 |
| Brand promotion in online magazines and platforms | | | | |
| 11 | Writing a Gencork article | 5 days | 0 € | |
| 12 | Submit the article to well known and specialized websites | Immediate | 0 € | |
| Occasional visits to France | | 5x 3-day visits | | |
| 13 | Flights | | 350 € | |
| 14 | Taxi fares | | 500 € | |
| 15 | Metro daily Tickets | | 372 € | |
| 16 | Hotel | | 1.500 € | |
| Initial Investment | | | 55.722 € | |

Men

In this phase, most tasks will be performed by in-house staff, already completely familiarized with the brand concept, mission and values. But to complement the lack of marketing and sales know-how, an expert in this field is to be hired, in order to help better aligning the strategy implementation and decision making that will help reach more and/or better buyers. Preferably, the marketing and sales manager ought to speak French, but,

assuming that is not the case, a French fluent speaker should also be hired, which will help to properly approach the French stakeholders, translating the site and intervening in other occasional situations where a fluent French speaker may be needed

Memo

| | Goals | Measures |
|--------------------------------|--|---|
| Financial | <ul style="list-style-type: none"> • Conquer clients • Increase Revenues | <ul style="list-style-type: none"> • Number of orders • M² sold |
| Customer | <ul style="list-style-type: none"> • Brand awareness • Quality perception | <ul style="list-style-type: none"> • Number of new buyers • Website hits • Repeating customers • Positive feedback statements |
| Internal | <ul style="list-style-type: none"> • Establish relationships B2B • Product delivery | <ul style="list-style-type: none"> • Partnerships or long-lasting deals • Clients' feedback |
| Innovation and Learning | <ul style="list-style-type: none"> • New products • Cost optimizing • French market knowledge • Reduce cost per new customer | <ul style="list-style-type: none"> • Product Range • Variable costs • Information on sales • Consumers' spontaneous approach |

Marketing Mix

| Product | Place |
|---|--|
| Various patterns of interior wall covering, combining design with the cork natural features, such as isolation. Provides a sense of physical and sensorial comfort. (Exhibit 5) | Gencork is to reach consumers via architecture and design projects, in which case the direct customer is no the consumer. The products may also be acquired by the consumers, ordering directly to the firm. |
| Price | Promotion |
| Penetrating prices, ranging from €50 to €250 according to the product. Margins of around 40% that enable future reselling agreements. Prices will increase in a later phase, positioning Gencork as a premium brand. (Exhibit 17) | Brand promotion to all stakeholders, but speacially companies in fairs, specialized magazines and websites and by directly contacting ateliers, letting them know and comprehend the brand concept and different products. |

Financial Projections

Having delineated the implementing process of the internationalization, it is now the time to assess its financial viability. Considering the initial investment calculated above as the fixed costs, three scenarios (pessimistic, normal and optimistic) have been simulated according to different sale streams, along with its respective revenues and variable costs associated. These projections are done for a three-year spectrum. The used tool for this analysis is the incremental NPV, using a discount rate calculated according to the CAPM, as this is a specific project with a different risk profile than that of the company (otherwise, the WACC would be used) (exhibit 18).

As it is difficult to predict how the different promoting techniques will attract sales, their success is not directly regarded as variables in the different scenarios simulation. Their efficiency however is behind the rationale of the three previsions. For instance, in the pessimistic scenario, we can assume that the direct contacts and fairs' attendance grabbed the attention of just a few clients and resulted in a short sales, and in the optimistic scenario, Gencork was very well received by the ateliers contacted, created a great fuzzi in the fairs and was even published in a couple of specialized magazines and websites, resulting in a great stream of order sales.

In a normal scenario then, assuming a moderate acceptance from the market, Gencork would sell around 1750 m², generating € 260.000. Accounting for the investment made and the discount rate used to obtain the present value, the incremental NPV given is € 283.478, which would be a very satisfactory scenario for the company. For the pessimistic and optimistic scenarios, the respective incremental NPV were € -51.168 and € 484.713 (exhibit 19).

As the strategy chosen to penetrate the French market is more tailored for the short and medium run, the time range of the analysis was of three years. By the end of such time, the strategy should be rethought, in order to possibly leverage the hypothetical brand awareness and establishment achieved by then in order to establish long-run agreements with prestigious distributors and ateliers, that ought to ensure a great deal of business and a good profit margin to the company.

Risk analysis

As appealing and attractive as the brand may appear to some, Gencork is a recent brand and there are many risks attached to this internationalization process.

The unawareness of the brand and its concept is a barrier that must be overcome, and failing to do so may doom its chances of prospering in the French market. The complex logistic operations, which include the manufacturing in Portugal and the consequent transportation to France, between the order and the delivery of the product, may also discourage some less patient clients. The entrance of Corticeira Amorim in this product segment also features as a rising threat to Gencork, due to the much higher resources it possesses, despite the pioneer status of Gencork in this specific area.

These are the main risks with which Sofalca will have to face in the internationalization process of Gencork, having to anticipate them successfully and overcoming them to reach the success it aims for.

Conclusions and Recommendations

Having studied the product, the market and all the different manners of taking one to the other, it is concluded that Sofalca should indeed incur in an exporting activity of Gencork

to France, thoughtfully investing in its presence in local international fairs, developing a website with an online store, while promoting the brand among ateliers and specialized magazines and websites.

This accommodates a rather relevant initial investment to the firm (€ 55.722), but the prospects of the returns being largely compensating the costs are very likely. The more realistic scenario would provide a NPV of € 283.478 just in three years, and would make Gencork's sales (only in France) represent almost 6% of Sofalca revenues (relative to 2015 figures – exhibit 20), thus reducing its dependence on the isolation market.

The pessimistic scenario would incur the company in losses. The degree of those losses however are not drastic in order to abandon the project, and the very positive outcomes in the other scenarios make undergoing the internationalization process, the most suitable choice.

Besides, the success of the this expansion can and may open way for further expansion to other countries, which will enable economies of scale and a certainly a more informed and focused strategy, given the already existing experience in similar situations.

Finally, Sofalca should also implement internal improvements in the firm's structure, to better embrace the growth and development of a project like Gencork. It is fundamental to create a marketing and sales department, which are faculties that currently lack, and a cost center, that can help assessing the cost structure of the products, optimizing it and therefore maximizing the product margins to the firm.

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