

LIBELINHA D'ÊXITO EXPANSION PLAN

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Index

| | |
|---|-----|
| Table Index | III |
| Figure Index | IV |
| Acknowledgement | V |
| Abstract | VI |
| Sumário | VII |
| 1. Introduction | 1 |
| 2. Literature Review | 2 |
| 2.1 SME..... | 2 |
| 2.1.1 SMEs: Three Categories | 3 |
| 2.1.2 Influences on SMEs | 4 |
| 2.1.3 SME Access to Finance/Credit | 5 |
| 2.2 Marketing-Mix and Ansoff Matrix | 7 |
| 2.3 Business Strategy | 8 |
| 3. Reference Board | 11 |
| 4. Methodology..... | 12 |
| 5. Context & Expected results | 13 |
| 6. Market Analysis..... | 14 |
| 6.1 Economic and Insurance Overview..... | 14 |
| 6.1.1 Macroeconomics Overview | 14 |
| 6.1.2 Overview Portuguese Insurance Market and Economy..... | 22 |
| 6.1.3 Insurance Mediation Market | 28 |
| 6.2 Competition..... | 32 |
| 6.3 Opportunities..... | 33 |
| 6.4 Threats..... | 34 |
| 7. Internal Analysis..... | 34 |
| 7.1 Strengths..... | 34 |
| 7.2 Weaknesses | 35 |
| 8. Competitive Analysis | 35 |
| 8.1 Ansoff Matrix..... | 35 |
| 8.2 SWOT..... | 36 |
| 8.3 Dynamic SWOT..... | 37 |
| 9. Strategy & Objectives..... | 38 |
| 9.1 Mission, vision and Values | 38 |

Libelinha D'Êxito Expansion Plan

| | | |
|--------|---|----|
| 9.1.1 | Mission..... | 38 |
| 9.1.2 | Vision..... | 38 |
| 9.1.3 | Values | 38 |
| 9.2 | Objectives..... | 39 |
| 10. | Implementation Policiy Definition | 39 |
| 10.1 | Marketing-Mix | 39 |
| 10.1.1 | Product | 39 |
| 10.1.2 | Price | 40 |
| 10.1.3 | Place..... | 42 |
| 10.1.4 | Promotion..... | 42 |
| 10.1.5 | People..... | 43 |
| 10.1.6 | Processes | 44 |
| 10.1.7 | Physical Evidence | 45 |
| 11. | The Financial Plan | 45 |
| 11.1 | Assumptions..... | 45 |
| 11.2 | Sales & Revenues..... | 46 |
| 11.3 | External Services and Supplies (ESS)..... | 46 |
| 11.4 | Staff | 48 |
| 11.5 | Working Capital | 49 |
| 11.6 | Investment | 49 |
| 11.7 | Income Statement..... | 50 |
| 11.8 | Operating Cash Flow..... | 50 |
| 11.9 | Source of Funds..... | 51 |
| 11.10 | Balance Sheet | 51 |
| 11.11 | Project Ratios..... | 52 |
| 11.12 | Project Evaluation..... | 53 |
| 12. | Conclusion | 54 |
| 13. | Bibliography | 55 |
| 14. | Annexes..... | 57 |

Table Index

| | |
|--|----|
| Table 1 Adapted from Annual Report on European SMEs, 2016 | 2 |
| Table 2: SMEs: Three Categories, Source: (European Commission, 2015)..... | 4 |
| Table 3: Adapted from (World Bank, 2014)..... | 7 |
| Table 4: Insurance Market 2016 indicators, Source: ASF..... | 24 |
| Table 5: Number of Mediators by Remuneration, Source: ASF | 30 |
| Table 6: Ansoff Matrix 9 Boxes, Source: (Ansoff, 1965) | 36 |
| Table 7: Insurance Categories..... | 40 |
| Table 8: Variables that influence price by Insurance Category (Own Elaboration)..... | 41 |
| Table 9: Variables that influence price of Life Insurance (Own Elaboration) | 42 |
| Table 10: Expected Human Resources | 44 |
| Table 11: General Assumptions..... | 46 |
| Table 12: Sales & Revenues | 46 |
| Table 13: External Services Supplies | 47 |
| Table 14: Staff..... | 48 |
| Table 15: Commission & Objective of the Staff | 48 |
| Table 16: Social Security & IRS..... | 48 |
| Table 17: Working Capital..... | 49 |
| Table 18: Social Security & IRS by month | 49 |
| Table 19: Investment..... | 49 |
| Table 20: Accumulated Investment | 49 |
| Table 21: Income Statement | 50 |
| Table 22: Operating Cash Flow | 50 |
| Table 23: Source of Funds | 51 |
| Table 24: Balance Sheet..... | 51 |
| Table 25: Project Ratios..... | 52 |
| Table 26: Project Perspective..... | 53 |
| Table 27: NPV, IRR & Payback Project Perspective | 53 |
| Table 28: Investor Perspective..... | 53 |
| Table 29: NPV, IRR & Payback Investor Perspective | 54 |

Figure Index

| | |
|--|----|
| Figure 1: Influences on SMEs (Own Elaboration); Source: (Levy and Powell, 2005). | 4 |
| Figure 2: Reference Board, Own Elaboration..... | 11 |
| Figure 3: IMF forecasts of world GDP growth vs actual growth, 2011 to 2016, Source: IMF | 14 |
| Figure 4: Real GDP growth, inflation and interest rates in select regions, 2015 to 2018F, Source: Swiss Re..... | 15 |
| Figure 5: Real growth of direct premiums written in non-life insurance Source: Swiss Re ... | 15 |
| Figure 6: In-Force real premium income growth for life insurance Source: Swiss Re | 16 |
| Figure 7: World Insurance Structure (Own Elaboration), Source: Swiss Re | 17 |
| Figure 8: EU Market Share by country (Own elaboration), Source: ASF..... | 22 |
| Figure 9: Risk Premium on Portugal debt, Source: Financial Times | 23 |
| Figure 10: Portfolio Structure in Portugal (Own Elaboration), Source: ASF..... | 24 |
| Figure 11: Market Share of Life Insurers, Source: ASF..... | 25 |
| Figure 12: Market Share of Non-Life Insurers, Source: ASF..... | 26 |
| Figure 13: Non-Life Insurance Structure in Portugal (Own Elaboration), Source: ASF..... | 27 |
| Figure 14: Insurance Mediators Geographic Dispersion in Portugal, Source: ASF | 29 |
| Figure 15: Distribution Channels of Life Insurance (Own Elaboration), Source: ASF..... | 31 |
| Figure 16: Distribution Channels of Non-Life Insurance (Own Elaboration), Source: ASF .. | 31 |
| Figure 17: SWOT Analysis..... | 36 |
| Figure 18: Dynamic SWOT Analysis | 37 |

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Abstract

To run a successful business it is necessary the strength, strong analytics and the most passionate management team that believes in the project, in order to find the best opportunities and explore new markets. Gathering a set of specific soft skills mixed with an expertise with the right know-how, the entrepreneur can achieve success and endure their businesses.

This study intends to analyse how can a Small business named *Libelinha D'Exito* create a new efficient and successful strategy. More specifically, the pursue of an expansion to the Lisbon market, based on a study of their opportunities and threats to *Libelinha*, the relevant strengths and weaknesses and more importantly the formulation and implementation for integration in a highly competitive environment that lead us to a solid and profitable business expansion.

Key words: Business Strategy, SME, Expansion, Insurance, Portugal

Sumário

De modo a gerir um negócio bem sucedido tem que se ter a força, boa capacidade de análise e uma equipa comprometida com o sucesso do projecto para encontrar as melhores oportunidades e explorar novos mercados. Com as *soft skills* certas à mistura com a perícia no *know-how* do negócio, o empreendedor consegue atingir o sucesso e solidificar o seu negócio.

Este estudo tem o objectivo de analisar como um pequeno negócio chamado *Libelinha D'Éxito* consegue criar uma nova eficiente e bem sucedida estratégia de negócio. Especificamente, a busca de uma expansão para o mercado Lisboa, baseado num estudo das suas oportunidades e ameaças para a *Libelinha*, os mais relevantes pontos fortes e fracos e mais importante a formulação e implementação da integração num ambiente altamente competitivo que vai levar a uma estratégia de negócio mais sólida e lucrativa.

Palavras-Chave: Estratégia de Negócio, PME, Expansão, Seguros, Portugal

1. Introduction

“Telephones, hotels, insurance – it’s all the same. If you know the numbers inside out, you know the company inside out” – Harold Sydney Geneen, Chariman of ITT, 1959-78, and instigator of 275 company takeovers

Since the beginning of humanity our aim has always been to be better and have more, to expand for new locations, to have power, to own more lands, to expand kingdoms and empires. Nowadays the principle isn't different, most of entrepreneurs love to see their enterprise growing, some faster than others but the human nature is to expand everything, as we can see in the global economy, the brands that expanded all over the world, other companies that are expanding at an amazing pace, some starting from scratch and thinking about expansion in the future. Even tough, in small businesses the owners need the courage to take the risks concerning an expansion.

A planned business expansion is essentially the same as starting a business from the beginning apart from an existing structure that can support important administrative processes even if they must be expanded but in the practical way the entrepreneur has to think about the same financial, planning and business skills as were necessary to found the original business. Creating this mind-set, this project has the purpose to design and implement an expansion strategy in a family business with the brand name of *Libelinha*. Through the understanding of the main strengths and market opportunities for the enterprise, the aim is to create a new location for the structure with the purpose to have more profit and stability.

Family business is the most prevalent and pervasive form of business through all of history, yet only recently has the world begun to recognize the importance and distinctiveness of the family-controlled firm. (Kenyon-Rouvinez and Ward, 2005).

Understanding this statement, the best type of companies to explore and implement any strategy is a family business, it gives purpose in the mid-long term to pass a business for the next generations and the top management is more passionate in the development of a new project, which makes the employers believe and emerge in the company vision and mission.

In essence, I decided to create a project concerning a strategic expansion in a family business to better understand the structure, advantages, inconveniences and how can be used the capabilities of the core business to increase the viability of this project.

2. Literature Review

2.1 SME

“Jobs, growth and investment will only return to Europe if we create the right regulatory environment and promote a climate of entrepreneurship and job creation. We must not stifle innovation and competitiveness with too prescriptive and too detailed regulations, particularly when it comes to small and medium-sized enterprises (SMEs). SMEs are the backbone of our economy, creating more than 85 % of new jobs in Europe and we have to free them from burdensome regulation.” Jean-Claude Juncker, President of the European Commission

SMEs are the engine of the European economy. They drive job creation and economic growth and ensure social stability. In 2013, over 21 million SMEs provided 88.8 million jobs throughout the EU. Nine out of every 10 enterprises is an SME, and SMEs generate two out of every three jobs. SMEs also stimulate an entrepreneurial spirit and innovation throughout the EU and are thus crucial for fostering competitiveness and employment (Commission, 2015). The SMEs, tend to be thought of as a homogeneous group, especially by governments. However, this hides the great differences in size, structure and purpose that pertain in the sector. Defining the SME sector, and particularly small businesses, is fairly difficult, as there are differences in what is appropriate to describe as “small” in different industries (Burns 2001, Storey 1994). The main criteria that predominate to define the SMEs sector are the number of employees, turnover and the balance sheet total (Burns, 2001).

| Company Category | Employees | Turnover | Balance Sheet Total |
|------------------|-----------|---------------|---------------------|
| Micro | < 10 | < 2€ million | < 2€ million |
| Small | < 50 | < 10€ million | < 10€ million |
| Medium-Sized | < 250 | < 50€ million | < 43€ million |

Table 1 Adapted from Annual Report on European SMEs, 2016

SMEs play a valuable role in job creation and make significant contributions to economic growth in developed and developing economies (World Bank, 2014). In any period, small business growth and profitability will depend on the firm’s operating environment, its initial market position and its choice of business strategy (Roper, 1999). At the earlier stages, management capabilities are crucial to survival. As the firm matures, human resource and innovation strategies increase in importance. By the time the firm has become established,

innovation is crucial for growth. The fastest growing entrants are those that translate strategy into action in the form of R&D, innovation and training, put great emphasis on hiring skilled employees and motivating employees, and balance the enhancement of their capabilities in different areas (OECD, 1998). Moreira (2009) tell us that SME have different characteristics compared to larger companies, presenting some advantages, since they are organizations with light structures that are more easily adaptable to adverse economic and social conditions, which in case of need, they can easily change and adapt business restructuring or strategy, as well as greater agility (considering their scarce financial resources), in search of business opportunities and exploring markets that are not attractive to large companies. SMEs often must also overcome structural barriers such as a lack of management and technical skills, rigidities in labour markets and a limited knowledge of opportunities for international expansion (Commission, 2015). However, the literature presents more disadvantages than advantages associated with this size of companies, and Moreira (2009) points out that the disadvantages of SMEs are the difficulty of access to finance and the devaluation of strategic planning and management functions. Another disadvantage associated with its size is the difficulty in taking advantage of economies of scale and experience which hinders competition with larger firms in the international markets. The factors that affect small business growth and the ways in which those factors interact are quite varied in nature, thus cohesive and comprehensive empirical studies on the subject are difficult to conduct and the resulting literature remains rather fragmented. It is usually possible to draw inferences that explain certain context-specific aspects of small firm growth, but in the final analysis, an objective, comprehensive and predictive model of small firm growth appears to be beyond the reach of small business commentators with the result that they quite commonly make academically or logistically pragmatic choices about the use and interpretation of data on small firm growth (Fadahunsi, 2012). Thus, existing literature has little to offer concerning how the business growth model that medium-sized SMEs have adopted in the transformation to becoming Multinational Companies. Existing literature is based around well-established theories and concepts of the formation of new firms and the behaviour of small firms, structure and behaviour of Multinational Companies. (Li and Tan, 2004).

2.1.1 SMEs: Three Categories

The SME Definition distinguishes between three different categories of enterprises. Each category corresponds to a type of relationship that an enterprise could have with another. This distinction is necessary in order to establish a clear picture of an enterprise's economic situation and to exclude those that are not genuine SMEs (European commission, 2015).

| SMEs: Three Categories | |
|------------------------|---|
| Autonomous | If the enterprise is either completely independent or has one or more minority partnerships (each less than 25 %) with other enterprises. |
| Partner | If holdings with other enterprises rise to at least 25 % but no more than 50 %, the relationship is deemed to be between partner enterprises. |
| Linked | If holdings with other enterprises exceed the 50 % threshold, these are considered linked enterprises. |

Table 2: SMEs: Three Categories, Source: (European Commission, 2015)

2.1.2 Influences on SMEs

There are five key influences on small business: Market, independence, personal influences, flexibility and innovation (Levy and Powell, 2005).

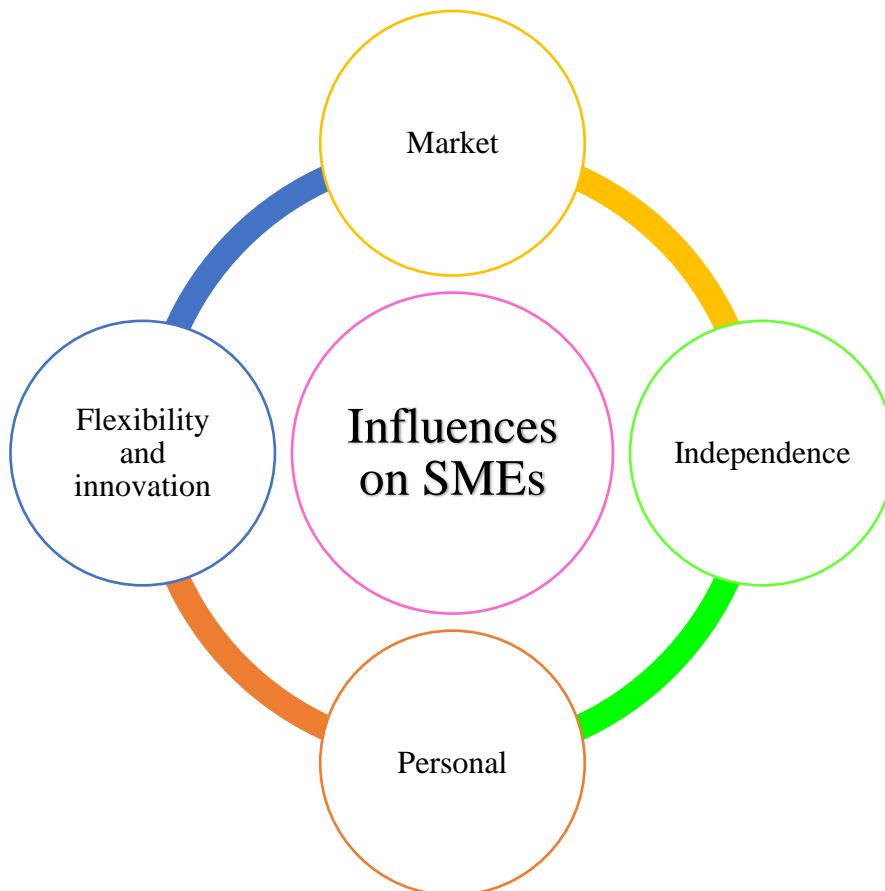


Figure 1: Influences on SMEs (Own Elaboration); adapted from (Levy and Powell, 2005).

Market: The competitive environment in which the SME operates affects the chance of survival (Storey and Cressy, 1995). Market uncertainty is high in most SMEs as they tend to have a smaller share of the market, to have one or two major customers and are hence less able to influence price (Levy and Powell, 2005). SMEs often face market failures that make the environment in which they operate and compete with other players more challenging. Market failures may occur in areas such as finance (especially venture capital), research, innovation or environmental regulations; SMEs may be unable to access finance or invest in research and innovation or they may lack the resources to comply with environmental regulations (European commission, 2015).

Independence: Independence means that SMEs are not beholden to a larger firm for financing or decision-making. This is thought to be somewhat controversial by Burns (2001) who argues that the attitude of the owner or general manager may have considerable influence over the behaviour of the firm (Levy and Powell, 2005).

Personal: The management of the small firm is personified by the owner and their attitude to business (Levy and Powell, 2005).

Flexibility and innovation: SMEs are thought to be flexible and innovative organizations that are able to respond quickly to customer and market demands. Flexibility, the ability to adapt to changing circumstances, is a key characteristic of ability to adapt to changing circumstances, is a key characteristic of SMEs (Levy and Powell, 2005).

2.1.3 SME Access to Finance/Credit

SMEs typically face more severe constraints to growth than do large companies. Though the constraints are many, limited access to finance and the cost of credit are typically identified in SME surveys among the most important ones (World Bank, 2014). SMEs are less likely to be able to secure bank loans than large firms; instead, they rely on internal or “personal” funds to launch and initially run their enterprises (Bell, 2015). Younger, smaller firms are more likely to be discouraged from applying for debt, which is consistent with the long evidenced difficulty of firms with this profile accessing investment finance (Bhaird, Vidal and Lucey, 2016). Access to and use of financial resources are critical factors affecting the ability of small businesses to implement growth opportunities, a key issue for most business owners centers on the decision to seek external finance which may open up financial resources but dilute ownership

(Fadahunsi, 2012). Limited demand for finance by SMEs in weak and uncertain business environments can also be considered as a key obstacle to growth (Nassr and Wehinger, 2016). Some of the obstacles to SME financing are associated precisely to their own nature as smaller companies. This includes factors such as lack of critical economic size, and the somewhat informal and generally less sophisticated management of SMEs (World Bank, 2014). Financial and business factors have a real and significant effect in increasing discouragement, with a consequent dampening effect on investment, and also leading to a heightened perception that banks are unwilling to advance finance (Bhaird, Vidal and Lucey, 2016). (Bell, 2015) tell us that around fifty percent of formal SMEs don't have access to formal credit. The financing gap is even larger when micro and informal enterprises are taken into account. Given the relative scarcity of funds, it is important to reserve the advantages of SME support programmes for genuine SMEs (European commission, 2015).

Basically, exists two types of financing a business which are Internal financing and External financing:

- The basic internal financing sources are the retained or undistributed profits from the business obtained in previous years and fresh capital injections by the owner(s) of the SME. (World Bank, 2014)
- External financing can be provided by financial institutions, suppliers and other types of creditors (World Bank, 2014). the main external financers of SMEs can be broadly classified into financial institutions and non-financial creditors. In many countries, governments also act as direct creditors of SMEs, for example through programs to support financially enterprises in the start-up phase or programs that focus on financing enterprises owned by women. (World Bank, 2014). In table 2 we can see all types of external financing for SMEs.

| Direct Providers of financing facilities to SMEs | | Other institutions providing services that support financing to SMEs | |
|--|---|--|---|
| Main Players | Financial Institutions | Non-Financial Institutions | Credit insurers, Credit Rating Agencies, Banks and some Governments acting as Guarantors, CRSPs |
| | Banks, Leasing companies | Business suppliers, Some Governments | |
| Main Products | Outright loans, cash advance-type products, leasing, credit cards for small expense financing | Trade Credit in the case of business suppliers. Outright loans in the case of governments. | Credit Insurance, Credit Ratings, Credit Guarantees, Credit Reports |
| Typical Length of Financing | Short-term, except for some loans or leases for capital expenditures | Short-term | Not applicable. |

Table 3: Adapted from (World Bank, 2014)

The banking sector also has a significant impact on borrower discouragement, which may be structural (concentration of the banking sector) or financial (recovery of credit under bankruptcy). We find less borrower discouragement in more concentrated banking sectors, which, in the absence of complete information, may be an efficient credit allocation mechanism (Bhaird, Vidal and Lucey, 2016).

2.2 Marketing-Mix and Ansoff Matrix

“Creativity is intelligence having fun.” – Albert Einstein

The marketing mix as different authors have put, refers to the factors that need to be out into consideration by marketers whenever they plan on introducing new products or services into the market (Gaspirini R, 2017). The marketing mix helps the marketers to define the marketing options that are available in terms of product, promotion, price and place so that the products can meet the demands and the needs of respective consumers (Mintz and Currim, 2013). A lot of hard work is usually put into investigating what consumers want and where they prefer to do their shopping (Smirnova, 2017). After carrying out research on the consumer behavior, then the company can make decisions on how to design consumer-specific products and determining the price that represents the value of the product or service to the consumers. Insurance companies also need this type of marketing strategy because they deal with uncertainties and risks. (Azzadina et al, 2012). The risks involved in these institutions are mainly financial losses

and thus it needs proper strategies to sell insurance products to their potential consumers. In the present economy, insurance companies take a lead as a pathway towards economic growth (Medrano et al, 2016). The products of these companies are the services they offer which need to be continuously updated and innovative. They have a huge demand for their products and thus, have to convey their products well in order to meet customer satisfaction. With this, they need the right marketing mix to ensure a steady growth for their companies (Medrano et al, 2016).

Another strategy that can be implemented to grow companies is the Ansoff matrix model. This strategy is a two by two matrix model that evaluates the expansion potential of a company. The model focuses on the new products or the current ones and the new or existing markets. The model talks about market penetration tactics with the existing products so as to grow the market base (Ferrell et a, 2012). This model also talks about developing new products or improving the existing products so as to widen the scope of their target markets. The correct application of this strategy can help a company to expand and reach their projected objectives as an enterprise. This strategy has been in use in many companies and has obtained positive reviews (Taylor, 2012).

2.3 Business Strategy

“No company ever stops changing...Each new generation must meet changes – in the automotive market, in the general administration of the enterprise, and in the involvement of the corporation in a changing world. The work of creating goes on” – Alfred P. Sloan JR., President of general Motors 1923-37, Chairman 1937-56

Business Strategy can also be called competitive strategy. Porter (1996) Tell us that business strategy is about *“being different”*. Although, Hofer and Schendel (1978) stated that business strategies consist of three interrelated sub strategies (investment, competitive, political) modern literature is more concerning of competitive strategy which highlights the positioning a firm within in an industry or market. McFarland (2008) say that Business strategy is the outcome of decisions made to guide an organization with respect to environment, structure and processes that influence its organizational performance. Grant (2010) tell us Business strategy is concerned with how the firm competes within a particular industry or market. Wheelen and Hunger (2012) argues that business strategy focuses on improving the competitive position of a company's or business unit's products or services within the specific industry or market

segment that the company or business unit serves. Business Strategy is the plans, choices and decisions used to guide a company to greater profitability and success (Kourdi, 2009).

Independently of which definition business strategy is related to, if we start from basics, the purpose of strategy is to achieve certain goals. For the firm, the basic goal is to survive and prosper (Grant, 2010). Success and profitability, Survive and prosper, competitive advantage, all studies states that business strategy is important to increase profits and win in any competitive industry or market. As Wheelen and Hunger (2012) tell us that Business strategy is extremely important because research shows that business unit effects have double the impact on overall company performance than do either corporate or industry effects. Being one of the most important type of strategies, this provides a guiding view of the future that influences employees' decisions, priorities and ways of working because people like to do a work that is meaningful to them and that has a purpose and strategy should provide that meaning and purpose. Those responsible for setting a business's strategy often lose sight of the intangible and valuable contribution it can make to employees' commitment, engagement, productivity and creativity (Kourdi, 2009). An effective strategy maximizes the efforts of people within the organization. If they understand the strategy, it is much easier to increase the efforts of them and they are able to apply it to the various decisions. The best way to understand and embrace the strategy for people is to involve the people in creating the strategy McFarland (2008). Wheelen and Hunger, (2012) argues that business strategy can be competitive which is battling against all competitors for advantage and/or cooperative, working with one or more companies to gain advantage against other competitors.

Developing and implementing strategy strengthens a business in another important way. It makes sure that resources are devoted to the most important customers in order to retain their loyalty and get them to buy even more of the company's products or services (Kourdi, 2009). If the firm is to prosper within an industry, it must establish a competitive advantage over its rivals. Hence, this area of strategy is also referred to as competitive strategy (Grant, 2010).

Kourdi (2009) also tells that the development of strategy involves making decisions about:

- Who to target as customers (and who to avoid targeting).
- What products or services to offer.
- How to undertake related activities efficiently.

3. Reference Board

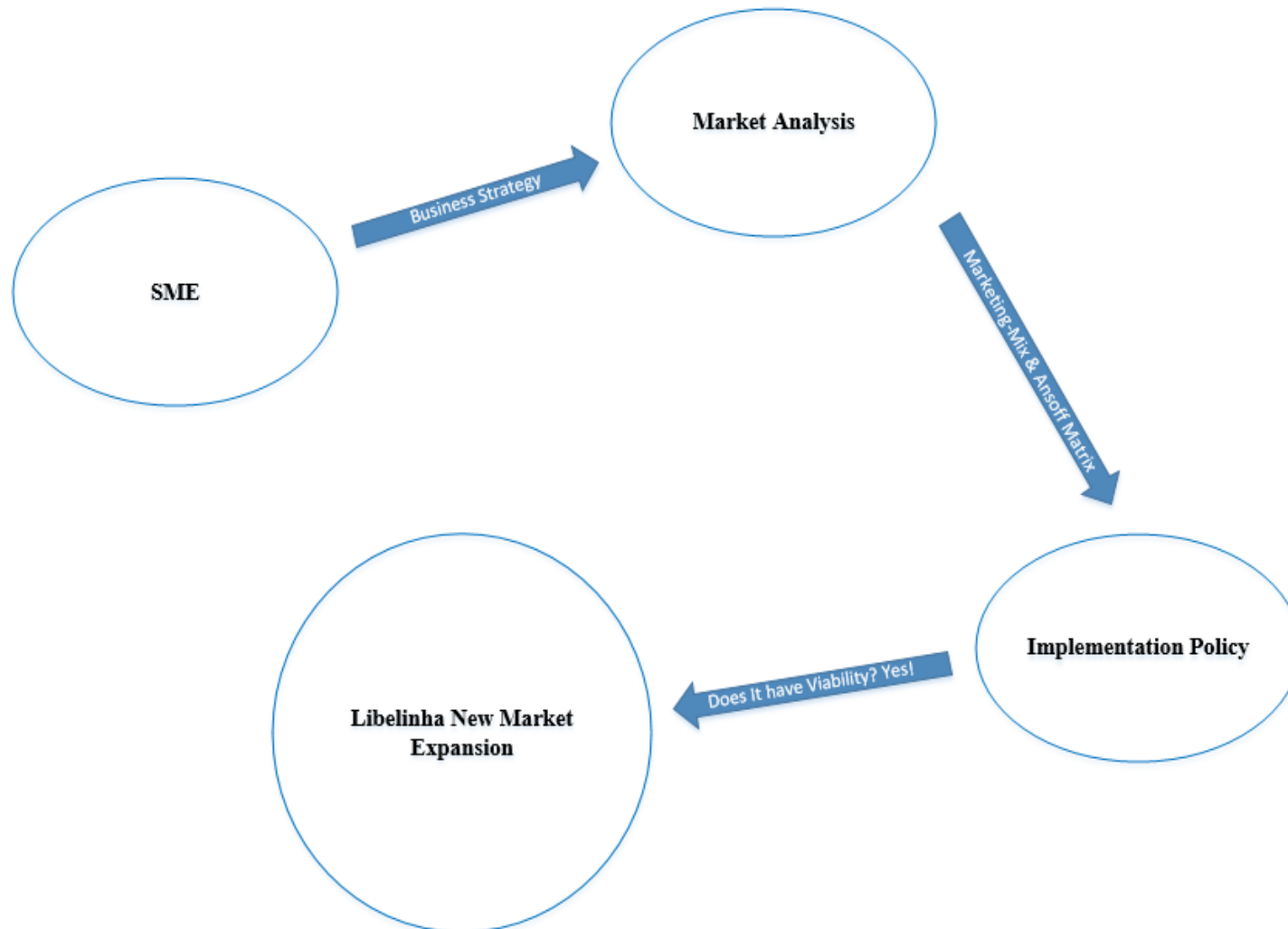


Figure 2: Reference Board, Own Elaboration

4. Methodology

The methodological section of any research is the instrumental part of the thesis project, with the aim of providing a clear view of the research format. The choice of methodology becomes important in order to increase the validity and reliability of the project and in order to develop a complete and relevant project, it is necessary to obtain information and organize them in a way that is pleasing to the reader. (Neves, P. and Guerra, R., 2015).

Reading this quote, we can understand that an organized, detailed and objective methodology is essential to be valid and perceptible for the reader, in order to create that effect is fundamental to divide it in phases. So, this study will have three different steps to pursue the best and efficient way to solve the problem in question.

Problem: How to increase profit and network through exploration of other markets, in this case, Lisbon market.

1st Step: Analyse the main strengths of business and opportunities presented in the market and understand what the clients want.

2nd Step: After understanding the necessities of the client portfolio and pointing the strengths of the company, the objective is to think the best approach in order to expand the company into a new market.

3rd Step: Development of the project viability, identifying the main capabilities, resources, human capital and structural capital of the core business that we need, idealizing possible partnerships if it's the case.

Dissertations can be based on either quantitative or qualitative data, or on a combination of both. How you choose this, may depend on your preferences and abilities, and the suitability of particular approaches to your topic. (Socscidiss.bham.ac.uk, 2016)

5. Context & Expected results

Libelinha was created in February of 2017 which was the transition of a sole proprietorship (CJSeguros) into a limited company with three shareholders. The structure of CJSeguros, now *Libelinha D'Éxito* was created in September of 2015 with a client portfolio which generated around 45.000€/year. By January of 2017 had around 180.000€/year which means, it had a growth of ~300% in a period of 1.5 year of activity.

Starting with one office in Faro and expanding to Quarteira and Guia, covering most of Algarve through its offices and agents strategically scattered throughout the territory, *Libelinha* is one of the top enterprises in insurance mediation with a solid structure and a brand recognizable by the people and SME based in Algarve. Now it's time to expand the business in which I expect during this project to understand and implement a sustainable new expansionary strategy, to the Lisbon market with the purpose of increase growth and profitability in the main core business of the company.

In essence, the results that I intent to achieve with this project are:

- Identify the main capabilities, resources and strengths of the company that can be used in the new strategic plan in study.
- Elaborate and implement a strategic plan of a new sustainable product or service with the purpose to increase the growth of the group, minimize the market risk exposure and increase the competitive advantage.
- Develop a viable and autonomous financial structure.
- Adapt the currently strategic and marketing planning for the new market.

To better understand what this project is after, I created some questions that will help perceive if the strategy is pertinent; what capabilities and strategic assets can be used to improve the performance of the entry in the new market? Will the new business rapidly become a market leader? What will be the growth for the group gain by creating the new location? Is the company capable of manage different locations?

6. Market Analysis

The survival of the enterprises depends on their capabilities to follow the permanent evolution of the markets which generates multiple opportunities and potential threats.

To define realistic objectives and the best strategy for the organization, it is essential to know the characteristics of the surroundings where the company and the business are operating, thus doing a market analysis.

6.1 Economic and Insurance Overview

6.1.1 Macroeconomics Overview

In 2011, the IMF forecast world GDP growth in 2015 was expected to be about 4.7%. In 2015, the outcome was actually 3.1%, so, where has all the growth gone? For vary reasons, first, the productivity growth in the advanced economies has been surprisingly weak, this is due a deceleration in the global trade (trade tends to increase efficiency and competition) and as result of low levels of private and public investment since the global financial crisis. Second, the commodity boom period in the decade prior to the financial crisis created expectations of stronger emerging market growth than could be sustained. Third, international trade growth has slowed, as globalization and trade penetration seem to have reached a limit and are no longer supporting economic growth as they did previously.

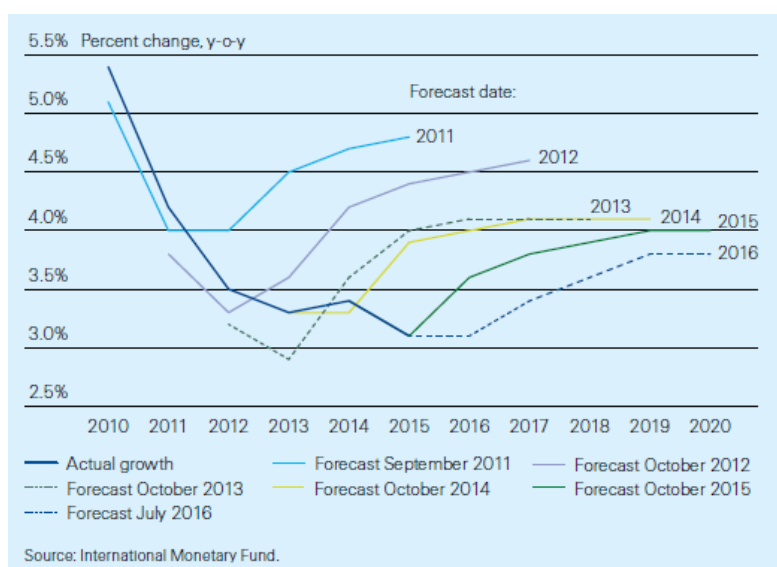


Figure 3: IMF forecasts of world GDP growth vs actual growth, 2011 to 2016, Source: IMF

Concerning the Euro area 2016 was a slow year concerning 2015 and Swiss Re expects 2017 and 2018 to be years of deceleration. The variable that changes the most is the inflation ratio, which is due to the quantitative easing of European Central Bank.

| | | 2015 | 2016E | 2017F | 2018F |
|--|-----------|------|-------|-------|-------|
| Real GDP growth, annual avg., % | US | 2.4 | 1.6 | 2.2 | 2.2 |
| | UK | 2.2 | 2.0 | 1.1 | 1.5 |
| | Euro area | 1.9 | 1.6 | 1.4 | 1.5 |
| | Japan | 0.6 | 0.6 | 0.8 | 0.9 |
| | China | 6.9 | 6.6 | 6.5 | 6.4 |
| Inflation, all-items CPI, annual avg., % | US | 0.1 | 1.3 | 2.3 | 2.4 |
| | UK | 0.1 | 0.7 | 2.6 | 2.2 |
| | Euro area | 0.0 | 0.3 | 1.4 | 1.3 |
| | Japan | 0.8 | 0.0 | 0.3 | 0.8 |
| | China | 1.4 | 1.6 | 1.9 | 2.2 |
| Policy rate, year-end, % | US | 0.38 | 0.63 | 1.38 | 2.13 |
| | UK | 0.50 | 0.25 | 0.25 | 0.25 |
| | Euro area | 0.05 | 0.00 | 0.00 | 0.00 |
| | Japan | 0.04 | 0.00 | 0.00 | 0.00 |
| Yield, 10-year govt bond, year-end, % | US | 2.3 | 1.8 | 2.5 | 3.3 |
| | UK | 2.0 | 1.2 | 1.5 | 1.8 |
| | Euro area | 0.6 | 0.2 | 0.7 | 1.1 |
| | Japan | 0.3 | 0.0 | 0.0 | 0.0 |

E = estimates, F = forecasts.

Source: Swiss Re Economic Research & Consulting.

Figure 4: Real GDP growth, inflation and interest rates in select regions, 2015 to 2018F, Source: Swiss Re

Global non-life premium growth, slowed in 2016

Non-life premium growth was slower in 2016 than in 2015. We can see that in 2016 have risen 2.4% against 3.0% from 2015. In the advanced countries, premium growth decreased from 2.5% to 1.7%, this happened due to fragile economic environment and the pricing “strategy”.

In the Emerging markets there was an acceleration, mainly due to Asian countries.

| Country/region | 2014 | 2015 | 2016E | 2017F | 2018F |
|-------------------|-------|-------|-------|-------|-------|
| US | 3.0% | 3.6% | 2.3% | 1.3% | 1.5% |
| Canada | 1.9% | 4.1% | 0.8% | 1.7% | 2.6% |
| Japan | 1.2% | 1.3% | -1.0% | 1.2% | 2.2% |
| Australia | 1.3% | 0.5% | -0.4% | 0.6% | 1.4% |
| UK | -1.7% | 1.3% | 1.5% | 0.3% | 1.4% |
| Germany | 1.8% | 3.3% | 2.5% | 0.9% | 1.1% |
| France | 0.3% | 1.0% | 0.8% | 0.4% | 2.8% |
| Italy | -3.0% | -2.9% | -1.8% | 0.3% | 2.3% |
| Spain | -0.2% | 3.0% | 4.6% | 4.1% | 4.3% |
| Advanced markets* | 1.8% | 2.5% | 1.7% | 1.3% | 1.9% |
| Emerging markets | 6.4% | 4.9% | 5.3% | 5.7% | 6.7% |
| World | 2.7% | 3.0% | 2.4% | 2.2% | 3.0% |

Figure 5: Real growth of direct premiums written in non-life insurance Source: Swiss Re

Global life premiums grew by 5.4% in 2016, driven by strong performance in the emerging markets

Global life premium grew but Advanced markets still sluggish. The world situation have risen 5.4% in 2016 in real terms, up from 5% growth in 2015. Clearly, the advanced markets are bringing the growth down, slowing in 1.4% from 2015 to 2016. The emerging markets, in particular emerging Asia, were the main drivers for the global life sector. Emerging market premiums for the full-year 2016 are projected to have grown by 20.1%, up from a 13.2% increase in 2015.

| Country | 2014 | 2015 | 2016E | 2017F | 2018F |
|------------------|--------|--------|-------|-------|-------|
| US | -1.7% | 4.3% | 1.6% | 1.7% | 1.7% |
| Canada | 7.6% | 3.5% | 3.0% | 3.6% | 3.7% |
| UK | -11.9% | 17.6% | 2.2% | 1.5% | 2.0% |
| Japan | 6.8% | 1.5% | 2.6% | 2.0% | 1.3% |
| Australia | 26.5% | -7.4% | -5.7% | 4.1% | 4.1% |
| France | 8.4% | 1.3% | 1.4% | 1.4% | 2.6% |
| Germany | 2.4% | -2.7% | -2.3% | 0.9% | 1.3% |
| Italy | 29.5% | 4.0% | -2.1% | 0.2% | 1.1% |
| Spain | -2.5% | 3.4% | 23.9% | 1.5% | 0.9% |
| Netherlands | -4.6% | -16.9% | 2.9% | 1.6% | 1.6% |
| Advanced markets | 4.0% | 3.4% | 2.0% | 2.1% | 2.1% |
| Emerging markets | 7.8% | 13.2% | 20.1% | 14.9% | 10.9% |
| World | 4.7% | 5.0% | 5.4% | 4.8% | 4.2% |

Figure 6: In-Force real premium income growth for life insurance Source: Swiss Re

Insurance Structure

In the Insurance Structure I divided into life and non-life insurance by some relevant countries, as for example in the US 42% is life insurance and 58% non-life insurance, while in Japan 76.5% is life insurance and 23.5% is non-life, this is probably due to difference in the mentality and ideology of the market. Concerning Portugal, we have 67.2% Life insurance, which concerns mostly the life insurance from house holding loans and 32.8% is non-life. Unfortunately for the project the banks are the main player producing any kind of life insurance but on other hand the non-life insurance is produced by mediation.

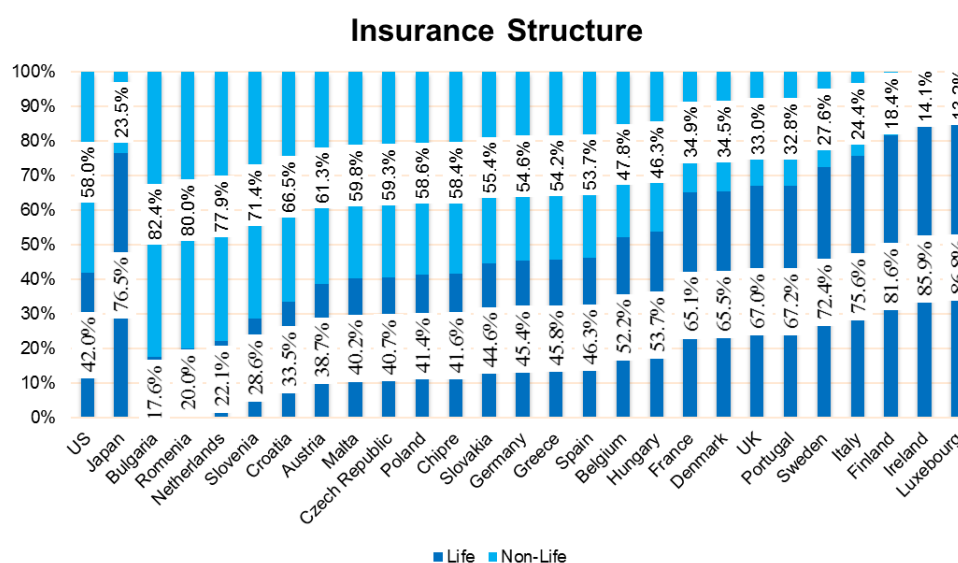


Figure 7: World Insurance Structure (Own Elaboration), Source: Swiss Re

Performance in 2016 and outlooks around the world for 2017-2018, Non-life and Life insurance

Emerging Asia

Non-Life

Performance 2016

- Premium growth in china remained stable, supported by motor, agriculture and liability.
- Growth in India accelerated, but profitability could be hit by the December 2015 floods in Chennai.

Outlook 2017-2018

- Price pressures remain intense due to absence of major losses and de-tariffication (eg. In motor in china and Malaysia).
- Fiscal Investment in infrastructure and projects related to Chin's B&R

- Premium growth in Southeast Asia was supported by infrastructure projects and stable expansion in motor business
- initiative will increase demand for non-life commercial insurance

Source: Swiss Re Economic Research & Consulting.

Life

Performance 2016

- Ordinary life and health products led life insurance premiums to surge by around 30% in China.
- Premiums continued to strengthen in India, with new group premiums showing a particularly strong upward momentum.
- Premiums also grew strongly in most Southeast Asia markets including Indonesia, Malaysia and Vietnam. But sales of single-premium savings products through banks in Thailand fell.

Outlook 2017-2018

- A high base will affect premium growth in China in 2017.
- India will see improvement from improving consumer and business sentiment.
- Volatility in equity and financial markets will continue to dampen interest in investment-linked products, alongside increasing insurers focus on protection products.

Source: Swiss Re Economic Research & Consulting.

Latin America

Non-Life

Performance 2016

- Premiums rose only 0.3% due to weaker economic activity, and underwriting results have trended lower amid flat investment yields.
- Economic downturns are dragging on non-life business in Brazil, Argentina and Venezuela.

Outlook 2017-2018

- A modest recovery in premiums is expected in 2017, as Argentina, Brazil and Peru are expected to resume growth while the contraction in Venezuela will likely stabilize.
- In Brazil, the commercial segment is expected to lead a recovery, while

- Premium growth in Mexico, Chile and Peru has remained moderate.

personal lines will be held back by weakness in consumer sentiment.

Source: Swiss Re Economic Research & Consulting.

Life

Performance 2016

- Life premium growth stable at about 7% in 2016, with variations across markets.
- Premiums contracted by an estimated 15% in Venezuela, but expanded in Mexico and Chile.
- In Mexico, a new Solvency II-type law has been in place since 1 January 2016, and is expected to boost the demand for reinsurance.

Outlook 2017-2018

- Weakness in Venezuela is likely to persist, while recent policy reforms should help things improve in Argentina and Brazil.
- Premiums in Mexico will benefit from fiscal incentives in health-related expenses and tax deductions for contributions to long-term saving products.

Source: Swiss Re Economic Research & Consulting.

Central and Eastern Europe

Non-life

Performance 2016

- Non-life premiums recovered to grow by an estimated 4.6% due to a more robust performance in Russia, Poland and Hungary.
- Competition remains strong amid strong downward price pressures.

Outlook 2017-2018

- Growth is projected to remain stable at around 4% in 2017 and 2018. However uncertainties remain given the challenging economic conditions and unstable geo-political landscape.
- For global reinsurers, the introduction of a national reinsurance company in Russia will be a key challenge to contend with.

Source: Swiss Re Economic Research & Consulting.

Life

Performance 2016

- Premiums shrank for the fourth consecutive year in 2016 due to weak performance of Poland and the Czech Republic.
- Premium growth rebounded strongly in Russia.

Outlook 2017-2018

- The weakness in the Czech Republic and Hungary is expected to persist in 2017, while Poland could stage a mild recovery.
- Premiums in Russia are expected to return to unsustainable growth of around 10% from 2017.

Source: Swiss Re Economic Research & Consulting.

Middle East and North Africa

Non-Life

Performance 2016

- Growth accelerated further to 9.3% mainly reflecting a strong 23% growth in Turkey
- Growth also remained moderate in Saudi Arabia but was relatively weak other markets.

Outlook 2017-2018

- The introduction of more compulsory lines, large infrastructure and construction projects, and improving regulatory regimes should benefit premium growth.

Source: Swiss Re Economic Research & Consulting.

Life

Performance 2016

- Life premium growth slowed to 4.2% in 2016 from 7.5% in 2015
- The slowdown was mostly due to weaker performance in Saudi Arabia

Outlook 2017-2018

- Low penetration rates and increasing awareness should continue to boost demand.
- Rising incomes will lead to more demand for wealth protection and accumulation products

Source: Swiss Re Economic Research & Consulting.

Sub-Saharan Africa

Non-life

Performance 2016

- Growth remained weak at 0.5% mainly dragged by the deceleration in South Africa.
- Lower premium rates and economic weakness in resource-intensive countries lowered regional growth.

Outlook 2017-2018

- Divergence of insurance growth between commodity-intensive and non-intensive markets will likely continue.
- Improving regulatory frameworks will benefit insurance growth, though there are also concerns about rising protectionism
- Speeding on infrastructure projects will support the non-life sector.

Source: Swiss Re Economic Research & Consulting.

Life

Performance 2016

- Premium growth slowed to 1.1% on the back of a weaker economic environment in South Africa
- There was mostly solid growth in many other markets as insurance penetration is very low.

Outlook 2017-2018

- Growth is expected to pick up as disposable income and the middle class continue to grow
- Innovative mobile distribution and micro-insurance will continue to support growth.

Source: Swiss Re Economic Research & Consulting.

EU Insurance Market Share by country

In the EU, we can see the top 3 countries with largest market share concerning the insurance market in 2015, we have UK with 23.7%, France with 17.1% and Germany with 15.8%.

Concerning Portugal, it only represents 1.1% of the European Union Market Share.

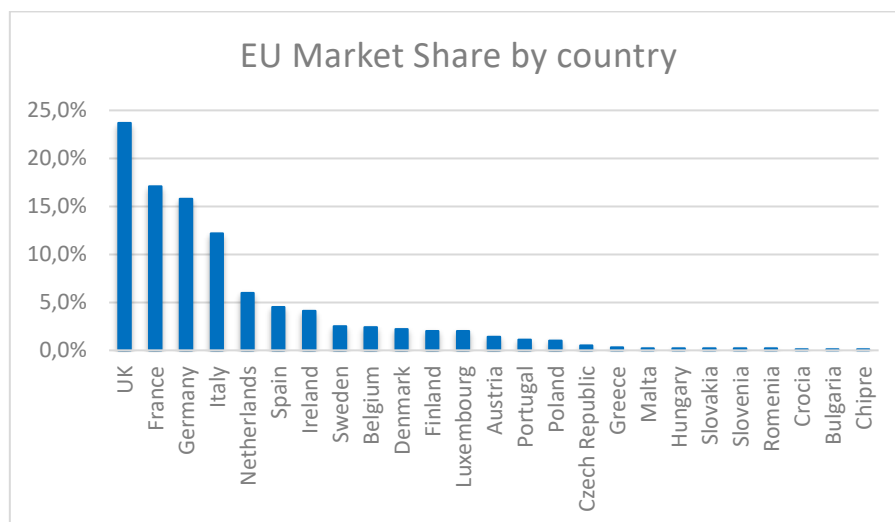


Figure 8: EU Market Share by country (Own elaboration), Source: ASF

6.1.2 Overview Portuguese Insurance Market and Economy

Comfortable economic growth but always with uncertainty

The evolution of the national context is conditioned by the external macroeconomic framework and political tensions, particularly the slowdown in emerging economies with strong ties to Portugal, such as Brazil, Angola and Mozambique. Added to these risks is the increasing geopolitical instability in the international arena, the refugee crisis, whose implications extend to the socio-economic domain and the UK's decision to leave the EU could have significant implications for the insurance industry, since UK has the biggest market share. However the scale of the effects remains uncertain and will depend on the shape of any new trade agreements between the UK and its former partners, and also the strategic decisions made by insurers to adapt to the new regulatory/market landscape.

At the domestic level, we have been assisting a recuperation of the Portugal economy through essential tourism, for example the gross national income per capita in 2015 was 16.882,3€ and in 2016 was 17.546,3, It's a significant difference for a country that was in stagnation for almost a decade.

In recent news during September of 2017, S&P said and applauded the “solid progress [Portugal] has made in reducing its budget deficit and the receded risk of a marked deterioration in external financing conditions.”

The ratings group added that it's improved forecast for economic growth from 2017 – 2020 to an overage of 2%, was one of the main factors for the upgrade to BBB- from BB+. Portugal had been rated in “junk” since 2012 after it required a rescue programme from the International Monetary Fund and European Union.

Nonetheless, Portugal still holds a speculative-grade rating at Moody's and Fitch, the two large S&P rivals, but is rated at investment grade by analysts at DBRS.

Source: Financial Times



Figure 9: Risk Premium on Portugal debt, Source: Financial Times

Portfolio Structure of the Insurance Market in Portugal

In Portugal the market share of Life vs Non-life Insurance is 59,40% of the market is Non-life Insurance and 40,60% is Life Insurance.

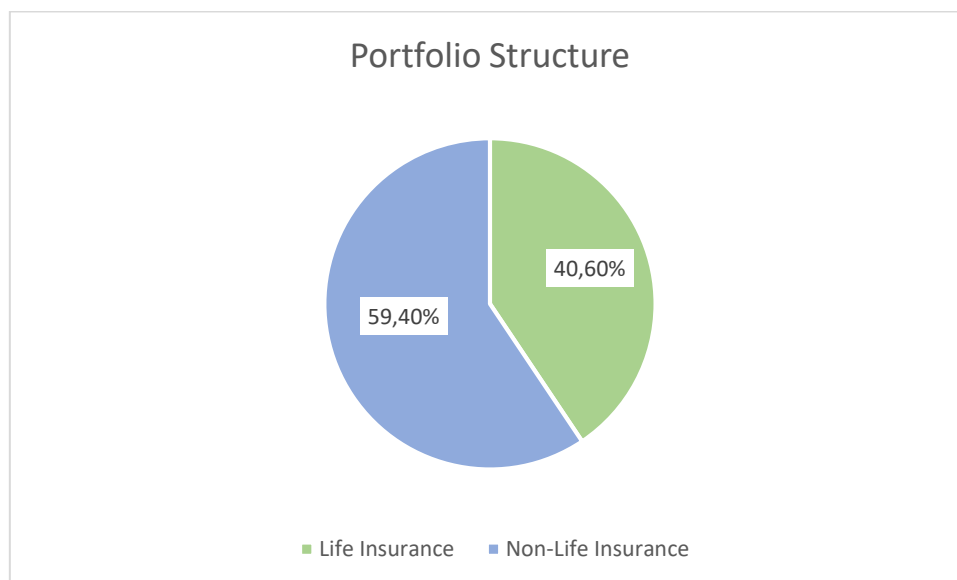


Figure 10: Portfolio Structure in Portugal (Own Elaboration), Source: ASF

Concerning 2016, Life insurance still dropping and Non-Life Insurance Slowly growing

In a global Overview in Portugal, during 2016, we can see a rupture concerning Life Insurance all over the year, on the other hand we can still see that Non-life Insurance are slowly growing.

| 2016 | 1 st Trimester | 2nd Trimester | 3rth Trimester | 4th Trimester |
|---------------------------|---------------------------|---------------|----------------|---------------|
| Total | -27.6% | -21.8% | -17.7% | -14.6% |
| Life Insurance | -39.7% | -32.3% | -27.5% | -23.7% |
| Non-Life Insurance | 5% | 5.6% | 6.3% | 7.2% |

Table 4: Insurance Market 2016 indicators, Source: ASF

Growth rate of 2016 compared to 2015 and Market share of life insurers (Top15)

Concerning life insurance, Fidelidade and Ocidental Vida have 56.9% of the Life Insurance Market, following by BPI Vida with 7.3%, from the Top 3 we can see that the Life Insurance Market is mainly own by banks, Fidelidade has a partnership with Caixa Geral Depósitos, Ocidental Vida with Millenium BCP and BPI Vida with BPI. Basically, Banks are the entities that produce most of life insurance.

| | 2016** | 2015 | Taxa de crescimento | Quota de Mercado |
|-------------------------------|-----------------|-----------------|---------------------|------------------|
| Total Geral | 6 729,04 | 8 742,55 | -23,0% | 100,0% |
| 1º Fidelidade | 2 421,70 | 2 794,14 | -13,3% | 36,0% |
| 2º Ocidental Vida | 1 408,26 | 1 533,39 | -8,2% | 20,9% |
| 3º BPI Vida e Pensões | 488,37 | 1 751,14 | -72,1% | 7,3% |
| 4º Santander Totta Vida | 430,90 | 142,68 | 202,0% | 6,4% |
| 5º Allianz | 323,49 | 282,89 | 14,4% | 4,8% |
| 6º Zurich Vida | 175,40 | 138,85 | 26,3% | 2,6% |
| 7º CA Vida | 168,38 | 344,65 | -51,1% | 2,5% |
| 8º Lusitania-Vida | 162,19 | 138,57 | 17,0% | 2,4% |
| 9º GNB-Vida | 153,06 | 465,53 | -67,1% | 2,3% |
| 10º Eurovida | 144,06 | 167,20 | -13,8% | 2,1% |
| 11º Bankinter Seguros de Vida | 140,31 | 0,00 | - | 2,1% |
| 12º Ageas Vida | 116,83 | 128,24 | -8,9% | 1,7% |
| 13º Groupama Vida | 100,21 | 95,65 | 4,8% | 1,5% |
| 14º Seguradoras Unidas | 80,53 | 162,97 | -50,6% | 1,2% |
| 15º Real Vida (b) | 62,86 | 70,09 | -10,3% | 0,9% |

Figure 11: Market Share of Life Insurers, Source: ASF

Life insurance was affected by the decrease of the interest rates

On the other hand, the production of the life insurance fell by 30.8% in 2016, conditioned by the low interest rates, which reduced yields on products by reducing its attractiveness.

The hard times that the national banking sector is going through affected the production of life insurance, whether by lower availability of the banking distribution network (The main producer of life insurance is the banking system) or due to reputational contagion that some operators have suffered.

Growth rate of 2016 compared to 2015 and Market share of Non-Life insurers (Top15)

The non-life insurance is a different market from life insurance, in this market the mediation is the main producer partnering with insurance companies, we can see that Fidelidade, Seguradoras Unidas (Tranquilidade + Acoreana) and Allianz have 50.8% of the market, which is an indicator that the products vs the prices practice are the best.

| | 2016** | 2015 | Taxa de crescimento | Quota de Mercado |
|------------------------------|-----------------|-----------------|---------------------|------------------|
| Total Geral | 4 251,93 | 4 050,94 | 5,0% | 100,0% |
| 1º Fidelidade | 1 140,77 | 1 052,22 | 8,4% | 26,8% |
| 2º Seguradoras Unidas (a) | 646,06 | 614,67 | 5,1% | 15,2% |
| 3º Allianz | 374,60 | 338,92 | 10,5% | 8,8% |
| 4º Ocidental Seguros | 285,49 | 259,36 | 10,1% | 6,7% |
| 5º Liberty | 284,79 | 250,85 | 13,5% | 6,7% |
| 6º Ageas Seguros | 259,16 | 270,92 | -4,3% | 6,1% |
| 7º Zurich Insurance PLC | 226,20 | 238,32 | -5,1% | 5,3% |
| 8º Lusitania Seguros | 185,09 | 184,80 | 0,2% | 4,4% |
| 9º Generali | 128,15 | 129,97 | -1,4% | 3,0% |
| 10º Mapfre Gerais | 96,55 | 100,00 | -3,4% | 2,3% |
| 11º Crédito Agrícola Seguros | 95,77 | 87,08 | 10,0% | 2,3% |
| 12º Victoria Seguros | 77,56 | 74,12 | 4,6% | 1,8% |
| 13º GNB Seguros | 71,60 | 69,97 | 2,3% | 1,7% |
| 14º Via Directa | 45,54 | 44,08 | 3,3% | 1,1% |
| 15º AIG Europe | 42,34 | 68,05 | -37,8% | 1,0% |

Figure 12: Market Share of Non-Life Insurers, Source: ASF

Production of non-life insurance benefited from the economic growth

In 2016, the production of direct non-life insurance related to the activity in Companies under the prudential supervision of the Portuguese Supervisory Authority Insurance and Pension Funds (ASF), recorded the first positive variation (6%) since 2006.

These developments benefited essential from the economic growth verified in that year, which contributed to the increase in the insurance market in Portugal.

Of all non-life insurance, the one that should be highlighted is the Accidents at Work insurance, that grew 14.2%, benefiting not only from the increase in the employed population but also

because of the corrective practices of charging and underwriting (Insurance companies inflated the premiums).

Non-life Insurance Structure in Portugal

Accidents and Illness insurance and Automobile insurance are the main constituents of the market with almost 75% of the total premium. 18.92% is represented by Fire and other damages, since it is mandatory for the properties, its normal to have this in the biggest kind of insurance on the national market. With around 8% we have air and maritime transportation, diversives, transported goods and indemnity insurance.

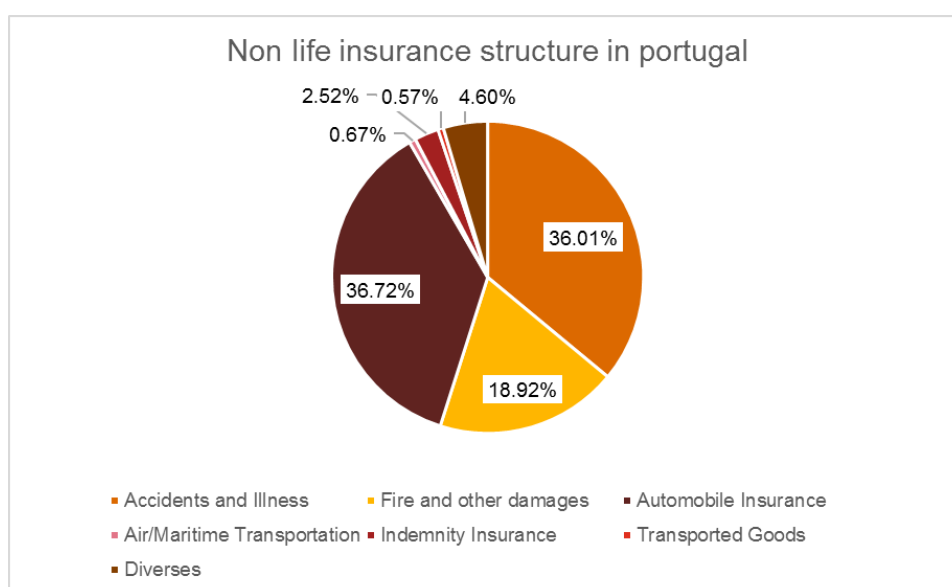


Figure 13: Non-Life Insurance Structure in Portugal (Own Elaboration), Source: ASF

Summary of the Insurance market in Portugal during the first semester of 2017

In the first half of 2017, the production of direct insurance, related to the activity in Portugal, of insurance companies under the supervision of the ASF, presented an overall increase of 0.6% compared to the same period of 2016. For this increase contributed to the increase in non-life insurance (8.3%).

In the same period, claims costs decreased by 31.2%, as a result of a 40.5% decrease in life insurance and an increase of 8% in non-life insurance.

At the end of the half of 2017, the value of the investment portfolios of insurance companies amounted to 50.1 billion euros. On the same date, the volume of technical provisions amounted to 43 billion euros.

The overall net result in this period was around 210 million euros.

6.1.3 Insurance Mediation Market

The distribution, in the insurance company, can be done in several ways, being the most usual based on the use of insurance intermediaries, which serve to make the connection between insurance companies which make products available and the consumers which search to cover their risks whom they understand to be exposed.

Being professionals with knowledge in the area of insurance business, in general, and in the contractual area, in particular, the mediators play prevailing in the market, which can be systematized from the theoretical point of view in the following key points:

- The mediators provide innovative marketing practices, developing consumer awareness for the importance of protecting their physical integrity and/or their assets.
- The mediators provides a more personalized service than the one that would be provided by the insurance undertaking, in some cases there exists a relationship between the mediator and its client that goes beyond the mere commercial relationship.
- Mediators who interact with various insurance companies also play an important role in the area of portfolio dispersion
- As regards one of the main objectives of the insurance market, insurance mediators can help reduce costs – For example, through a geographical deployment that insurance companies would have difficulty to achieve -, A situation which has an impact not only on the level of the enterprise but in the general economy.

Geographic Dispersion

In the Geographic Dispersion of the mediators, we can see that the Region of Lisbon is on the regions with the most concentration of mediators, which implies it will exist a lot of competition. There is a factor to this values, a lot of mediators throughout the country are based in Lisbon, which inflates this value.

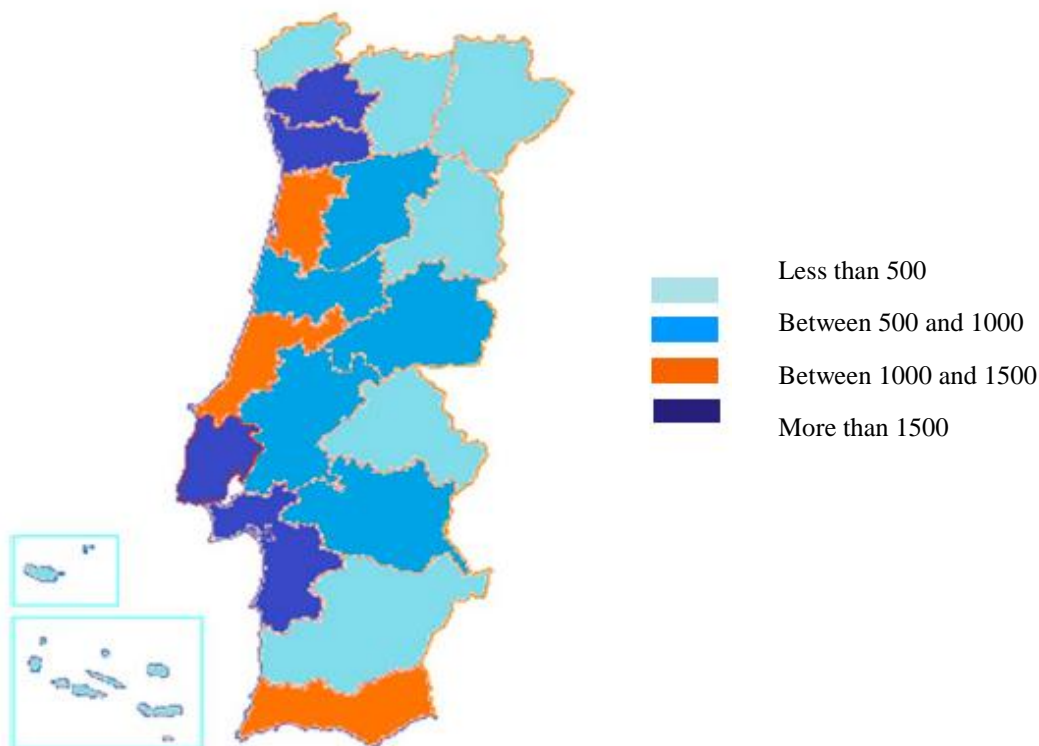


Figure 14: Insurance Mediators Geographic Dispersion in Portugal, Source: ASF

Number of mediators in Portugal

In Portugal we can see that most of the mediators work as a singular person, this types of mediators, normally do mediation as a second job or to make extra money in the end of the year, so typically they own low portfolio and don't present a threat.

Concerning Collective Persons, we can understand that the remuneration is high, which means they present the real threat, they are the enterprises that compete and make a living for, those 2939 entities and the 71 as Insurance brokers

| 2016 | Number of Mediators | Remuneration (In thousands of euros) |
|--|----------------------------|---|
| Agents | 12 690 | 352 846 |
| Singular Persons | 9 751 | 80 750 |
| Collective Persons | 2 939 | 272 096 |
| Insurance Brokers | 71 | 100 872 |
| Exclusive Insurance Mediators | 8 652 | 2 039 |
| Reinsurance Mediators | 13 | 121 |
| Total | 21 426 | 798 027 |

Table 5: Number of Mediators by Remuneration, Source: ASF

Distribution Channels of insurance

Concerning Life Insurance, the main producers are Banks because of mainly house loaning and PPR. The mediation does some Traditional Life Insurance but isn't the main focus of the classic mediation.

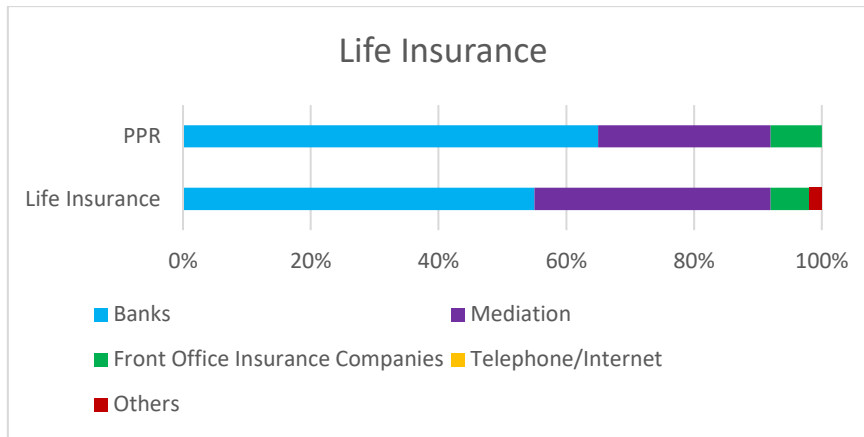


Figure 15: Distribution Channels of Life Insurance (Own Elaboration), Source: ASF

Non-life Insurance is the main focus of mediation, especially Automobile, which has the biggest weight on mediation portfolio, concerning this product, the Insurance market is adapting and the market share for Telephone/Internet is gaining some terrain, mediation is competing against specialized insurance companies to that, as for example Logo, OkTeleseguros, Nseguros, the target is automobile insurance by Telephone/Internet.

The rest of the products is still hard to be through Telephone/Internet, since its complex products and needs specialized assistance which the insurance companies don't want to invest so it's the responsibility of the mediators. As for example enterprises with Health Insurance or Work Accident. Other very popular insurance that needs special attention of mediation is Fire and Other damages, especially concerning Condominiums.

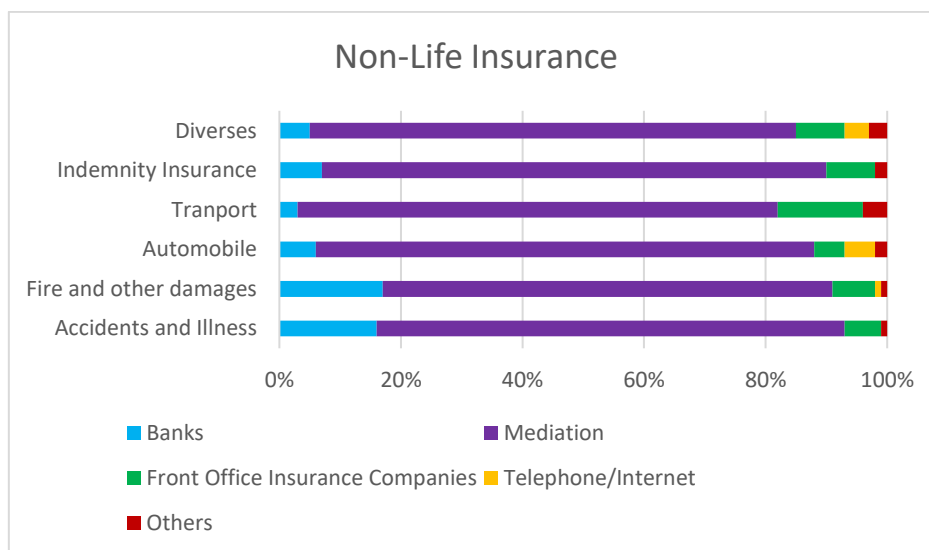


Figure 16: Distribution Channels of Non-Life Insurance (Own Elaboration), Source: ASF

6.2 Competition

In a comprehensive way, all mediators, brokers or insurance agents with physical stores in the Lisbon area are defined as competitors of *Libelinha*.

As the object of study is a price comparison office between several companies in the Alvalade area, I considered the direct competitors all agents or brokers with partnership with more than one insurance company in Alvalde zone that offer the same differentiation through price.

SABSEG – Corretor de Seguros, S.A.

In 2016, the company's growth in its three main levers, Corporate, Retail and Affinity Groups maintained the pace defined in the 2010-2016 Strategic Plan.

The consolidation of the installed capacity was carried out successfully, allowing SABSEG to have a presence in the main development poles of Portugal.

In spite of the unfavorable economic environment that still exists in the Portuguese economy, the company's objectives at the beginning of the period were reached, and the expected values were reached.

The excellent performance of the company, which combined the increase in turnover with the slight decrease in expenses, contributed to a frankly positive result.

Source: Relatório e Contas SABSEG – Corretor de Seguros, S.A., 2016

Credite-EGS – Corretores de Seguros, S.A.

In 2016, the turnover was 2,844,416€, -2.2% compared to the previous year and -5.2% compared to the target for 2016.

The poor performance of the team linked to the “commercial network” project and its cessation during the year is the main reason for this deviation in turnover.

The business segment represents 86% of the turnover structure (Without Reinsurance).

21.3% in work accidents, 15.2% in Illness and 14.8% in Automobile.

Source: Relatório e Contas 2016, Credite-EGS – Corretores de Seguros, S.A.

LusoAtlântica – Corretor de Seguros, S.A.

In 2016, in the non-life market there was a decrease of 0.7%, in terms of insurance portfolio the reduction was of 470,000€. In the Life market the company increased by 30.5%, that is, a value of 1,500,000€.

Thus, the portfolio charged grew 1.5%, compared to 2015, which means 79,694,170.39€ in which 71,209,039.43€ are affected to the Lisbon Office.

The Insurance portfolio has a greater weight in Fire and other damages with 18.65%, Work Accidents with 18.51%, Health 17.52% and Automobile with 16.42%

Source: Relatório, Balanço e Contas 2016, LusoAtlântica – Corretor de Seguros, S.A.

6.3 Opportunities

- **Partnership potential.** Potential for partnership that can lower the fixed costs and penetrate better in the market.
- **Retaining existing customers businesses in Lisbon.** A lot of current and retained clients with business in Algarve and Lisbon.
- **Unfulfilled customer needs.** Lack of mediators that work with several insurance companies (Multibrand).
- **Retain new customers.** A lot of potential clients from Lisbon with businesses in other areas of Portugal, which can open new expansions or help the growth in Algarve.

6.4 Threats

- **Aggressive competitive environment.** Lisbon is the market with more mediators in the country.
- **Large competitors.** Competitors with considerable dimension in Lisbon.
- **Horizontal Integration from competition.** Some mediators/brokers can offer complementary products that *Libelinha* can't yet offer.
- **Online market slowly growing.** The insurance market is one of the few markets that is hard to disrupt but in the mid/long-term it will eventually happen.

7. Internal Analysis

7.1 Strengths

- **Multibrand.** A client can make a comparison between prices of several insurance companies and get to know all the covers and particularities in each company (There is a wide range of different products)
- **Location.** Lisbon is the biggest market in Portugal.
- **Capital Structure.** Exists a structure with several offices and persons to assist.
- **Low fixed costs.** A lot of fixed costs will be input to the structure already in existence.
- **Management Team.** Experienced in product, business know-how and with a vast network.
- **Great Financial Balance without debts.** A fast-growing SME without financial debts, always investing with own capitals from the profit generated.

- **Consistent service quality.** The quality of the service is high, that is one of the factors of fast growth.

7.2 Weaknesses

- **Reduced initial awareness.** There is a need to create a branding in that market.
- **Lack of specialized human resources.** In the beginning it should save budget for other priorities.
- **It takes time to be a sustainable business.** In the mediation it takes some time until having return of the investment.
- **The head office is geographically dislocated.** All the structure is in Algarve, all the management and assets.

8. Competitive Analysis

8.1 Ansoff Matrix

In this context, a matrix of product-markets is essential, with the aim of relating the product offered by the organization to the relevant target markets and facilitating the identification of new business opportunities. This adapted nine grid matrix of product markets from the Ansoff matrix refers us to nine strategic quadrants of analysis. Which four main quadrants are Market penetration, Market development, Product Development and Diversification. The adaptation includes Expanded market (A market nearby and not internationally that counts as new) and a modified Product/Service.

| | | | | |
|------------------------------|-----------------|--------------------|-------------------------|-------------------------|
| Markets | New | Market Development | Partial Diversification | Diversification |
| | Expanded | Market Expansion | Limited Diversification | Partial Diversification |
| | Existing | Market Penetration | Product Extension | Product Development |
| | | Existing | Modified | New |
| Products and Services | | | | |

Table 6: Ansoff Matrix 9 Boxes, Source: (Ansoff, 1965)

Libelinha has the ambition to enter in the Lisbon market, which is dislocated from the main territory but inside the same country, with the same culture, for this reason I will consider on the market side “Expanded” and on the product and services side is considered “Existing”, which give us a Market Expansion that will adopt a development strategy, placing itself in the extension of the market, through the development of an existing product maintaining the quality service, fast response and differentiating through the comparison of prices, always thinking the best opportunity for the client.

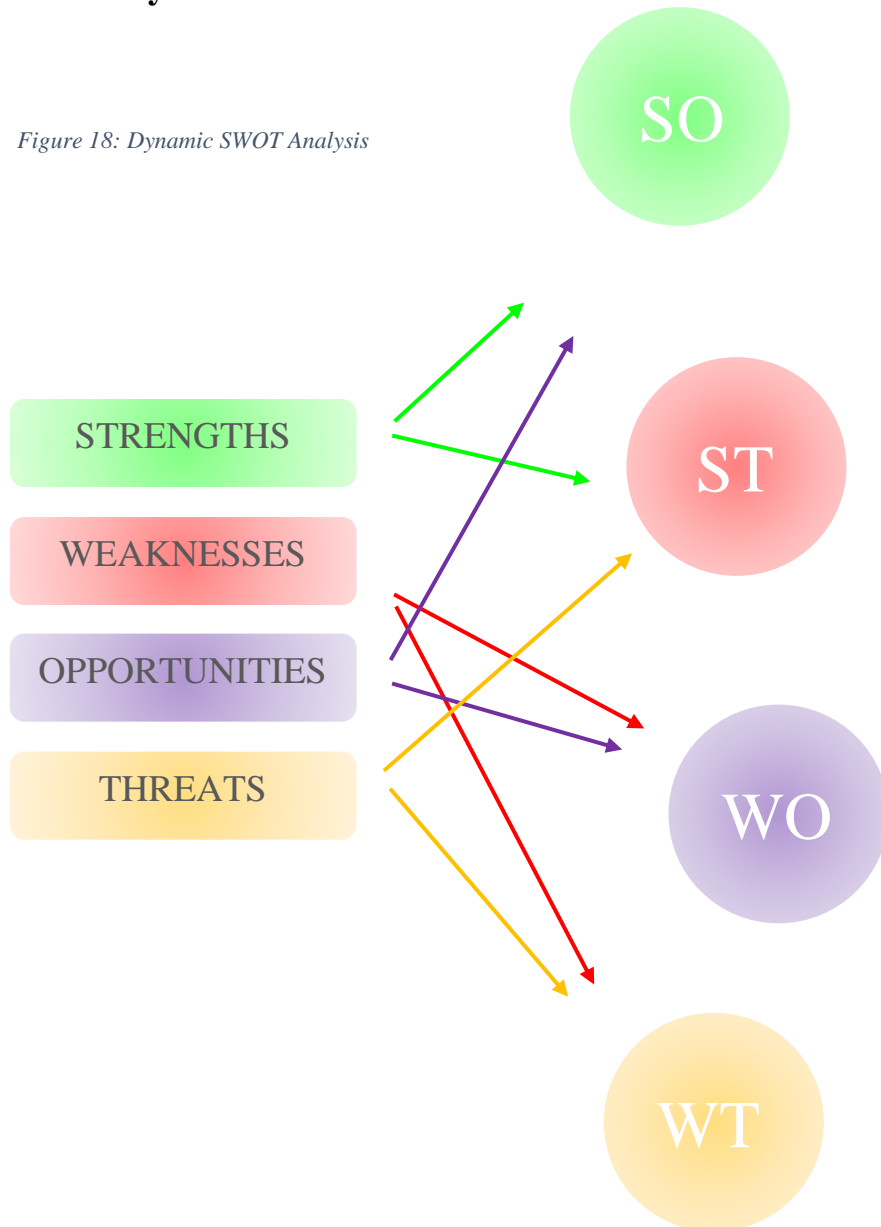
8.2 SWOT



Figure 17: SWOT Analysis

8.3 Dynamic SWOT

Figure 18: Dynamic SWOT Analysis



One of the main focus here is to fulfil the customer needs with a Multibrand insurance service and advice, since there is a lack of Multibrand mediators.

The Capital structure that Libelinha has the potential to create new partnership with mediators in Lisbon without a structure or a weak management structure.

The experienced management team and the way that the structure already works for quality is one of the biggest strengths to compete with the real market *players*.

Being Multibrand is a competitive advantage to be a super aggressive competitor in the new market allied with the low fixed costs Libelinha can implement a low cost strategy.

The retaining of new customers can be challenging since the head office and the experienced management is dislocated from this new market.

Fulfil customer needs without specialized HR and permanent attendance from the management can compromise the viability.

Not being able to offer other complementary services that some large competitors can.

The aggressive market and the fact that the business takes time to be sustainable can be a challenge and there is a need to have a financial cushion.

9. Strategy & Objectives

9.1 Mission, vision and Values

9.1.1 Mission

Libelinha intends be in constant evolution to present the best choice and a consistent quality service in the brokerage insurance market and watch over the present and future of the client

9.1.2 Vision

Being a reference company in the insurance market with its excellent service.

9.1.3 Values

- **Integrity.** Customer confidence is due to the integrity of the company.
- **Customer Focus.** Always give the best choice and service to the client.
- **Reliability.** Be a company that the client can count on.
- **Efficiency.** Give the fastest and best work.

9.2 Objectives

Regarding the activity of the enterprise, it is essential to set goals to achieve the vision of the company. This being said, the main objectives are

Sales

- Reach Sales volume of 190.000€ by 2023.
- In the first three years the increase must be higher than 50%

Brand Awareness

- Working to create the word of mouth phenomenon
- Elevate the awareness as a quality brand of mediation in Lisbon

Create quality retained clients with low Claim Ratio

- With a low Claim Ratio in the portfolio of clients, *Libelinha* can receive incentives and awards, which can be used for new investment.

10. Implementation Policy Definition

10.1 Marketing-Mix

10.1.1 Product

The product in terms of interpretation refers to a good or a service, which is designed to provide benefits to the customer, in this case the product is an intangible asset that guarantee a compensation for specified loss in property or persons (Accident, illness and death).

The product in this field is somehow complex, each insurance company offers different products, covers and prices. The range of possibilities and ways of covering risks that *Libelinha* offers is wide, which is a competitive advantage due to the lack of competition with this panoply.

In the following table, we can see the main type of insurance that *Libelinha* is able to provide to his customers.

| Non-life Insurance | Life Insurance |
|------------------------|----------------------------|
| Accidents and illness | Tradicional Life Insurance |
| Fire and other damages | Retirement Saving Account |
| Automobile Insurance | |
| Transport Insurance | |
| Indemnity Insurance | |

Table 7: Insurance Categories

Libelinha works with 8 partners to be a Multibrand mediator and sell different products, this being said, they are:

- Fidelidade
- Açoreana/Tranquilidade
- Lusitânia
- Victoria
- Generali
- Allianz
- Zurich
- Santander Totta

10.1.2 Price

The price of the insurance depends on:

- Characteristics. Each person or property insured has different risks the price is given according the amount of risk.
- Insurance Company. Each company practises a different price for the same.
- Discount/Bonus. As a Mediator *Libelinha* has a percentage of discount in each type of insurance or can give a bonus (e.g. A person with 20 years old, without any historic at segurnet will have an inflated premium, the mediator can give up to 6 years (depending on the company) of historic without losses, which will deflate the premium)

The characteristics can vary in each case and in every sub-category of each Type of insurance.

| Types of Non-Life Insurance | Main characteristics under observation |
|------------------------------------|---|
| Accidents | <ul style="list-style-type: none"> ✓ Salary ✓ Age ✓ Type of profession and risk associated ✓ Optional covers |
| Health Insurance | <ul style="list-style-type: none"> ✓ Age ✓ Optional covers |
| Fire and other damages | <ul style="list-style-type: none"> ✓ Amount of capital to be insured ✓ Year of construction of the building ✓ Seismic zone ✓ Safety protections (eg. Fire Alarm, Grids...) ✓ Optional covers |
| Automobile Insurance | <ul style="list-style-type: none"> ✓ Age ✓ Value of the vehicle ✓ Date of driving license ✓ History of conscious driving ✓ Optional covers |
| Transport Insurance | <ul style="list-style-type: none"> ✓ Amount of km or miles per year ✓ Value of the goods ✓ National or International travel ✓ Useful load ✓ Optional covers |
| Indemnity insurance | <ul style="list-style-type: none"> ✓ Type of risk to be insured ✓ Amount of capital to be insured ✓ Deductible ✓ Type of profession and risk associated ✓ Optional covers |

Table 8: Variables that influence price by Insurance Category (Own Elaboration)

| Types of Life Insurance | Main characteristics under observation |
|-----------------------------------|--|
| Traditional Life Insurance | <ul style="list-style-type: none"> ✓ Amount of capital to be insured ✓ Age ✓ Pre-existing Illness |
| Retirement Saving Account | ✓ Final value is influenced by the monthly payments. |

Table 9: Variables that influence price of Life Insurance (Own Elaboration)

To have an idea of the prices practise in market, I asked for five simulations in the main partners of *Libelinha*. This example is an Automobile Insurance for the same person and the same car for similar products.

Age: 48 years
Value of the Vehicle: 8.846,39€
Date of driving licence: 1993-11-15

Generali: 150,28€
Tranquilidade: 211,90€
Lusitânia: 213,57€
Fidelidade: 216,06€
Victoria: 319,46€

The difference of prices is explained by the fact that the companies evaluate certain risks in a different way, for example Victoria aggravates more than others with people with less history of driving meanwhile Smaller companies like Generali in Portugal, has a more aggressive pricing strategy.

10.1.3 Place

The distribution of the service is through the office, mail/email or in the future the commercial can meet the client where is more favourable to the client.

10.1.4 Promotion

The promotion of the business must be aggressive due to the highly competitive market, in which *Libelinha* will use:

- **Direct Email to the current clients.**

It's essential to send emails to the current clients announcing that *Libelinha* is in Lisbon and can assist the customers in that market, a lot of retained clients have property and businesses in Lisbon.

- **Through the existence of a database with potential clients in Lisbon.**

Libelinha has access to database with new potential clients in Lisbon, the promotion here is to contact through telephone or email with the purpose to retain those new clients.

- **Distribution of flyers in the houses mails in the office area.**

This promotion aims to arise new individual clients in the neighbourhood and create awareness of the brand in Lisbon, first locally and in the growth the whole market.

- **Promotion of the current Website. Facebook and LinkedIn page.**

Through AdWords and promoting these two pages in the Lisbon area since in Algarve was a success and is the first page appearing to a person in the region, it must exist some investment in this promotion.

- **Office/Store**

It will happen with the image of the office that must be clearly highlighted from the rest of the stores and the office must be in a place frequent passage.

- **Word of mouth**

Recruiting agents' commission based will be essential to spread the word through the market.

10.1.5 People

The fact that exists a whole solid structure behind this expansion makes it easier to perform this plan with reduced costs. Part of the work will be done by the structure in the head office, all the accounting, administrative, bureaucracy, the relationship with the insurance companies, even part of the commercial area.

To shape the expansion process, in the early beginning we will need an office manager preferably with the Insurance broker course from ASF and experience in the Insurance field.

The main responsibilities of an office manager are:

- Open the office from 9h to 18h.

- Contact potential new clients via telephone.
- Assist in any problem that arises from the client.
- Give feedback daily to the Head office
- Manage customer portfolio allocated to the office

Depending on the rate of growth there will be the need to hire a commercial to raise new clients, with the focus on the Small and Medium enterprises.

- To raise new clients, with the focus on Small and Medium enterprises.
- Assist the office manager
- Meet with clients to understand their needs
- Meet the sales targets

| Conditions | Office Manager | Commercial |
|---------------------------------|--------------------|---------------------------|
| Base Salary (monthly) | 600€ | 600€ |
| Food Allowance (monthly) | 171,6€ | 171,6€ |
| Commissions | 30% of their sales | 50% of their sales |
| Other benefits | --- | Laptop and Communications |

Table 10: Expected Human Resources

10.1.6 Processes

The processes are crucial for the success of any business. To guarantee a quality service and a bigger control of the business there are some questions that have to be optimize and others to be implemented to allow a consistent expansion plan, is mandatory to define and regulate policies. In order for this processes be of common knowledge to everyone on the organization it is essential that they are presented and formalized to every worker.

- Good practises and ethics manual;
- Discriminated rights and duties of the employers and employees;
- Guarantee the satisfaction of the client in terms of Price vs Quality and support in case of sinister;
- Segregation of duties concerning the financial department;
- Management programme always up to date and filled with the necessary information.

10.1.7 Physical Evidence

The Location will be in Alvalade, one of the most commercial areas in Lisbon, why Alvalade? Because one of the partners has an office which will be used for the activity and be paid through a lower rent than the ones currently practise in the market, which is a great opportunity to start and grow.

The space doesn't need to be large, enough to put two desks and a small division to meet with clients/Agents and training staff, so can be a possibility in the near future to create a new type of business or expand the accounting enterprise that is integrated in *Libelinha*. The most important thing about the office will be the window display and visibility on one of the busiest avenues in Lisbon in a traditional and residential trade, which Alvalade is on point to perform this.

The business hours of *Libelinha* will be 9:00 to 19:00, since Monday to Friday with an interruption for lunch from 13:00 to 14:00.

11. The Financial Plan

In order to evaluate the economic and financial viability of the project and the financial resources that the company needs to finance the expansion activity, it is fundamental to analyse the main financial indicators and maps. The analysis will be carried out for the time horizon between 2018 and 2023.

11.1 Assumptions

The following data are the main assumptions related to the financial projects. It should be noted that Social security that the enterprise is responsible is more 1% in the insurance market than in the rest of the industries.

| | |
|--------------------------------|--------|
| Corporate Tax | 21% |
| Receivable Terms | 0 |
| Social Security | 24,75% |
| Average IRS Tax | 15% |
| Social Security - Employee | 11% |
| Risk-Free Rate (Rf) | 2,00% |
| Beta for Equivalent Companies | 112% |
| Market Premium of risk (Rm-Rf) | 3,74% |

Table 11: General Assumptions

11.2 Sales & Revenues

For this projection, it was considered the current volume growth during the first years of activity in CJSeguros (before *libelinha*) vs what can be a normal growth in the beginning of a career of an insurance mediator.

It's important to refer that the mediation works commission based and rappels, which means that is 100% variable, in my study I only included commissions and in a normal perspective, to be pragmatic regarding the project and lower expectations. With an optimistic perspective, we could include rappels received in the end of the year, depending on the growth and the volume of the sinisters (Factor that we partial control) *libelinha* has no "roof" but since the change in actuarial calculations, the levels of claims have to be very low which rarely happens, so I intended not to include in the projections.

| Lisbon Market Selling | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Insurance | 25.000 | 50.000 | 90.000 | 130.500 | 163.125 | 187.594 |
| Growth Rate | | 100% | 80% | 45% | 25% | 15% |
| Total | 25.000 | 50.000 | 90.000 | 130.500 | 163.125 | 187.594 |

Table 12: Sales & Revenues

11.3 External Services and Supplies (ESS)

During the first year, the total external services and supplies costs will be 24.300€, in which 14.502€ are fixed costs and 9.798€ are variable, which can reduced with a management of the

Libelinha D'Éxito Expansion Plan

resources, the values were based on the actual structure costs and proportionally adapted to the Lisbon market.

| | FC | VC | Monthly | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------|------|------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Number of Months | | | | 12 | 12 | 12 | 12 | 12 | 12 |
| Inflation | | | | | 2% | 2% | 2% | 2% | 2% |
| Specialized Services | | | | | | | | | |
| Marketing | 0% | 100% | 10 | 120 | 122 | 125 | 127 | 130 | 132 |
| Materials | | | | | | | | | |
| Office Material | 50% | 50% | 80 | 960 | 979 | 999 | 1.019 | 1.039 | 1.060 |
| Energy & Fluids | | | | | | | | | |
| Electricity | 60% | 40% | 70 | 840 | 857 | 874 | 891 | 909 | 927 |
| Water | 60% | 40% | 30 | 360 | 367 | 375 | 382 | 390 | 397 |
| Fuel | 20% | 80% | 550 | 6.600 | 6.732 | 6.867 | 7.004 | 7.144 | 7.287 |
| Transportation | | | | | | | | | |
| Travel and Stay | 0% | 100% | 120 | 1.440 | 1.469 | 1.498 | 1.528 | 1.559 | 1.590 |
| Diverse Services | | | | | | | | | |
| Rents | 100% | 0% | 850 | 10.200 | 10.404 | 10.612 | 10.824 | 11.041 | 11.262 |
| Rented Software | 80% | 20% | 40 | 480 | 490 | 499 | 509 | 520 | 530 |
| Communications | 30% | 70% | 55 | 660 | 673 | 687 | 700 | 714 | 729 |
| Bank Charges | 100% | 0% | 20 | 240 | 245 | 250 | 255 | 260 | 265 |
| Cleaning and Hygiene | 100% | 0% | 80 | 960 | 979 | 999 | 1.019 | 1.039 | 1.060 |
| Representation Costs | 0% | 100% | 120 | 1.440 | 1.469 | 1.498 | 1.528 | 1.559 | 1.590 |
| Total Fixed Costs | | | | | | | | | |
| Total Fixed Costs | | | 1.177 | 14.502 | 14.792 | 15.088 | 15.390 | 15.697 | 16.011 |
| Total Variable Costs | | | | | | | | | |
| Total Variable Costs | | | 809 | 9.798 | 9.994 | 10.194 | 10.398 | 10.606 | 10.818 |
| Total ESS | | | | | | | | | |
| Total ESS | | | 1.985 | 24.300 | 24.786 | 25.282 | 25.787 | 26.303 | 26.829 |

Table 13: External Services Supplies

11.4 Staff

As mentioned before, on the first two years, we will recruit one head office and when is viable, probably after two years, we will recruit a commercial employee to assist clients outside the office and retain new clients. They will both work with a part as fixed salary and a commission based salary with a good percentage, that works as motivation.

| Staff Costs & Payments | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Average Monthly Salary | | | | | | |
| Head Office | 600 | 600 | 600 | 600 | 600 | 600 |
| Commercial | | | 600 | 600 | 600 | 600 |
| Average Annual Salary | | | | | | |
| Head Office | 8.400 | 8.400 | 8.400 | 8.400 | 8.400 | 8.400 |
| Commercial | - | - | 8.400 | 8.400 | 8.400 | 8.400 |
| Total | 8.400 | 8.400 | 16.800 | 16.800 | 16.800 | 16.800 |
| Other Staff Costs | | | | | | |
| Social Security 24,75% | 2.525 | 2.525 | 6.150 | 6.150 | 6.150 | 6.150 |
| Work Accidents Insurance 2% | 168 | 168 | 336 | 336 | 336 | 336 |
| Food Allowance 7.8/day | 2.059 | 2.059 | 4.118 | 4.118 | 4.118 | 4.118 |
| Commissions | 1.800 | 1.800 | 8.050 | 8.050 | 8.050 | 8.050 |
| Annual Salary + Commission | 10.200 | 10.200 | 24.850 | 24.850 | 24.850 | 24.850 |
| Total Other Expenses | 6.552 | 6.552 | 18.655 | 18.655 | 18.655 | 18.655 |
| Total | 14.952 | 14.952 | 35.455 | 35.455 | 35.455 | 35.455 |

Table 14: Staff

| | Head Office | Commercial |
|--------------|--------------|--------------|
| Commissions | 30% | 50% |
| Objective | 6.000 | 12.500 |
| Total | 1.800 | 6.250 |

Table 15: Commission & Objective of the Staff

The taxes that the enterprise has to retain due to the employee salary, this goes for the Working Capital of the enterprise, to pay the state.

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| State | 2.652 | 2.652 | 6.461 | 6.461 | 6.461 | 6.461 |
| Social Security | 1.122 | 1.122 | 2.734 | 2.734 | 2.734 | 2.734 |
| IRS | 1.530 | 1.530 | 3.728 | 3.728 | 3.728 | 3.728 |

Table 16: Social Security & IRS

11.5 Working Capital

| Investment in Working Capital | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Short-Term Assets | | | | | | |
| Accounts Receivables | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| Short-Term Liabilities | | | | | | |
| Accounts Payables to Public Bodies | 370 | 370 | 901 | 901 | 901 | 901 |
| Total | 370 | 370 | 901 | 901 | 901 | 901 |
| Net Working Capital | - 370 | - 370 | - 901 | - 901 | - 901 | - 901 |
| Investment In Net Working Capital | - 370 | - | - 531 | - | - | - |

Table 17: Working Capital

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------|------------|------------|------------|------------|------------|------------|
| State | 370 | 370 | 901 | 901 | 901 | 901 |
| Social Security | 260 | 260 | 635 | 635 | 635 | 635 |
| IRS | 109 | 109 | 266 | 266 | 266 | 266 |

Table 18: Social Security & IRS by month

11.6 Investment

The project will need investment in Basic and Office equipment, since it's a service business, it just needs one computer, one printer and furniture for the office. Saying this the investment will be low, with 1.550€ on the first year.

| Fixed Asset | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|-------------|----------|----------|------------|----------|----------|
| Tangible Assets | | | | | | |
| Basic Equipment (PC/Printers) | 800 | | | 800 | | |
| Office Equipment (Furniture) | 750 | | | | | |
| Total Tangibles | 1550 | 0 | 0 | 800 | 0 | 0 |

Table 19: Investment

| Accumulated | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Tangible Assets | | | | | | |
| Basic Equipment (PCs/Impressoras) | 800 | 800 | 800 | 1600 | 1600 | 1600 |
| Office Equipment | 750 | 750 | 750 | 750 | 750 | 750 |
| Total Tangibles | 1550 | 1550 | 1550 | 2350 | 2350 | 2350 |

Table 20: Accumulated Investment

11.7 Income Statement

The income statement shows negative values during the first year due to the difference between the revenue and cost as expected on the first year. On the second year the project starts to be sustainable and on the end of this year it will restore what was invested during the first year. The rest of the period the project has a very positive net income.

| Income Statement | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------|-----------------|---------------|---------------|---------------|----------------|----------------|
| Sales and Revenues | 25.000 | 50.000 | 90.000 | 130.500 | 163.125 | 187.594 |
| ESS | 24.300 | 24.786 | 25.282 | 25.787 | 26.303 | 26.829 |
| Staff Costs | 14.952 | 14.952 | 35.455 | 35.455 | 35.455 | 35.455 |
| EBITDA | - 14.252 | 10.262 | 29.264 | 69.258 | 101.367 | 125.310 |
| Depreciations | 250 | 250 | 250 | 350 | 350 | 200 |
| Provisions | | | | | | |
| EBIT | - 14.502 | 10.012 | 29.014 | 68.908 | 101.017 | 125.110 |
| Pre-Tax Income | - 14.502 | 10.012 | 29.014 | 68.908 | 101.017 | 125.110 |
| Tax | - | - | 5.150 | 14.471 | 21.214 | 26.273 |
| Net Income | - 14.502 | 10.012 | 23.863 | 54.437 | 79.804 | 98.837 |

Table 21: Income Statement

11.8 Operating Cash Flow

The project will have a negative operating cash flow, which can be explained by the EBIT on the income statement, due to the investment on fixed capital the free cash flow is lower than the operating cash flow but on the accumulated cash flow we can see that will become positive on the third year.

| Operating Cash flow | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------------|-----------------|----------------|---------------|---------------|----------------|----------------|
| Operating Income (EBIT) x (1-Tax) | - 14.502 | 10.012 | 22.921 | 54.437 | 79.804 | 98.837 |
| Depreciations | 250 | 250 | 250 | 350 | 350 | 200 |
| Total | - 14.252 | 10.262 | 23.171 | 54.787 | 80.154 | 99.037 |
| | | | | | | |
| Working Capital | 370 | - | 531 | - | - | - |
| Operating Cash Flow | - 14.621 | 10.262 | 22.640 | 54.787 | 80.154 | 99.037 |
| | | | | | | |
| Fixed Capital | - 1.550 | - | - | - 800 | - | - |
| | | | | | | |
| Free Cash Flow | - 15.432 | 10.262 | 23.702 | 53.987 | 80.154 | 99.037 |
| Accumulated Cash Flow | - 15.432 | - 5.170 | 18.532 | 72.519 | 152.673 | 251.710 |

Table 22: Operating Cash Flow

11.9 Source of Funds

The origin of the funds is 100% from internal provenance during the first year, on the second year the project is sustainable and it reaches the breakeven on the end of the second year.

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------------|--------------|---------------|---------------|----------------|----------------|----------------|
| Source of Funds | | | | | | |
| Liberted Gross Earnings | - 14.252 | 10.262 | 29.264 | 69.258 | 101.367 | 125.310 |
| Share Capital (Fund Entry) | 20.000 | | | | | |
| Desinvestment in Working Capital | 370 | 0 | 531 | 0 | 0 | 0 |
| Total of Origins | 6.118 | 10.262 | 29.795 | 69.258 | 101.367 | 125.310 |
| Uses of Funds | | | | | | |
| Investment in Fixed Capital | 1.550 | - | - | 800 | - | - |
| Tax on Profit | | - | - | 5.150 | 14.471 | 21.214 |
| Total of Uses | 1.550 | - | - | 5.950 | 14.471 | 21.214 |
| Treasury Balance | 4.568 | 10.262 | 29.795 | 63.308 | 86.896 | 104.096 |
| Accumulated Treasury Balance | 4.568 | 14.830 | 44.625 | 107.933 | 194.829 | 298.925 |

Table 23: Source of Funds

11.10 Balance Sheet

| Balance Sheet | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------------|--------------|---------------|---------------|----------------|----------------|----------------|
| Assets | | | | | | |
| Non-Current Assets | | | | | | |
| Fixed Tangible Assets | 1.300 | 1.050 | 800 | 1.250 | 900 | 700 |
| Total Non-Current Assets | 1.300 | 1.050 | 800 | 1.250 | 900 | 700 |
| Current Assets | | | | | | |
| Cash and Bank Deposits | 4.568 | 14.830 | 44.625 | 107.933 | 194.829 | 298.925 |
| Total Current Assets | 4.568 | 14.830 | 44.625 | 107.933 | 194.829 | 298.925 |
| Total Assets | 5.868 | 15.880 | 45.425 | 109.183 | 195.729 | 299.625 |
| Equity | | | | | | |
| Common Stock | 20.000 | 20.000 | 20.000 | 20.000 | 20.000 | 20.000 |
| Reserves | | - 14.502 | - 4.489 | 19.374 | 73.811 | 153.615 |
| Net Income | - 14.502 | 10.012 | 23.863 | 54.437 | 79.804 | 98.837 |
| Total Equity | 5.498 | 15.511 | 39.374 | 93.811 | 173.615 | 272.452 |
| Liabilities | | | | | | |
| State and other public entities | 370 | 370 | 6.051 | 15.371 | 22.114 | 27.174 |
| Total Liabilities | 370 | 370 | 6.051 | 15.371 | 22.114 | 27.174 |
| Total Equity + Liabilities | 5.868 | 15.880 | 45.425 | 109.183 | 195.729 | 299.625 |

Table 24: Balance Sheet

11.11 Project Ratios

| Economic Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------|--------|--------|---------|---------|---------|
| Growth Rate of the Business | | 100% | 80% | 45% | 25% | 15% |
| Ratio of Net Return on Sales | -58% | 20% | 27% | 42% | 49% | 53% |
| Profitability and Efficiency Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Return on Investment (ROI) | -247% | 63% | 53% | 50% | 41% | 33% |
| Return on Total Assets (RTA) | -247% | 63% | 64% | 63% | 52% | 42% |
| Asset Turnover | 426% | 315% | 198% | 120% | 83% | 63% |
| Return on equity (ROE) | -264% | 65% | 61% | 58% | 46% | 36% |
| Financial | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial Autonomy | 94% | 98% | 87% | 86% | 89% | 91% |
| Solvency | | 4295% | 751% | 710% | 885% | 1103% |
| Liquidity and Business Risk Ratios | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current Liquidity | 12,35 | 40,11 | 7,37 | 7,02 | 8,81 | 11,00 |
| Gross Margin ratio | 700 | 25.214 | 64.718 | 104.713 | 136.822 | 160.765 |
| Operating leverage | -5% | 252% | 223% | 152% | 135% | 128% |

Table 25: Project Ratios

Growth rate of the business it slows down during the project, which is a normal effect, since the business is getting bigger, it's harder to grow like in the first years of the project.

ROI: The first year we have a super negative ROI because the revenue doesn't cover the costs. On the second year we start to have return of the investment which is great and during the rest of project is an excellent value.

ROE: The amount of net income returned as a percentage of shareholders equity is negative on the first year, as would be expected but on the second year until 2023, we can see a great ROE indicator, normally in the market higher than 25% is an excellent ratio, which is the case.

Financial Autonomy: An high ratio means that there is low risk related with dependency of creditors, in this project here is no risk at all since the capital is 100% funded by the shareholders.

Solvency: The high ratio represents the financial strength of the enterprise.

Current Liquidity: Low values means that the company doesn't hold too much cash but does have the ability to pay short-term and long-term obligations.

11.12 Project Evaluation

There are three indicators that are important studying the economic viability of a project, such as net present value (NPV), internal rate of return (IRR) and Payback.

According to the NPV analysis, it is concluded that the project is viable since it has a positive NPV of 196.624€ in the project perspective and 337.470€ in the investor perspective. That is, in both perspective, the current value of cash flows exceeds the value of investments.

The IRR obtained is 143,22% in the project view, and 148,55% in the investor's view. The investment will be recovered after 2 years, from the perspective of the investor and from the project.

Project perspective

| Project Perspective | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Free Cash Flow to Firm | -15.432 | 10.262 | 23.702 | 53.987 | 80.154 | 99.037 | - 140 |
| WACC | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% |
| Discont Factor | 1 | 1,062 | 1,128 | 1,197 | 1,271 | 1,350 | - |
| Discounted Cash Flow | - 15.432 | 9.664 | 21.020 | 45.087 | 63.039 | 73.350 | - 104 |
| Accumulated Discounted Cash Flow | - 15.432 | - 5.768 | 15.252 | 60.339 | 123.378 | 196.728 | 196.625 |

Table 26: Project Perspective

| | |
|----------------|----------------|
| NPV | 196.624 |
| IRR | 143,22% |
| Payback | 2 |

Table 27: NPV, IRR & Payback Project Perspective

Investor perspective

| Investor Perspective | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Free Cash Flow to Firm | -15.432 | 10.262 | 23.702 | 53.987 | 80.154 | 99.037 | 190.028 |
| WACC | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% |
| Discont Factor | 1 | 1,062 | 1,128 | 1,197 | 1,271 | 1,350 | - |
| Discounted Cash Flow | - 15.432 | 9.664 | 21.020 | 45.087 | 63.039 | 73.350 | 140.742 |
| Accumulated Discounted Cash Flow | - 15.432 | - 5.768 | 15.252 | 60.339 | 123.378 | 196.728 | 337.470 |

Table 28: Investor Perspective

| | |
|----------------|---------|
| NPV | 337.470 |
| IRR | 148,55% |
| Payback | 2 |

Table 29: NPV, IRR & Payback Investor Perspective

12. Conclusion

The initial motivation of this work was the approach of a topic that practically all Small and Medium Enterprises think about, how to expand and escalate their businesses, which It was very interesting and personally I loved the way it unrolled during the process, It made me think in a different perspective on how to grow a business and be an entrepreneur, how to use resources more efficiently.

This project presented the expansion plan of *Libelinha* as sustainable and lucrative which is fantastic for the problematic generated, (*How to increase profit and network through exploration of other markets, in this case, Lisbon market*), during this study I encountered few obstacles due to the structure and organization behind can support the new project, one important point are the controls and processes in existence and uniformed for three offices.

Since it's a financial service business the costs aren't elevated and the necessary investment is low with a good margin in the horizon to have a fast return of investment, the reflection is in the Net Present Value calculated in the project perspective 196.624€ with an Internal Rate of Return of 142,22% and in the investor perspective 337.470€ with an Internal Rate of Return of 148,55%. From the financial analysis we can conclude that the growth perspective of the project is very positive, there is no need for a loan the enterprise can manage with own capital to invest, the fixed and variable costs are light due to the fact that a lot of them are shared with the structure that support the project.

The biggest challenge of the project will be to align the Lisbon office with the rest of the structure, since it is dislocated from the rest of the offices, so the objective created is to be one of the partners be regularly or almost permanently in Lisbon to integrate the office within the structure and make this project a success until is autonomous but success is evident in *Libelinha*.

I intend that this thesis works as a model for future leaders and entrepreneurs in a process of expansion and escalating their businesses and if everything goes as planned, the market in Lisbon will hear about *Libelinha Seguros*.

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14. Annexes

ANNEX 1 - Total Depreciations

| Total Depreciations | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|------|------|------|------|------|------|
| Total | 250 | 250 | 250 | 350 | 350 | 200 |

ANNEX 2 - Accumulated Depreciations

| Accumulated Depreciations | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------|------|------|------|------|------|------|
| Tangible Assets | 250 | 500 | 750 | 1100 | 1450 | 1650 |

ANNEX 3 - Depreciations Values for Balance Sheet

| Balance Sheet Values | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------|------|------|------|------|------|------|
| Tangible Assets | 1300 | 1050 | 800 | 1250 | 900 | 700 |

ANNEX 4 - WACC Calculation

| WACC | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------|--------|--------|--------|---------|---------|
| Interest-bearing liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity | 5.498 | 15.511 | 39.374 | 93.811 | 173.615 | 272.452 |
| Total | 5.498 | 15.511 | 39.374 | 93.811 | 173.615 | 272.452 |
| % de Passivo Remunerado | 0 | 0 | 0 | 0 | 0 | 0 |
| % of Equity | 100% | 100% | 100% | 100% | 100% | 100% |
| $Beta_p = B_u * (1+(1-t)*CA/CP)$ | 1,1200 | 1,1200 | 1,1200 | 1,1200 | 1,1200 | 1,1200 |
| Cost | | | | | | |
| Financial Cost | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost of Capital $R_{cp} = R_f + B_p * (R_m - R_f)$ | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% |
| Weighted Cost | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% | 6,19% |