

Forallphones

How can Forall Phones, a Portuguese SME operating in the thriving market of refurbished smartphones, successfully expand through Europe?

5.5 The Netherlands In-Depth Country Analysis

Work Project presented as part of requirements for the Award of the Management Masters Degree from NOVA – School of Business and Economics
January 22nd 2020

SME Competitiveness and Internationalization Field Lab carried out under the academic supervision of:
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The Netherlands presents a favorable political and economic environment. Moreover, with the latest consumer trends, technological developments and government environmental concerns, favorable conditions are being created to support the smartphone refurbishing industry. The legal framework is also beneficial since there are fewer restrictions and more promising advantages.

5. In-Depth Netherlands Analysis

1 2 3 4 5 6 7 8 9

5.1. PESTEL analysis



Political

- The Netherlands is a constitutional monarchy and at the same time a parliamentary democracy. It is one of the most effective and stable countries in the world, which facilitates companies' medium to long-term decisions. Moreover, government finances are significantly healthy¹.
- The Dutch do not tolerate political corruption and the effective laws stimulate government integrity. It ranks 8th in the global corruption rank². The country participates actively in the anti-Base Erosion and Profit Shifting (BEPS) project³ and has almost 100 bilateral tax treaties in order to avoid double taxation.
- The value-added tax on goods and services is 21%. The current corporate income tax is 19% if profits do not exceed €200 000⁴ and 25% if it does. This tax is expected to decrease which creates incentives and stimulates foreign investment.



Economic

- The country has the sixth-largest EU economy¹ with a total GDP of €818 494 M in 2018, growing at 1.8%⁵. The inflation rate is 2.63% which is higher than the average of EU⁶.
- Moreover, the country presents relatively low unemployment of (3.5%)⁷ and a current minimum monthly wage of €1 635.6⁸, which supports the expected expansion in the consumption of electronic goods.
- In 2017, the environmental and energy tax revenues were higher than the EU average, accounting for 3.33% and 1.86% of GDP, respectively (the EU-28 average was 2.4 % and 1.84% of GDP, respectively)⁹.



Social

- Despite the small geographical area, the Netherlands has a population of 17.113M, which grows annually at 0.22%¹⁰.
- The tertiary education has been increasing in the past years and currently, 38% of Dutch adults (25-64 years) have a tertiary education, which is similar to the OECD average (39%)¹¹. Moreover, the Netherlands has a highly skilled and productive workforce with multilingual strengths. In fact, the country is 1st in the EF English Proficiency Index 2019¹².
- Around 30% of the population buys online weekly or more frequently. However, Dutch consumers are reluctant in what concerns shipments, with 36% saying that they are not willing to pay for shipment¹³, which creates profitability challenges for Forall Phones. This willingness increases with younger generations.
- Dutch consumers have modest consumption habits but they prefer high-quality products and are loyal to brands. If consumers perceive higher quality value for a product, they will be willing to pay more for it¹⁴.
- Consumers are becoming more aware of environmental issues and thus, they are shifting their purchases towards sustainable products, however, they are not willing to pay more for it¹⁵. This, associated with the rising of mobile dependency, translates into higher opportunities for the smartphone refurbishing industry.



Technological

- The Netherlands is the 7th most advanced ICT economy in the world according to the ICT development index of 2017 and 70% of Dutch innovation is IT related¹.
- The Netherlands also outperforms in digital telecommunications with a network based on quality, speed and reliability. An example of this is its high broadband speed¹.
- Moreover, several Technologies improvements, namely in robotics, that are being undertaken, and the advanced waste management systems contribute to the efficiency and optimization of the refurbishment processes¹⁶.



Environmental

- The Netherlands is highly committed to the EU's Directive on waste electrical and electronic equipment (WEEE) to reduce the waste of dangerous materials and stimulate reuse and recycling of technological resources¹⁷. The Netherlands is also a member of the Paris Agreement that aims to limit the risks and impacts of climate change¹⁸.
- The government is taking several actions to reduce environmental risks, such as the introduction of a minimum price for CO2 generated from electricity, starting at €18 in 2020 and rising to €43 by 2030¹⁶. Furthermore, it intends to further increase taxes on energy and the environment.
- Besides, the Netherlands was a pioneer in presenting a circular economy program (2014), followed by a comprehensive program called 'A circular economy in the Netherlands by 2050' (September 2016). The country is considered an example for circularity in the EU and it is seen as a great partner to push circularity to another level¹⁶.



Legal

- The Netherlands ranks 5th in the WJP Rule of Law Index¹⁹.
- Regulations concerning the establishment of a company have changed, is now a less strict and bureaucratic process. Until 2020, the Netherlands is involved in the Smart Regulation program that removes legislation barriers for circular entrepreneurs, which facilitates the access and the performance of circular businesses²⁰.
- Regarding legislation on the environment, 80% is derived from EU legislation. For example, the country follows the National Environmental Management Act, which takes into consideration climate change and sustainable consumption and production²¹.
- Products from other EU countries have little restrictions to enter this market and only in exceptional cases, products are not allowed to enter the country.
- Trademarks are valid for 10 years and can be indefinitely renewed²².
- Consumers have the right to return the products for 14 days, without needing a justification and are entitled to a warranty that depends on the expected lifespan (2 years on average) for both new and second-hand goods²³.

The Country has a good contact base to obtain information, knowledge and guidance to achieve the highest performance. It is also rich in agents and distributors that facilitate the internationalization process.

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5.2. Contacts

Another important factor to analyze, before entering the Netherlands, is the network available in the country, the strength of contacts and the ease of collaboration.

<p>Agents and Distributors^{1,2}</p>	<ul style="list-style-type: none"> By taking advantage of an agent's expertise, Forall Phones can benefit from his knowledge of the market, credibility and a bigger database of potential customers. Agents, give support to companies in exchange for a simple commission without the need of having an international sales department, which lowers the costs of the company. Agents that are highly experienced in working with international players and introducing their products successfully in the Netherlands are advised by the Dutch chamber of commerce to enable a strong commercial boost. Examples: Agent Holland and Sales4Sa. Forall Phones could also benefit from wealthy relationships with distributors by avoiding logistics matters while this contact facilitates access to the market. The stronger the reputation and contacts list, the faster is the products' introduction. The existence of good infrastructures, such as the Port of Rotterdam, ensures easy access to goods, which is the reason why there are a large number of distributors in the market. Examples: TNWC, COPACO and INGRAM.
<p>Government Agencies and Embassies</p>	<p>Several government agencies encourage and guide international businesses in the Netherlands. The most relevant are:</p> <ul style="list-style-type: none"> Netherlands Enterprise Agency³ is focused on providing services to entrepreneurs, NGOs and organizations to enhance entrepreneurship, increase collaborations and strengthen positions by providing funding, networking, know-how and compliance with Dutch regulations. Netherlands foreign investment Agency⁴ supports companies during the entire process of establishment and expansion of operations by preparing fact-finding missions, scheduling meetings with relevant partners and providing guidance on legal and business solutions. Embassy of Portugal in the Netherlands, Embassy of Netherlands in Portugal and City Councils can provide businesses with key information and favorable contacts. The Ministry of Foreign Affairs of the Netherlands may also be an important contact by being a channel of communication between governments and international organizations. <p>These agencies, through their experience and network of partners, lead companies to successfully establish and expand in the Netherlands.</p>
<p>Associations and Organizations</p>	<ul style="list-style-type: none"> The Dutch-Portuguese chamber of commerce⁵ is the main source of critical information (about business, industries and key partners) for companies wanting to export, import, invest or produce in either Portugal or the Netherlands and promotes the bilateral exchange of goods and services. Enterprise Europe Network⁶ helps companies innovate and grow overseas by connecting them with potential partners, advising for international growth and supporting innovative solutions. Nldigital⁷ is the trade association for ICT and telecom companies that guides members in order to make the right decisions and achieve higher profitability. The NetworKing⁸ is an organization that offers training and lectures focused on doing business and enables networking between individuals and companies efficiently.
<p>Letters of Inquiry</p>	<ul style="list-style-type: none"> The letter of Inquiry⁹ can be a good instrument to make good first impressions. The content of the letter should be clear and concise, whether in English or Dutch. It should include an introduction with a summary of the subject, a specific statement of need, an organizational description showing its ability to meet the need and final considerations.
<p>Banks and Universities</p>	<ul style="list-style-type: none"> Banks¹⁰ are involved in a huge network with companies of both countries which can be helpful for Forall Phones. This contact can be at a national or international level. Examples: Millennium BCP, ING Bank and ABN AMRO Bank. Universities are also worth to be considered since one of the capabilities that Forall Phones can transfer to the Netherlands is the Forall Family that is partly composed of young and university students.

Contacts are a strong starting point when moving abroad. Since the company does not have direct contacts, such as investors, operating in the Dutch market, a good first step to initiate business in the Netherlands is to comprehend if the company fulfills the conditions needed to enter and establish in the market. By contacting the Dutch-Portuguese chamber of commerce, Forall Phones can gain knowledge about the market and the specific requirements. Moreover, the Enterprise Europe Network can put the company in contact with the destination country, for free, gaining further knowledge. The following step is to contact government agencies and Embassies to get regulatory information, advisory and guidance throughout the entire process. Contacting networking organizations can also be an important step to increase and fortify contacts. Furthermore, it is beneficial if the company contacts and get advice from an expert in the ICT industry, as Nldigital. Moreover, if aligned with its strategy, the company should contact firms, such as Alliance Experts, that help find the most suitable and experienced agents and distributors. Finally, Forall Phones should also take advantage of the Portuguese banking sector since it is currently supporting companies by providing attractive investment rates. The most recent study performed by DATA E in 2019, "The Company Financial Services Barometer – Banks (BFin 2019)", has nominated Millennium BCP as the best corporate bank.

The market is controlled by four major players: Cool blue, reBuy, Green Mobile and Renewd. Cool blue by being a giant local competitor already has a base of consolidated consumers that trust the brand for all appliances. On the other hand, reBuy is the most outperforming player in the market according to the benchmarking analysis performed.

5. In-Depth Netherlands Analysis

5.3. Competitor Analysis (1/3)

When moving to the Netherlands, Forall Phones will face strong competition from big local and international players. The biggest competitors were selected to be analyzed: Cool Blue, reBuy, Green Mobile and Renewd.

cool blue

Founded: in 1999 by Pieter Zwart, Bart Kuijpers and Paul de Jong.
Headquarters: Rotterdam, Netherlands.
Business description: Household appliances provider, including second-hand goods.
Product offerings: Wide variety of products: from computers, tablets and phones to kitchen/house electronics and photography.
Channel Presence: Online store and 9 physical stores.
Positioning: Experienced local provider to all occasions and needs.
Market Share: 42%
Geographic coverage:

★ **Reviews: 4.6/5**

GREEN MOBILE

Founded: in 2014 by Gert Heij.
Headquarters: Bodegraven, Netherlands.
Business description: Marketplace for refurbished smartphones from Apple, Samsung and Huawei to B2C and B2B customers.
Product offerings: Apple, Samsung and Huawei's smartphones and accessories.
Channel Presence: Online Channel.
Positioning: Rigorous refurbishment process of a wide range of brands to serve all preferences.
Market Share: 16%
Geographic coverage:

★ **Reviews: 3.4/5**

reBuy

Founded: in 2004 by Lawrence Leuschner and Tim Fronzek (In the Netherlands since 2016).
Headquarters: Berlin, Germany.
Business description: Online marketplace that allows users to buy and sell used consumer electronics goods.
Product offerings: Refurbished and used smartphones, Mac computers, tablets, smartwatches, gaming, photography products and accessories.
Channel Presence: Online Channel.
Positioning: Giving a second-life to every product.
Market Share: 13%
Geographic coverage:

★ **Reviews: 3.2/5**

Renewd

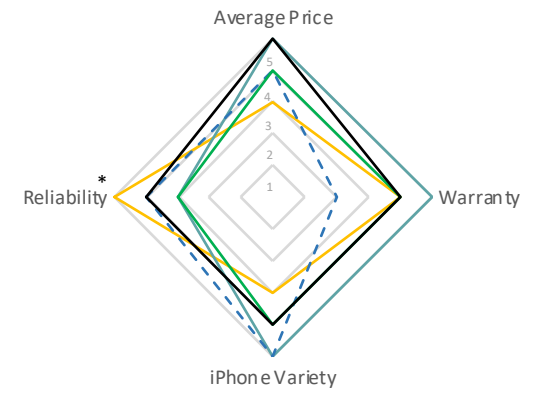
Founded: in 2015 by Bram Wingens.
Headquarters: Utrecht, Netherlands.
Business description: In-house refurbishment of apple products sold through resellers and distributors.
Product offerings: iPhones, Macs and iPads, with original Apple charger and data cable.
Channel Presence: Professional Resellers and distributors (with online and physical stores).
Positioning: Eco-friendly provider of refurbished Apple products.
Market Share: 12%
Geographic coverage:

★ **Reviews: 4.2/5**



Benchmarking Analysis

Methodology: To compare the studied players with Forall Phones, a benchmarking analysis was conducted. Some of the most appreciated characteristics of consumers were selected. These selected criteria were ranked from 0 to 5 according to each company offer in every criterion, being 5 the highest score.



Graph 1: Benchmarking Analysis

- From the Benchmarking analysis, it is possible to observe that Forall Phones only has the highest score in the iPhone variety, with around 30 different models, which is a temporary competitive advantage considered to be transferable to foreign countries. Furthermore, Forall Phones has the lowest score of all the companies in the warranty criteria since it is the only company that offers a 1-year warranty.
- ReBuy is the company that scores higher in most criteria. It offers one of the lowest average prices in the market of €437, a 3-years warranty and around 28 different models and versions of iPhones. The low reliability of this competitor can be associated with a less rigorous refurbishment process and lower consumers' trust feelings for foreign players.
- Cool Blue scores the highest in the reliability criteria and Renewd is mostly recognized by its low price, while Green Mobile does not outperform in any of the criteria.

Source: *Reliability was measure through reviews from Trust Pilot. 1. Cool Blue (2018). Cool Blue Yearbook 2018 - Figures; 2. Companies websites, accessed in December 2019. Retrieved from: 1.Cool Blue; <https://www.coolblue.nl/>; 2.reBuy: <https://www.rebuy.nl/>; 3.Green Mobile: <https://www.greenmobile.nl/>; 4.Renewd: <https://www.renewd.com/>; 3. Iculture (March 2019). Rebuy: 'keurmerk Voor Refurbished Lastig Voor Europese Aanbieders'. Retrieved from: <https://www.iculture.nl/nieuws/rebuy-refurbished-keurmerk-lastig-buitenlandse-bedrijven/>

From a comparative point of view, competitors have several strengths that are difficult to compete with. However, all hold the same weakness of not having the capacity of managing a community as Forall Phones does. Moreover, the company offers one of the highest product quality. Cool Blue is the biggest competitor with a market share of 42%.

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5.3. Competitor Analysis¹ (2/3)

By keeping in mind the main transferable resources and capabilities of Forall Phones, the strengths and weaknesses of the four main competitors will be analyzed based on a comparison with them.



Strengths



Weakness



- Leader in the market for household appliances with established brand awareness and reputation;
- Refurbished phones are directly obtained from customers that return their cell phones;
- Fast deliverables (less than one day);
- Free return for 30 days and 2-years Warranty.

- Highest price in the market;
- Non-core business implies less specialization and efforts into the refurbishment process;
- Fewer models and versions;
- Refurbished phones are not sold in physical stores;
- It does not have a community as Forall Phones.



- Two-way business: Part of the refurbished phones sold are bought directly from consumers;
- Large offer of categories and models (not only Apple products);
- 3-years warranty to all second-hand goods.

- Not specialized solely in smartphones;
- Bad reviews compared to competitors;
- It does not have a community as Forall Phones.



- Huge variety of products from different brands;
- Phones include a charger, jelly case and screen protector;
- Sustainable position adopting several environmental initiatives;
- 2-years warranty.

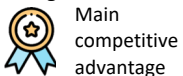
- Bad reviews compared to competitors;
- It does not have a community as Forall Phones.



- Superior quality with the lowest average price;
- Focused on Apple products (not only iPhones), checked by an Apple Premium Service Provider-Microfix;
- Sells through resellers and distributors, to increase market reach and lower costs;
- Products are available in physical stores of some distributors.

- Lower margin comparing to competitors (due to serving the market through resellers);
- There is no differentiation, by category, of the signs of use.
- It does not have a community as Forall Phones.

Legend:



Main competitive advantage

Several competitors' strengths are difficult to compete with, such as the already established strong reputation, 3-years warranty, more accessories included in the package and the partnership with an Apple premium service provider. However, in terms of weaknesses, all competitors share the same one when comparing to Forall Phones, which is the capacity of managing a community of shapers and influencers. This would be the main point of difference of the company if it decides to enter this market.



Market Positioning



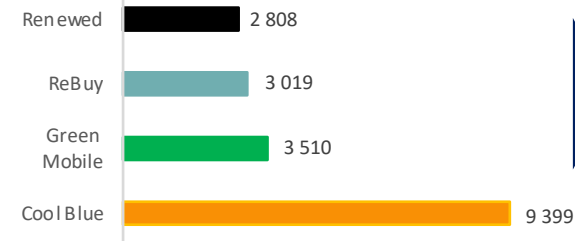
Graph 2: Market Positioning

From the benchmarking and strengths and weakness analysis, it is possible to observe the position of each competitor in the market, taking into consideration the quality and price offered by each one of them. In terms of quality (measured through reviews), Forall Phones is only overpassed by Cool Blue, due to the latter's reputation, and it has similar product quality as Renewd. In what concerns price, the firm offers its products at an average price of €503 and it is considered one of the most expensive companies, being right behind Cool Blue.



Sales & Market Shares²

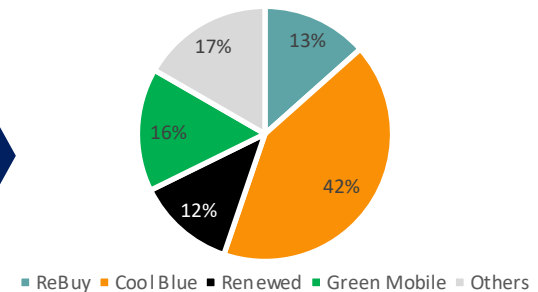
Competitors' sales (in Thousands €)



Graph 3: Competitors' Sales

According to the estimation performed, it is possible to conclude that Cool Blue, although having a different core business, is the leader in the market with a share of 42%. Green Mobile follows the last company with a market share of 16%. In terms of concentration, according to the Herfindahl-Hirschman Index (HHI), the market is 26% concentrated.

Market Share



Graph 4: Competitors' Market Share



Limitations:

Despite the attempt to reduce limitations by introducing the error factor, this estimation still has limitations due to the lack of information on competitors and respective assumptions made.

The industry of refurbished smartphones is a high growth industry, however not all the players can face this growth and everything associated with it. Thus, there are cases of failure worth of study to understand the risks associated with the Dutch industry and what Forall Phones can expect when entering the market. Swoop and Leapp are two good examples of this.

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5.3. Competitor Analysis (3/3) – Failure Cases



Context

leapp
TOO good TO BE NEW

The company¹, founded in 2011, whose name is an anagram from Apple is a retailer of used and refurbished Apple devices and other products from other premium brands such as German audio firm Sennheiser. It is based in Amsterdam and has almost 200 employees and 24 physical stores spread around the Netherlands, Belgium and Germany. The company wanted to expand its business for other European regions and explore the B2B market. It was positioning itself as the pioneer in this industry and it was nominated as the fastest-growing retail organization in the Netherlands by the local newspaper of business and finance, Het Financieele Dagblad (2014).



Swoop² was a provider of refurbished Apple products and other smartphone brands, such as Samsung, since 2012. The retailer was also a buyer of used smartphones, serving the market with a total concept of a circular economy for smartphones, tablets and laptops. The company had an online presence and 4 stores in the Netherlands and it was constituted by more than 100 employees.

1 2 3 4 5 6 7 8 9

2018



Announcement

- Leapp declared bankruptcy in June of 2018 and later that year, Swoop announced the same insolvency problem.



Possible causes¹

- Fast growth** due to a continuous process of opening stores. Despite the private equity owner, the lack of financing necessary to the expansion in a short time-frame is the primary reason why companies could not succeed in getting all parties and inventors to agree on time. Thus investors canceled their collaboration.
- Big international companies** are entering the market due to the potential growth of the industry. These companies, with big brand awareness, are usually associated with great a trade-off between quality and price due to better deals with suppliers that allow for more competitive prices. Since consumers praise lower-cost solutions if the quality is sufficient, these foreign companies steal sales from smaller companies. An example of such players is reBuy that has provided 5 million customers with a refurbished device and it processes a hundred thousand products every day.
- Underestimation of the impact of strong players.** The growth opportunities that they were following were not enough to protect them from this competition.
- The actual **involvement of consumers** with the term of refurbished smartphones. There is still a big portion of the Dutch population that does not trust these products. Moreover, a study performed in 2018 by the Dutch Consumers' Association, concluded that refurbished devices are usually not much cheaper than new ones and often perform worse and are outdated.



NOW

Solution^{3,4}

- After this event, Leapp closed its online and physical stores. Restart opportunities appeared with a new owner Capital. This new owner, that owns the majority of Leapp's shares, pulled out Leapp from this mess, giving the company a chance to relaunch itself, starting with the reopening of 14 stores.
- On the other hand, Swoop was taken over by Fixers. The young smartphone repair company only took over the refurbishment activities of Swoop with a different name and a different website. Now, Fixers has ten branches from which repairs all kinds of defects to customers' smartphones, tablets and PCs.

The refurbished smartphones market is not an easy market to deal with. It is a capital intensive market with a growing competitive environment, which increases the risks associated. These two companies could not survive when facing these factors. However, it is possible to overcome these challenges by, for instance, reducing costs associated with the stores opening by selling online or using the Renewd's approach. Moreover, creating differentiated features is crucial to survive in an aggressive situation. Renewd, for example, lowers its costs and, at the same time, offers the highest quality by having its refurbishment process checked by Microfix.

The Netherlands market for refurbished products is a growing market that currently has a size of 862 175 possible devices sold. This amount is expected to grow at a pace of 4.63% per year for the next five years. Market sales potential will reach a value of €569 071 842 in 2025.

5. In-Depth Netherlands Analysis

5.4. Market Sales Potential

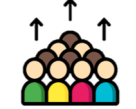


Industry Market Potential

Methodology

In order to evaluate the market size in the Netherlands, the chain ratio method was used.

17 113 132
Individuals



From the Dutch total population of 17 113 132, only individuals between 15 and 70 years old were considered, reaching a total sample of 12 961 930 individuals.



To just approach smartphone users, only 92.39% of these individuals were considered¹.



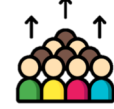
Moreover, only individuals willing to buy refurbished smartphones were studied, corresponding to 25.41% of the population.



Finally, solely consumers prone to buy phones in 2019 were considered. For this purpose, knowing that individuals change phones after approximately 3 years of usage², an average of the population that bought phones in each of the past three years was performed³, which led to 28.33% of possible buyers per year.



Market size
(2019): 862 175



The growth rate for the market is considered to be the 5-years CAGR that equals 4.63%, computed by applying a formula that compares the market size in 2015 and 2019.

Industry Specific Trends

- With the continuous and **fast industry growth**, more players are entering the market and big companies are adding refurbishment processes to their business model to incorporate the new sustainable trend. Moreover, the government is creating **incentives** for companies to move towards the circular economy.
- The Dutch industry is characterized by a **two-way business** where firms buy used phones directly from consumers to benefit from a bigger offer and encourage consumers to actively participate in the circular economy.
- **Apple** predominates as the smartphone brand **preferred** when buying refurbished phones.
- Companies are trying to find ways to **differentiate from competitors** since the product by itself is not differentiable. Some examples are the introduction of new accessories into their packages and in-house color personalization.

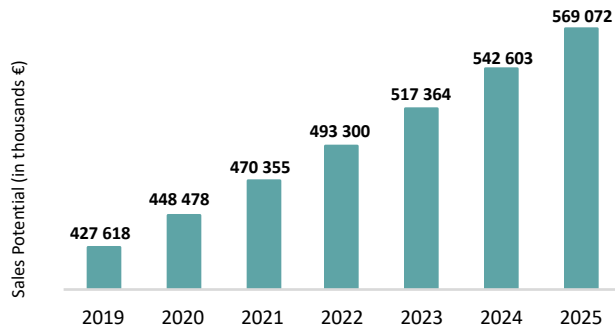
Unique Customers' requirements

- Currently, **90.3%** of the Dutch have **at least one smartphone** and there is a continuous **increase of the internet and social media penetration** (11M active users of social media).
- Since the crisis, they are highly attracted to low prices and promotions. Despite the **modest consumption habits**, they prefer **high-quality** products. Dutch consumers are **brand loyal** and prefer products they already know rather than new ones⁴.
- Consumers value the businesses that offer **environmentally friendly products** and reduce their impact on the environment during the entire process. Nevertheless, they are **less willing to pay higher prices** to obtain sustainable products⁵.
- Dutch consumers' **perceived value** of refurbished smartphones is **still quite low**, with only 25% of the Dutch being willing to buy this type of product.
- Another important point is the fact that consumers are **buying more and more on the internet**. However, in what concerns international products, Dutch consumers are **skeptical to pay shipping fees**. This may be a struggle if Forall Phones decides to enter this market⁴.

Scheme 1*: Market Size



Market Sales Potential



Graph 5: Market Sales Potential

Methodology

To compute the total sales expected, the market size determined above was multiplied by the average market price. The average price was found using models available in the four competitors analyzed⁴, the ones available in all the competitors considered in the other four selected countries and the models offered by Forall Phones, in order to have a comparable value. All the models selected are rank A, except for the Renew's sample, since it does not offer different categories according to the signs of use. First, the average price of each model was calculated and then their average was computed to be the average market price.

Results

With a market's average price of €496 and a market size of 862 175 phones in 2019, total sales are €427 617 505. This amount will grow proportionally to the market size, at a CAGR of 4.63%. A total market sales potential of €569 071 842 is expected in 2025.

The Netherlands has a massive unfulfilled market that Forall Phones can serve and satisfy the needs. The medium-low competition, the threat of new entrants and substitution and the core consumer's characteristics make for an intense competitive environment. The company can reach €8 215 975 of total sales in 2025, which corresponds to 22% of the market share.

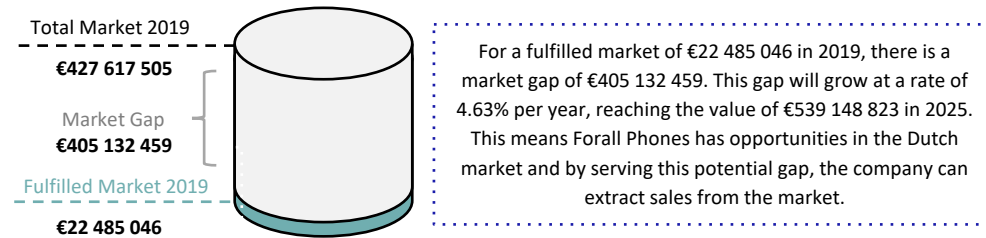
5. In-Depth Netherlands Analysis

5.5. Company Sales Potential



Intensity of Competitive Environment

Following the previous analysis, it is important to understand what part of the total revenues of the market will belong to Forall Phone, if the company decides to enter the Netherlands. Knowing that competitors only serve part of the market, Forall Phones will have the opportunity to fill the needs of the existent gap between the market size and the already fulfilled market.



Scheme 2: Market Gap

As previously seen, the market is medium-high concentrated (HHI=26%), which implies medium-low competition. This creates good conditions to enter the Netherlands. Nevertheless, the market is growing at a fast pace and with it, the threat of new entrants also increases. The Dutch trend of a two-way business facilitates access to the market of small players. Furthermore, the strong players in the market, the low product differentiation and the competitive prices existent are factors that must be taken into consideration. The specific characteristics of the Dutch consumer also affect the competitive environment due to their power over the market. First, by being price sensitive and, at the same time, averse for refurbished products, consumers shift to the lowest price companies due to the low loyalty feeling and low switching costs. Moreover, the Dutch tend to be loyal to the brands they know, which means that the threat of substitution of the primary market firms, such as Apple, is very strong and the higher prices charged may not be relevant for the consumers.



Pricing

Forall Phones' current average price is €503. This is trivially higher than the industry average of €496. Looking to competitors, only Cool Blue positions itself with an average price above the industry average price while all the other players set lower prices. When entering, Forall Phones will first compete with the latter players, rather than with the biggest competitor. Additionally, the Dutch consumers are price-sensitive, which means that to penetrate the market and gain market share, it should not price its products above the industry average.

Limitation: Cool Blue has only the latest models (more expensive models), and thus its price is above the average.



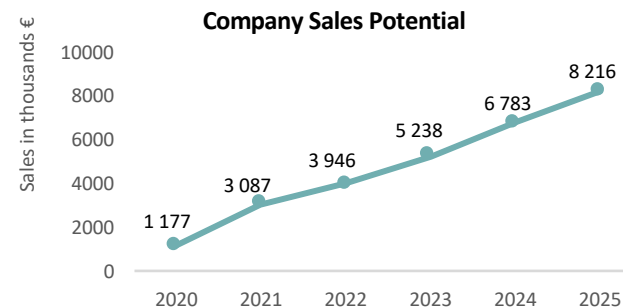
Market Penetration Timetable

Methodology

To know what part of total sales will belong to Forall Phones, it is assumed that, each year, the company will reach a percentage of the total market, considered to be 40% in 2020. This rate will increase every year along with brand awareness, reaching a value of 52.5% of the total market size in 2025. Knowing that not all the reached population will buy Forall Phones' products, a conversion rate was also defined. This rate was based on the sales (in quantities) of the most similar competitor – Renewd, in order to obtain slightly lower sales in the first couple of years (since Forall Phones has the scale to do so). Then, since Forall Phones is a new player and has higher margin to grow, sales will not expand in the same proportion as Renewd, thus the reach and the conversion rate will grow along the years, leading to faster growth of sales comparing to the 5-years CAGR applied to Renewd's sales. Moreover, Forall Phones can outperform and reach larger segments due to its main strength, the Forall Family. To determine the Company sales potential, the percentages presented below were used over the total market size, considering that the company sets the same average industry price.

	2020	2021	2022	2023	2024	2025
Market reach	35%	37.5%	40%	45%	50%	52.5%
Conversion rate	1.50%	1.75%	2.00%	2.25%	2.5%	2.75%
Quantity Potential	2 373	6 223	7 956	10 561	13 674	16 564
Company Sales Potential (€k)	1 177	3 087	3 946	5 238	6 783	8 216

Table 1: Market reach and Conversion rates



Graph 6: Company Sales Potential



Limitations:

The market reach and conversion rate will always depend on the channel the company uses to enter the market. Since this stage does not comprise that analysis, these rates are quite generic. Moreover, these are solely assumptions which may not correspond to reality.

Assuming that the internationalization process would only start in 2020, it was only analyzed sales for half a year in 2020. In the first completed year, 2021, sales would be €3 086 706 and this amount would more than double until 2025 when total sales would be €8 215 975. It is important to notice that the conversion rate grows steadily, while the market reach rate grows more during 2023 and 2024, corresponding to the period when the company will gain bigger recognition. After it, this growth decelerates since there is already a lot of brand awareness and it is more difficult to reach other consumers.



By entering the Dutch market, Forall Phones will continuously gain market share, achieving 22% of the market in 2025, surpassing its competitors, except Cool Blue that will continue to lead the market.

The lack of initial reputation, financial resources and favorable partnerships, implies more difficulties to grow faster and achieve a higher market share. However, by leveraging its main capacity, Forall Phones can succeed as expected.

Despite all the advantages that the Netherlands has, it is not easy to enter the market to obtain a sustainable growing business due to specific market entry barriers. However, there are few obstacles to trade within the single market and the access to transportation and distribution channels is favorable. The most common payment procedure is to use an open account and from a tax perspective, getting a loan is the preferred financing method.

5. In-Depth Netherlands Analysis

5.6. Market Entry Barriers & Market Entry Conditions



Market Entry Barriers

- Barriers for foreign companies to enter the Netherlands are relatively low, especially when both countries belong to the EU. The European Commission intervenes to reduce barriers to trade between EU members and prevents the appearance of new ones¹.
- The Netherlands ranks 36th in the ease of doing business index, which compared to other European countries, is a poor position. Despite the sophisticated financial system, getting credit is the main problem when starting a business in the Netherlands. According to the index, this factor ranks 112 among all the countries. Dealing with construction permits is also a big issue highlighted by the index since, with an 84th position, on average, it can take 161 days to deal with construction permits².
- The low propensity to buy refurbished smartphones is a clear entry barrier since consumers have a misperception about the quality of refurbished smartphones and are not educated about the true advantages of the business, with only 25% of the population willing to buy this type of products. Moreover, the loyalty to big local brands, such as Cool Blue, may impose difficulties to enter the market. Threats of new entrants and substitution are also worth to consider when entering this market. Extra efforts are needed to overcome these constraints.



Market Entry Conditions

Standards and Regulations

Several common rules across the EU that enable businesses to sell products freely in the market. Essentially, the EU legislation covers health, safety, and environmental protection requirements. Businesses can use standards to comply with these requirements. The Netherlands is home to 2 000 Dutch national standards and 6 000 EU standards. The harmonized standards are available in the latest list released by the Official Journal of the European Union³.

Furthermore, regulations that determine the establishment of a company have become less strict over the years. An example of this is that the previous starting capital required of €18,000 is no longer compulsory which makes easier for foreign investors and entrepreneurs to set up a new business in this country⁴.

Transportation

The Netherlands has world-class seaports and airports and an extensive network of rails and roads that enables fast connections. Rotterdam is the maritime capital of Europe, being the Europe largest port and the world's 10th largest port. Furthermore, Dutch airport, Schiphol, is one of the busiest and largest cargo airports in Europe. The strategic location of the Netherlands as the front door to Europe provides access to the most lucrative consumer markets within 24 hours of Amsterdam or Rotterdam.

Documentation

Documents such as commercial invoice, bill of lading, import license and shipment declaration are compulsory when exporting to the Netherlands. Other documents such as the packing list, origin certification and insurance certification may also be required by the client.

Payment and Financing Methods

The most common method of payment in the Netherlands is through an open account, where the exporter sends an invoice to the importer and trusts them to pay as agreed. If the payment is made 30 to 90 days after the invoice, the payment is normally done on delivery. Moreover, Dutch companies also use banks as intermediaries through documentary collections and letters of credit. Companies can get financing by using net equity, loan capital or hybrid instruments. From a tax perspective, getting a bank loan is preferred since it does not have tax implications and the interest payments are tax-deductible while dividends are not.

Distribution Channels

Being the Netherlands an industrialized country where large retail stores predominate and are well established, it is a potential channel to distribute Forall Phones' products, like for instance through MediaMarkt. Moreover, an online store is easy to set up and it is highly acceptable by the Dutch Population.

Tariff and non-tariff Barriers

By being a member of the EU single market, the Netherlands presents few internal obstacles to trade within the single market. Tariff Barriers no longer exist and the same regulations are applied across the area to technical and product-specific criteria, subsidies, and quotas reducing the non-tariff barriers. However, some non-tariff barriers may arise from new laws and practices.

Registration

To enter the Netherlands, companies do not have to register in the Dutch Chamber of Commerce, however, if the company pays VAT, it needs to be registered in the Dutch Tax and Customs Administration⁸. Furthermore, any party involved with trade operations needs to have an EORI (Economic Operator Registration and Identification) number to track and register customs information in the EU⁹.

Doing Business

The Netherlands occupies 4th place in the Forbes' "Best Countries for Business" rank, being home to more than 8 000 international companies, it has a very competitive international environment¹⁰. Moreover, personal relationships are very important in the Dutch market and can leverage the company performance¹¹, thus, having Dutch partners is not mandatory, but it is highly recommended.

The Netherlands is an attractive market to invest in, however, there are several risks associated with the industry of refurbished smartphones that the company must take into consideration before deciding to which country expand.

5. In-Depth Netherlands Analysis

1 2 3 4 5 6 7 8 9

5.7. Final Conclusions

PESTLE analysis & Contacts

The Netherlands presents several beneficial factors when analyzing the general environment. It has a stable political and economic framework, the government is taking more actions to promote environmental practices and circular economy and there are fewer restrictions to do business in the country. Moreover, this market outperforms in the ICT industry with new developments that can be advantageous to refurbishment processes. Consumers are quality-first shoppers and they are becoming more conscious about environmental issues. Despite the positive ongoing trends, there is still some reluctance when buying refurbished products and paying shipment fees.

The country is rich in contacts that are easy to access and can help the company throughout the internationalization process. Sometimes, the difficulty in this matter is finding the most appropriate contacts for the company's needs, however, the Netherlands also provides a set of associations and companies that guide when choosing these contacts.

Competitor Analysis

This market is characterized by a medium-low competition, with little product differentiation, that already has established reputation and brand awareness and sets lower prices with a diversified offer. Furthermore, there are examples of local firms, with the exact same business model of Forall Phones, like LEAPP, that could not survive in this hostile environment. However, all the competitors share the same weakness relatively to Forall Phones that is the incapacity to create and manage a community as the one built by the company.

Market Size & Sales Potential

Despite the little geographical area, the Netherlands shows a considerable market size supported by the industry trends and consumer behavior. As observed, there is a massive unfulfilled market that competitors did not reach and with it, significant market sales potential. Forall Phones can take advantage of these opportunities and it can become one of the largest players in the market.

Market Entry conditions

There are few obstacles to trade within the single market and the access to transportation and distribution channels is favorable. The most common payment procedure is to use an open account and from a tax perspective, getting a loan is the preferred financing method. Despite all the advantages that the Netherlands has, there are specific market entry barriers that may cause difficulties in Forall Phones' operations.

Transferable Resources and Capabilities

All the considered transferable resources and capabilities can be transferred to the Netherlands. However, any of them will be considered as a sustainable competitive advantage, since most of the competitors already have those capabilities or they can be easily imitated in a short period of time. The capability of creating and manage the community will be the strongest competence of the company and it could benefit from this advantage by being the first in the market to create such a network.

Overall the Netherlands is an attractive country for Forall Phones invest, however, it is important to take into consideration several difficulties and risks associated with it:

- Despite its reputation in the domestic market, Forall Phones does not have brand awareness in this market, thus this reputation would be irrelevant to Dutch consumers.
- As seen in the benchmarking analysis, Forall Phones' main advantage is related to the iPhone variety. However, some competitors also provide customers with the same and more advantages. To enter the market, the company has to choose the right channels to stand out its positioning and introduce additional offers in order to create more value than competitors, otherwise, the firm will expand to a red ocean scenario. The company must educate the consumer and increase its perceived value to reach the expected sales potential. Forall Family can be a crucial asset to create differentiation from competitors and gain brand awareness.
- On average, competitors offer the same products at lower prices. Even if the difference in prices is small, this implies that, in terms of pricing, Forall Phones would not have the margin to increase their prices since the perceived value of consumers is already established by competitors' prices. Furthermore, the company would have to lower prices slightly because it would be a new international player in the Netherlands and consumers would have to pay additional costs for shipping, which increases the overall price for consumers and thus Forall Phones would be less attractive comparing to local competitors that already have brand awareness.
- There are further risks that should be considered, such as the fact that Apple is already selling refurbished products in the Netherlands, which is a little step until it sells refurbished iPhones.

By leveraging Forall Family capability, this competitive advantage has potential to be powerful in the Netherlands to start their operations in order to advertise the brand and to enhance the company's sustainable position to consumers between 18 to 25 years, since tertiary education has been increasing in the past years and it is a low-cost way to get more consumers to know the brand and spread it through the rest of population, as it happened in Portugal.

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The variable costs include packaging, distribution, accessories, iPhone related costs and the salaries of the influencers and shapers. Those costs will increase about 14 times from 2020 to 2025 since the sales and production volume is expected to rise significantly. By doing a breakdown of the average of the expected variable costs, it is possible to see that together they represent approximately 50% of the sales, being the direct cost of sold iPhones to suppliers the biggest expenditure.

8. Financial Plan

1 2 3 4 5 6 7 8 9

8.2. Cost Estimation

Variable Costs

0.37%



Packaging Costs

0.37%



Currently, Forall Phones' packaging costs €1.30, however, with the new proposed packaging, this cost will increase to €1.69 (forecasted 30% increase).

The same packaging will be used in both countries, and the cost is already included in the final price paid by the customers.

0.87%



Distribution Costs

0.87%



The expected distribution cost is €4 per purchase for Norway and Sweden. This cost is supported by the client when purchasing the refurbished iPhone. Basically, Forall Phones receives this fee and pays it directly to the carriers. For that reason, it is not reflected in the Income Statement, however, it needs to be registered.

42.17%



Direct Cost of Sold iPhones

42.16%



The average cost per unit is €194.32* for both countries and, after the first half-year, the company will have an average of 61 days for payment, which is the one it currently has. This unit cost includes the amount paid to the suppliers and the refurbishment cost. To correspond to the expected demand, in mid-2020, Forall Phones will have to spend approximately €500,000 in stock purchases.

0.61%



Accessories Costs

0.61%



The accessories include a USB cable and a power adapter, which combined cost €2.80 to Forall Phones and are included in every package, without additional charge for the client.

2.58%



SG&A - Influencers and Shapers

2.56%



This part of salaries is included in the variable costs since it depends on the amount sold by the shapers and influencers. Each shaper and influencer has a unique code associated and will receive €17 per iPhone sold when the consumer uses the code.

*The average unit cost consider for the analysis, was the cost incurred by Forall Phones in 2018.

Table 12: Variable Costs 2020

Packaging	€3,376.74
Accessories	€5,594.60
Cost of iPhones	€388,258.33
SG&A	€25,732.73
Total	€422,962.4

Table 13: Variable Costs 2025

Packaging	€48,203.92
Accessories	€79,864.49
Cost of iPhones	€5,542,498.49
SG&A	€310,724.23
Total	€5,981,291.13

Average Total Variable costs (as % of sales): approximately 50% of sales, regardless of the country, from 2020 to 2025.

SG&A is the only stream considered for the development of Fixed Costs, comprising Personnel and Marketing Expenses. An International Community Manager will be necessary in Portugal for the development of Forall Family and two Community Builders will establish the network of influencers and shapers in Norway and Sweden. In conclusion, Marketing Expenses represent the biggest portion of Fixed Costs, including costs with Ads and Clicks.

8. Financial Plan

8.2. Cost Estimation

1 2 3 4 5 6 7 8 9

Fixed Costs

SG&A

- Personnel Expenses
- Marketing Expenses

For Fixed Costs, Forall Phones will have to consider wages for one International Community Manager and two Community Builders, which will constitute **Personnel Expenses**:

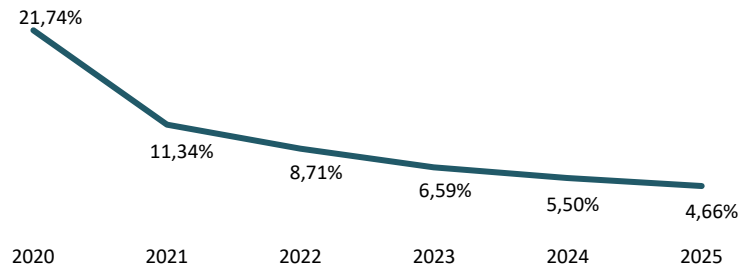
- In Portugal, an International Community Manager is key for the development and maintenance of Forall Family. Since the community will be crucial for the creation of brand awareness in the new markets, it is necessary to maintain and improve the current network of shapers and influencers.
- There will be one Community Builder assigned for each target country. They will be responsible for the promotion of Forall Phones through the universities and associations of students, with the purpose of creating a large community in the selected countries.
- These costs represent 8.88% of sales in 2020 and only 1.25% in 2025.

Additionally, all **Marketing Expenses** will be regarded as Fixed Costs. They represent the investment in Ads and Cost with Clicks:

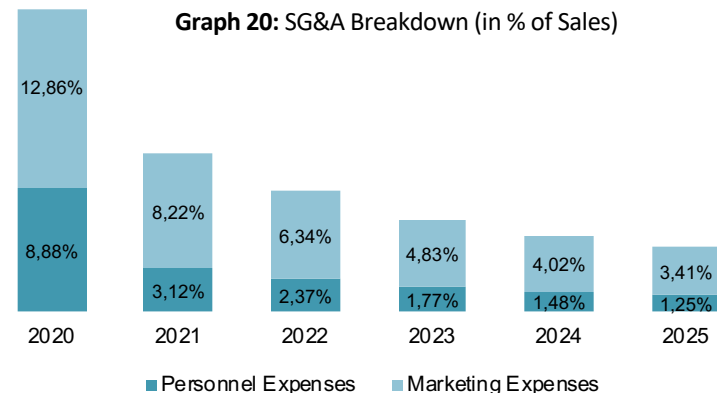
- Using the Portuguese scenario, a proxy was calculated to obtain the Total Cost with Clicks per country. The costs are higher in Sweden due to a higher Target Market Size, even though the average cost per click is lower than in Norway (€1.16 against €1.35).
- Costs with Ads encompass advertisements on Facebook, Instagram and Twitter.
- Marketing Expenses is the component that involves more costs. In 2020, it will represent 12.86% of Sales and in 2025 it drops to 3.41%. Although the costs associated with Marketing increase, its proportion in relation to Sales shrinks.

In 2020, due to a low volume of sales estimation and only half-year operations in Norway, SG&A will represent 21.74% of Sales. After that, this proportion will decrease continuously, reaching a total value of 4.66% in 2025 since Forall Phones will be able to increase its revenues in both countries and thus, the proportion of fixed costs will decrease over time.

Graph 19: SG&A (in % of Sales)



Graph 20: SG&A Breakdown (in % of Sales)



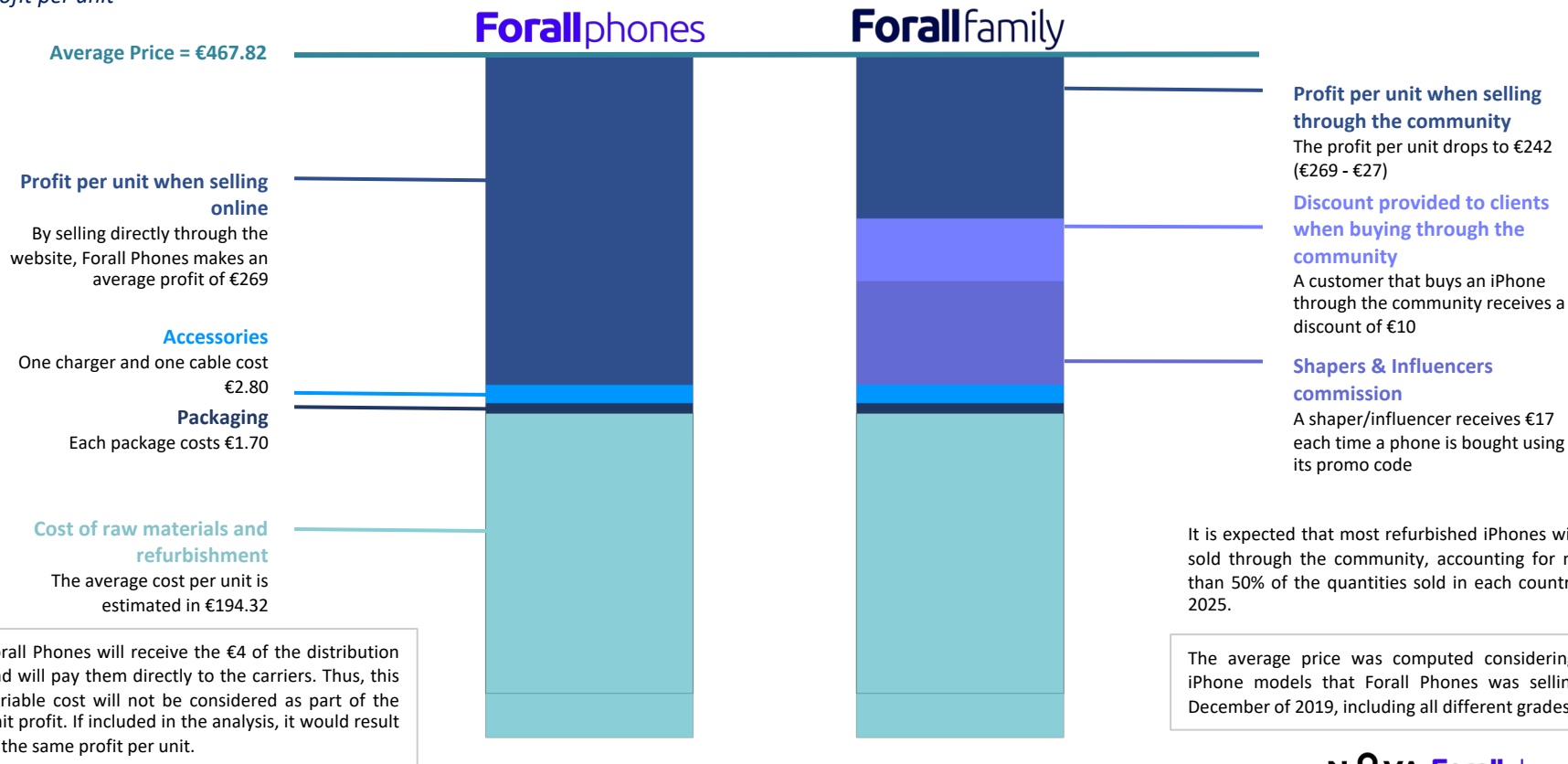
Forall Phones will be able to sell its products through its online store. Forall Family will be responsible for a large share of sales, providing a €10 discount to the consumer and a €17 payment fee to the Shaper or influencer.

8. Financial Plan

8.3. Profit per unit

Scheme 9: Profit per unit in direct sales and Forall Family

1 2 3 4 5 6 7 8 9



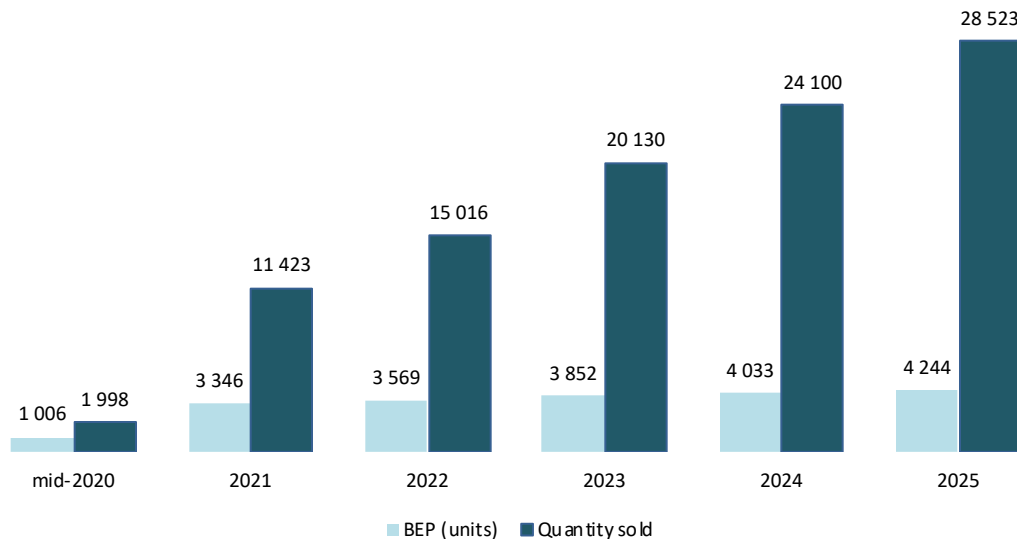
Forall Phones will be able to achieve the Break-Even Point in 2020, selling 992 units and generating €391,882.72 in revenues above the threshold. After the expansion to Sweden, the firm will sell even more units above the BEP, a target result that will increase due to higher fixed costs when entering this market.

8. Financial Plan

1 2 3 4 5 6 7 8 9

8.4. Break-Even Point

Graph 21: Break-Even Point in units



2020

In 2020, Forall Phones will reach its BEP. Despite the company will only expand to Norway in mid-2020, meaning that only half-year is considered, it will cover all fixed costs incurred in the same period.



2021

After expanding to Sweden in 2021, the firm will sell even more units above the BEP. Although Fixed Costs increase, the extra units sold offset the higher SG&A and Marketing expenses.

To calculate the Break-Even Point, the Fixed Costs, including Personnel and Marketing expenses, were considered.

- In Portugal, the cost of contracting a Community Manager was taken into consideration since it will help broaden both the Norwegian and Swedish communities.

- In Norway and Sweden, the costs associated with both Community Builders are significantly expensive, due to a higher average salary when compared to Portugal.

- In 2020, Marketing expenses will represent €101,469.61 and will increase in the upcoming years of this analysis. Marketing efforts are considered to be critical, to create brand awareness among the target segments.

Since 2020, revenues will be sufficient to offset the previously mentioned costs. In the first year of operations abroad, Forall Phones will exceed the BEP by 992 units, representing €391,882.72 above the BEP in Revenues.

Forall Phones will finance the project with Owner's Equity, since it is the best option considering the firm's current financial situation and the fact that the internationalization process must start soon. The investment needed is estimated to be €500,000, and will not be covered in 2020, where the company is expected to have accumulated cash of €47,277, a figure expected to reach €13,480,827, in 2025.

8. Financial Plan

1 2 3 4 5 6 7 8 9

8.5. Financing Plan

Financing Options

Owner's Equity

The best option for Forall Phones to finance the project is to use Owner's Equity. In the meetings with the company, it was discussed that the expansion to Norway and Sweden would be possible due to shareholders' investment, which seems to be the most viable option in terms of timing and risk.

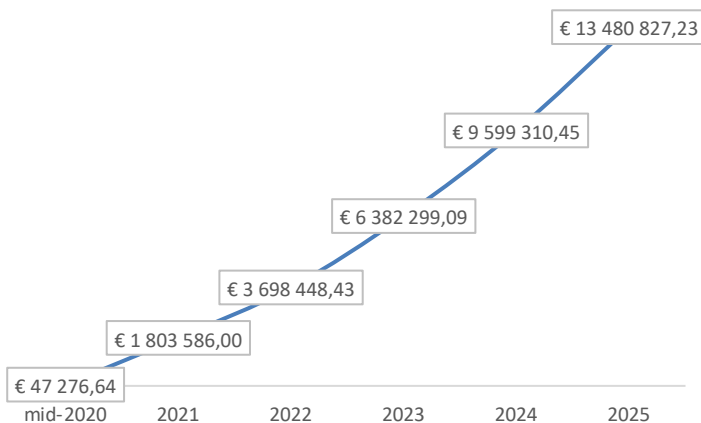
Moreover, financing with debt is too risky, since the company already obtained a loan of €500,000 from BPI in 2018, and, as demonstrated in the Company Overview, Forall Phones has low liquidity to meet its short-term obligations. Thus, with more debt, the company might face financial difficulties. Additionally, given the negative results obtained in 2018, it will be hard to obtain a loan with attractive interest rates.

The company could find new investors to finance the project. However, with the losses in 2018 due to the previous expansion to Spain, it will be unlikely to get an investment with this option. Moreover, it might take some time to find new investors, as the expansion is expected to start in the middle of 2020.



Year of expansion: Mid-2020
Expected investment need: € 500,000

Graph 22: Accumulated Cash



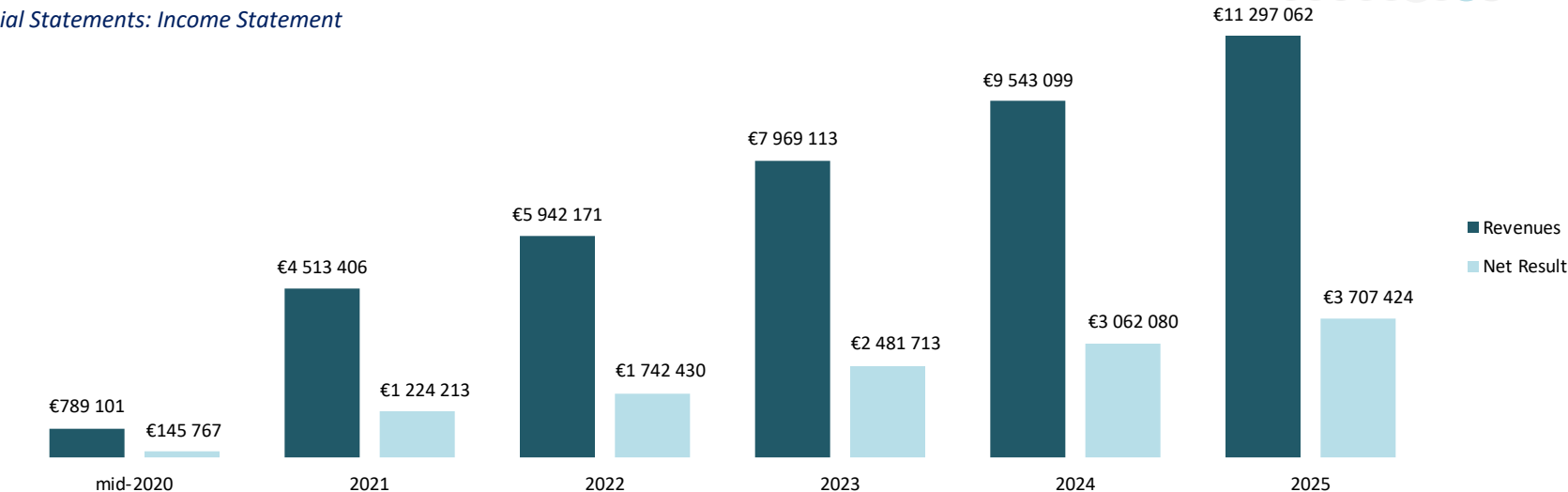
Since the second half of 2020, the expected cash at the end of the year is estimated to be positive. In the financial plan, sales are expected to be enough to cover costs, due to the high industry attractiveness in Norway. The refurbished smartphone industry in both countries is growing exponentially, with no signs of slowing down. Forall Phones can become a key player with its expertise in refurbishing iPhones, while the growth of the market results in a positive-sum game for all companies.

After expanding to Norway in 2020, Forall Phones will achieve a Net Income of €145,767 with only half-year of operations. In 2021, the potential verified in the Swedish market will contribute to an increase of 740% in Net Income. Thereafter, the expected growth of Norwegian and Swedish markets will sustain the increase in the net result over the years.

8. Financial Plan

8.6. Financial Statements: Income Statement

1 2 3 4 5 6 7 8 9



Graph 23: Profit and Losses

After internationalizing to Norway, Forall Phones will be able to achieve a Net Income of €145,767 with only half-year of operations, meaning that revenues will be sufficient to cover all expenses incurred in 2020.

In 2021, the Net Result will have an increase of 740% when compared with the previous year, resulting in an amount of €1,224,213. This difference is mainly explained by the entrance of the company in Sweden at the beginning of 2021, which indicates the potential of this market.

However, it is also important to mention that in 2021 it is considered one full year of operations in both Sweden and Norway, whereas in 2020 only half-year of operations in Norway is regarded.

The expected growth in the Norwegian and Swedish markets sustains the increase verified in Revenues along with the Net Income.

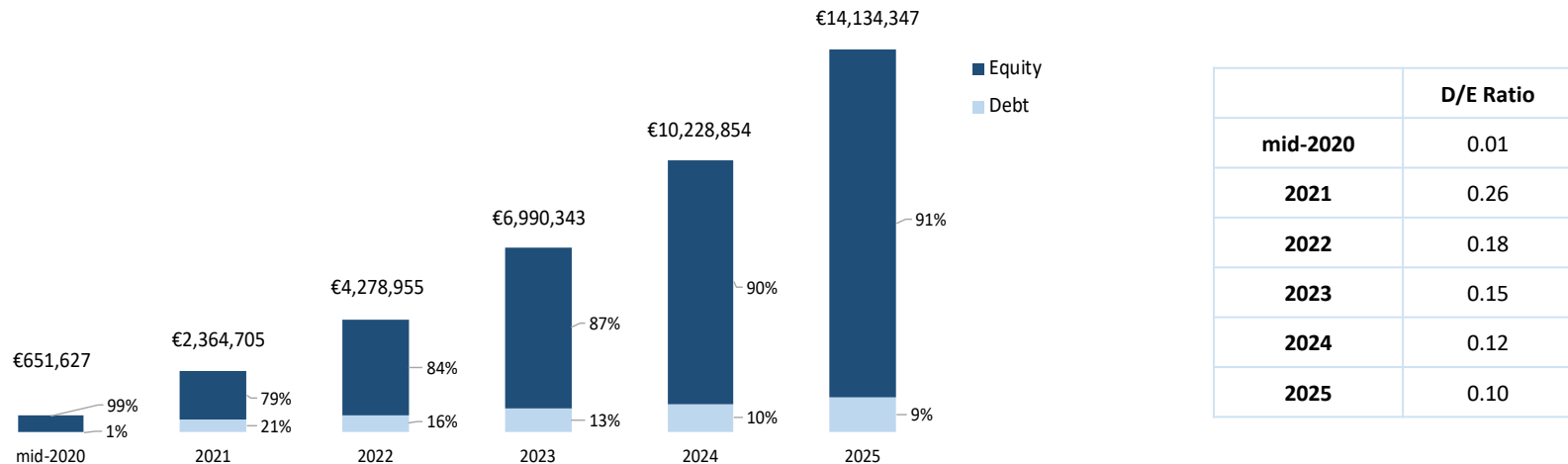
In 2025, each country will represent approximately 50% of Forall Phones Net Result, which is the same scenario for the case of revenues.

Throughout the time frame considered, Forall Phones will have its Assets financed mainly by Equity. The expansion to Sweden led to an increase in total assets of 263%, showing the effect of the new market.

8. Financial Plan

1 2 3 4 5 6 7 8 9

8.6. Financial Statements: Balance Sheet



	D/E Ratio
mid-2020	0.01
2021	0.26
2022	0.18
2023	0.15
2024	0.12
2025	0.10

Graph 24: Balance Sheet Key Takeaways

In 2025, Forall Phones will have Assets of €14M, **financed mainly by Equity**. From these Assets, 98.92% is represented by **Cash**, being the rest included in **Inventories** (0.98%) and **Clients Receivables** (0.10%).

For the same year, the firm's Debt consists of **Accounts Payables to Suppliers** (92.04%) and **State Payables** (7.96%).

Equity is constituted by the **Social Capital** invested (€500,000), the **Net Result** from each year, **Retained Earnings** and **Legal Reserves**.

The **D/E ratio** increases from 0.01 in 2020 to 0.26 in 2021, the year from which it starts to decrease. Due to the considerable high amount in Accounts Payables to Suppliers, the value of Debt increases in a higher proportion than Equity in 2021. Thereafter, the ratio starts to decrease until it reaches a value of 0.10 in 2025, which is explained by the considerable high Retained Earnings accumulated over the years. Hence, the value of Equity starts to increase at a higher rate than Debt.

The value of Assets increased by 263% between 2020 and 2021, validating the positive effect of the entrance in the Swedish market.

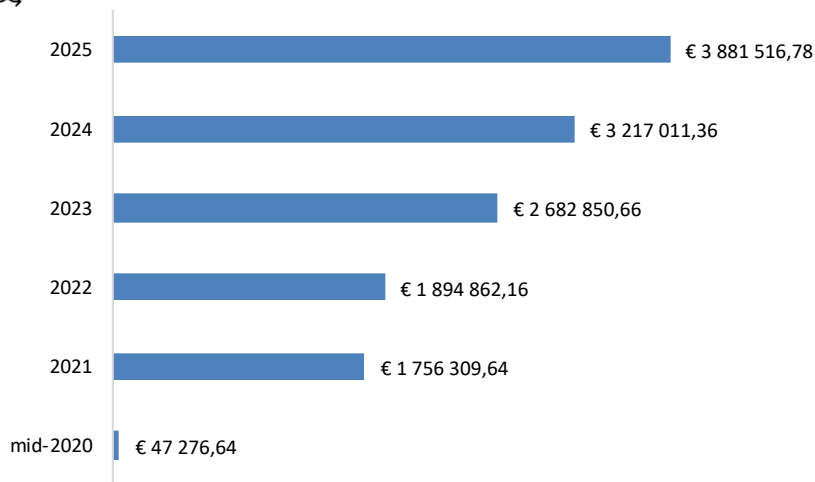
It is expected that Forall Phones will obtain positive operating cash flows from mid-2020 until 2025. The first operating cash flow is considerably smaller, which is a normal situation at the beginning of the project, while the company is starting to increase its presence abroad. However, the following operating cash flows will increase with an outstanding growth rate. Still, to compute the NPV, the first cash flow is negative since the initial investment is not recovered in the second half of 2020.

8. Financial Plan

8.6. Financial Statements: Cash Flow Statement



Graph 25: Operating Cash Flow

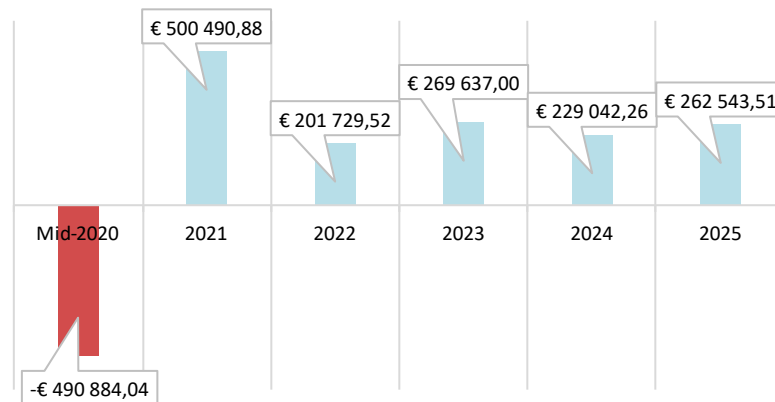


The operating cash flow considers the cash flow from the customers and the cash paid with the operating expenses.

All operating cash flows are positive, meaning it is expected that Forall Phones will have positive returns from the beginning of the project. Thus, cash received from the customers exceeds the costs of operating the business abroad. Even if the operating cash flow is not significant in mid-2020, from then and onwards will increase significantly, until it reaches the €4 million in 2025.



Graph 26: Cash Flow to compute Net Present Value (NPV)



All the cash flows were computed considering the results of the company for the period and the variation of the net working capital. The networking capital is the difference between the current operating assets and the non-interest-bearing current liability. The first cash flow is the only one which is negative since cash inflows made in mid-2020 in Norway are not sufficient to cover the initial investment of €500,000. Nevertheless, with the expansion to Sweden and the expected increase in sales in Norway, the cash flows are estimated to be positive from 2021 until 2025.

With the measures calculated, it is expected that the internationalization of Forall Phones to Norway and Sweden will be viable. Furthermore, the company will create value with the expansion project and recover the initial investment of €500,000 within 18 months.

8. Financial Plan

1 2 3 4 5 6 7 8 9

8.7. Financial Viability



NPV > 0

The NPV is the present value of the cash inflows and outflows that the firm will have until 2025.

The **NPV** for the 5 years and 6 months is **€635,639.81**.

Thus, the company should invest in this expansion project because it will have a positive return.

From this positive NPV, it can be concluded that the Internal Rate of Return (IRR) will be higher than the discount rate and that the payback period will be smaller than 5 years and 6 months.



IRR > WACC

The Internal Return Rate is the discount rate at which the NPV is zero.

The Weighted average cost of capital (WACC) is an important measure for investors since when it is high it gives a sign of the high risk of the firm's operations.

It is expected that the **IRR will be 65%**, which is higher than the **WACC of 8.59%**, meaning that the investment is profitable.



ROIC > WACC

The Return on Invested Capital (ROIC) is the net operating profit after taxes divided by the invested capital. It measures the return that Forall Phones will get by doing this investment and it is an important ratio since it reflects how efficiently the company is using its funds to generate income.

The average **ROIC** for the 5 years and 6 months is expected to be **47.82%**, which is higher than the WACC, meaning the investment will create value for Forall Phones.



Payback < 5.5

The payback period gives the amount of time necessary to recover the investment. In other words, it is the length of time the project takes to break-even.

It is estimated that the **payback period** of the internationalization to Norway and Sweden will be **1.48**. Thus, Forall Phones will recover the investment approximately **18 months after starting** to conduct the business in Norway, around **December 2021**.

The profitability ratios chosen to measure the performance of the company in the expansion were the ROA, ROE, Gross Margin and Net Profit Margin. Overall, the ratios are auspicious, with an expected ROE of 28.82% and a Net Profit Margin of 32.82%, in 2025.

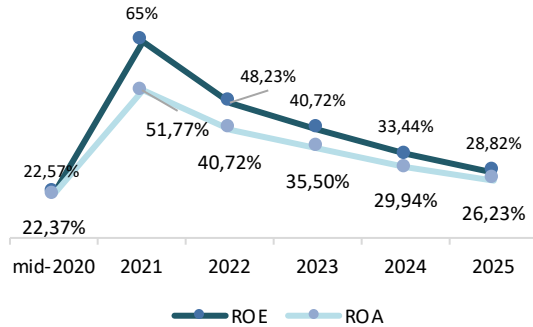
8. Financial Plan

8.8. Financial Analysis and Ratios: Profitability

1 2 3 4 5 6 7 8 9



Graph 27: ROA and ROE

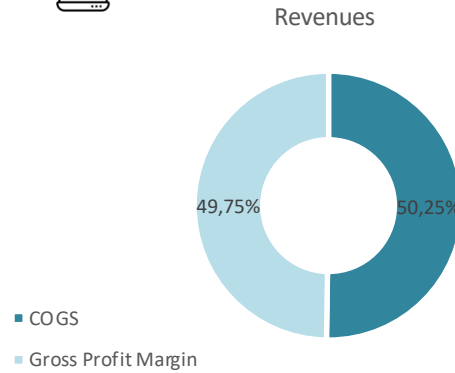


From the graph, it is understandable that the variation in the Return on Equity (ROE) is mostly explained by the variation of the Return on Assets (ROA), not by the Return on Debt (DuPont Identity Model).

During the first year and a half, the ROE and ROA are rising, due to the huge increase in the net income. From 2021 until 2025, both ratios will start to stabilize. This variation can be explained by the larger growth of the assets and equity when compared to the increase in net income, year over year.



Graph 28: Gross Margin

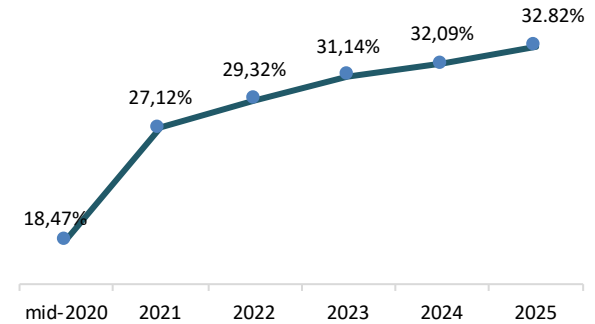


The Gross Margin of Forall Phones stays steady along the considered years, of 49.75% on average. Thus, after taking into account the cost of goods sold, approximately 50% of revenues is still available to cover the rest of the expenses (as SG&A).

This is an important measure of profitability since, with an adequate gross margin, the company can pay its operational expenses, otherwise, it would be difficult to conduct the business with a profit.



Graph 29: Net Profit Margin



The Net Profit Margin represents the percentage of revenue that can be converted into net income. For example, in 2025, it is expected that for every €1 in revenues, Forall Phones will get 33 cents in net income.

During the upcoming years, this ratio will increase since the company will be more efficient in converting revenues in profit. Forall Phones will gain know-how and operational efficiency to reduce operational costs.

From 2020 to 2025, Forall Phones will always have enough liquid assets and cash to cover its short-term obligations. The huge drop verified in the Current Ratio, Quick Ratio and Cash Ratio, between 2020 and 2021, is due to a high variation in Accounts Payable to Suppliers.

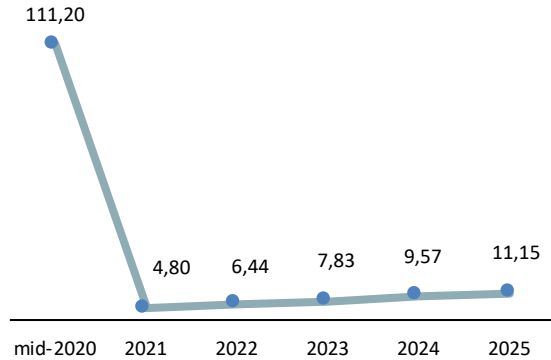
8. Financial Plan

8.8. Financial Analysis and Ratios: Liquidity

1 2 3 4 5 6 7 8 9



Graph 30: Current Ratio

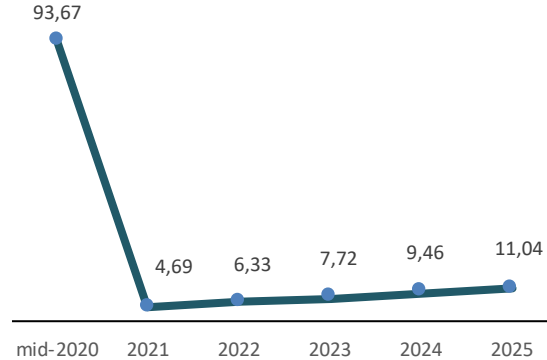


Throughout the years, the company has an average current ratio of 25.17, which means that it has enough capital on hand to meet its short-term obligations.

There is a huge decrease between 2020 and 2021 due to high Accounts Payable to Suppliers. Afterwards, it starts to increase at a slow pace as a result of a higher amount of Cash.



Graph 31: Quick Ratio

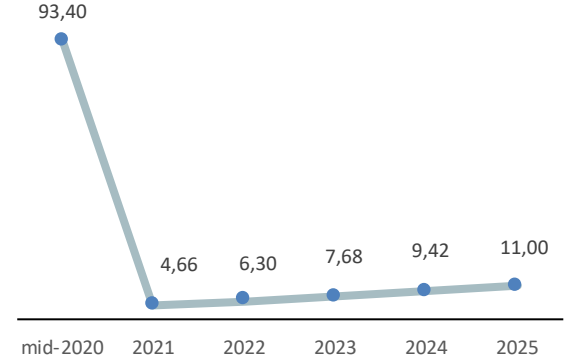


Considering all years, Forall Phones has an average quick ratio of 22.15, meaning that it has €22 of liquid assets available to cover each €1 of its current liabilities.

Given the low contribution of Inventories to the current assets, the pattern is similar to the one verified in the Current Ratio, due to the high Accounts Payable to Suppliers and an even higher amount of Cash over time.



Graph 32: Cash Ratio



In the 6-year period, the firm has an average cash ratio of 22.08, indicating that it has more cash than current liabilities.

The fact that this metric is higher than 1 for all of the years considered, means that Forall Phones has always the possibility to pay its current liabilities with cash on hand, without needing to sell or liquidate other assets.

By conducting a Sensitivity Analysis, it is possible to see the effects that price and quantity sold have on NPV. The considerably high quantities sold during the years, allow Forall Phones to increase its NPV when the unit sold increase, regardless of the variation of prices.

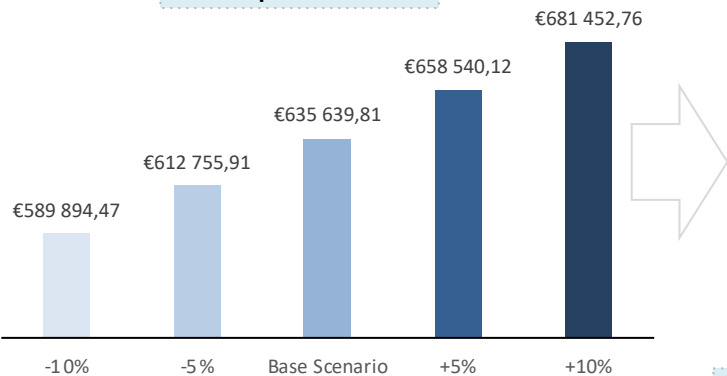
8. Financial Plan

8.9. Sensitivity Analysis

In order to understand the impact of the price's variation in three quantitative evaluation measures, a sensitivity analysis was performed. In addition, a further analysis was conducted to study the change in NPV, modifying both Price and Units

1 2 3 4 5 6 7 8 9

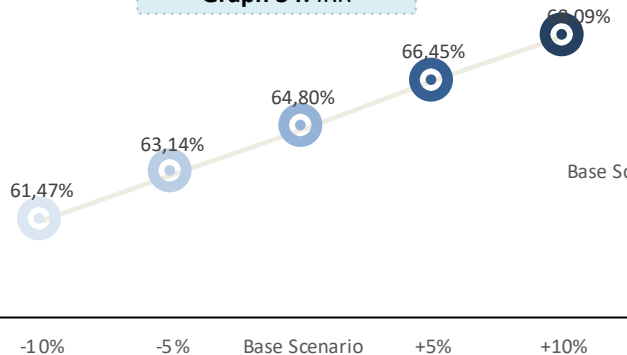
Graph 33: NPV



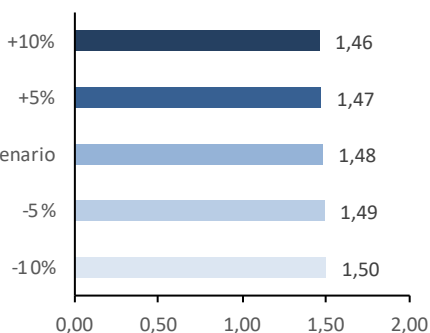
Quantity/Price	-10% variation	-5% variation	0% variation	+5% variation	+10% variation
-10% variation	€479,264.96	€499,836.00	€520,428.60	€541,036.82	€561,656.72
-5% variation	€534,579.62	€556,295.90	€578,034.18	€599,788.45	€621,554.73
0% variation	€589,894.47	€612,755.91	€635,639.81	€658,540.12	€681,452.76
+5% variation	€645,209.19	€669,215.84	€693,245.41	€717,291.76	€741,350.78
+10% variation	€700,523.94	€725,675.80	€750,851.01	€776,043.41	€801,248.81

Figure 14: Sensitivity Analysis

Graph 34: IRR



Graph 35: Payback Period (years)



- As expected, higher prices, lead to higher NPV results and IRR, and lower Payback Period. However, with a variation between -5% and 5%, the results do not change significantly since the variation in cash, that comes from the price and quantity changes, is small. This shows that the results are robust and even if the quantities sold are 5% below expected, Forall Phones will still be able to achieve good results.

- Starting with the NPV, a further analysis was performed to see the effect of changes in prices and quantities sold, where it is possible to see that when the units sold increase, either 5% or 10%, the difference in NPV is always positive, regardless the variation of prices, which is due to the considerably higher quantities sold during the 5 years and 6 months period.

- The NPV is always positive and therefore, the IRR is higher than the company's cost of capital (8.59%) for all years. The small variance in IRR across the scenarios is due to the low differences registered in NPV.

- The payback period does not change significantly considering all scenarios analyzed, which is explained by the relatively small difference in Cash Flows.

The possible risks of this internationalization project were identified, as well as its causes and possible solutions. Under a worse scenario, poor replication of the process of creating the Forall Family in the target countries is the strongest risk, as the company would lack having a sustainable competitive advantage.

9. Final Remarks



Risk Register Table

No.	Risk	Description	Causes	Suggested Response	Probability	Impact
1	Planning Failure	Understate the time necessary to start the expansion process.	Poor assessment of the time that each step will take.	In case the internationalization process plan gets delayed, try to update the calendar.	Medium	Medium
2	Insufficient internal expertise to internationalize	Forall Phones may not have the appropriate knowledge to expand its business abroad.	Lack of experience regarding international expansion.	Review the company's objectives and methods that could be improved to simplify the process.	Medium	High
3	Poor replication of the process of creating the Forall Family in the target countries	Not being able to establish a strong network of influencers and shapers in the chosen countries.	Poor assessment of the replication of the resource abroad, or the company might not be able to attract shapers and influencers to the community.	Understand what potential members of the community in the new countries demand, in order to be part of the network and align expectations.	Medium	High
4	Underestimation of the competitive environment	If the markets have a higher degree of rivalry than expected.	Lack of information about the competition and the unpredictability of the competitors' behavior.	Redesign the competitors' assessment and maximize valuable resources when facing strong competition.	Medium	High
5	Financial Risk	If the estimated initial investment is not sufficient to initiate and support the project.	Unpredictable scenarios that may affect the industry growth in the foreign markets and, therefore, influence the company's expected cash-flows.	Reevaluate and understand how long it would take to recover the investment to understand if the firm should carry the additional burden.	Low	Medium



Main Limitations

Regarding limitations, the group faced some difficulties to find accurate information about the market size of the Refurbished Smartphone Industry in the studied countries. Therefore, assumptions were made to compute the best possible estimates to conduct the analysis of the target countries. Moreover, there is no information available about the sales of Forall Phones' competitors, which would provide significant insights about the Portuguese market. For that reason, the survey conducted to 695 Portuguese individuals was used to understand the brand awareness of those companies and therefore obtain insights about the leadership of the major players in Portugal. Another significant limitation occurs when the average price of the industry is computed, since all the considered firms sell different smartphone models and only the ones available in all players can be used in order to have a term of comparison. Thus, the price is not flawless since not all iPhones that Forall Phones sells are considered. Additionally, computing an average price for the industry that comprises all the iPhone models, memories and ranks is not totally correct since different companies can sell different models more often, and the percentage of sales attributed to each iPhone is unknown. Nevertheless, the group tried to overcome this challenge by researching the industry and the preferred models to be able to create a ponderation that would reflect customer preferences.

The proposed internationalization process is expected to be a success, while providing the company with the tools, operational scale and know-how to keep expanding to other markets, allowing Forall Phones to become a global brand. The expansion of the operations to Norway and Sweden are just the first steps.

9. Final Remarks



Project Summary

Forall Phones, a Portuguese SME operating in the thriving market of refurbished smartphones **wants to expand through Europe.**

Why?

Forall Phones, a Portuguese company operating in the circular economy of refurbished smartphones, expects to have small scaling opportunities in Portugal, in the near future.

The firm has the vision of becoming a global brand and wants to expand its business internationally for Market Seeking Motives.

There is a favorable market environment in Europe, namely due to customer purchasing behavior and environmental laws, that increase this industry's attractiveness.

How can Forall Phones, a Portuguese SME operating in the thriving market of refurbished smartphones, successfully expand through Europe?

- The company should expand its business to European countries where consumers are already used to buy refurbished products and make responsible and sustainable purchases.
- To become a global brand, the best approach is to follow a country-by-country incremental internationalization strategy.
- Take advantage of e-commerce trends and forecasted sales growth as a feasible entry strategy.

1.

Recommendation

- The company's capability of building and managing a community of shapers and influencers represents a temporary competitive advantage in the home market, that can be leveraged in the selected target markets.
- Therefore, Forall Phones should quickly expand to several countries: enter Norway in 2020, using online sales as the entry mode and then, after leveraging Norwegian operations, enter Sweden in 2021, using the same business model.
- To be more competitive, it is recommended to Forall Phones to emphasize its sustainable vision by ensuring partnerships with local companies that provide biodegradable phone cases and by sending a message in every purchase with a plantable paper.

2.

Marketing Plan & Financial Viability

- In order to reach the majority of the target segments, the company has to allocate marketing efforts to establish a sustainable competitive advantage with Forall Family, a key communication channel.
- Moreover, to be sure that the marketing plan will be followed with precision by the community, the company should hire one community manager and two community builders.
- A financial statement analysis was conducted and the results obtained are promising. With an expected positive NPV and a payback period of 18 months, the expansion will create value to Forall Phones.

3.

Future Considerations

- Therefore, if either of the chosen markets are overperforming expectations, Forall Phones should assess the possibility to increase market commitment by broadening the entry strategy.
- Study the possibility of entering Denmark, which is an attractive country given the company's operations in nations sharing cultural and geographic proximity.
- If the Nordic markets prove to be attractive and growing at a fast rate, Forall Phones can take advantage of Sweden's position to establish a distribution center for the three countries.

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