

ISCTE  **Business School**
INSTITUTO UNIVERSITÁRIO DE LISBOA

MSc in Business Administration

MAXSTORE

THE LAUNCH OF A NEW PLATFORM TO GAIN A COMPETITIVE
ADVANTAGE

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Project submitted as partial requirement for the conferral of MSc. in Business
Administration

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September 2019

MAXSTORE: THE LAUNCH OF A NEW PLATFORM TO GAIN A COMPETITIVE ADVANTAGE

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Acknowledgement

I would like to dedicate this thesis to my father, Ramon Corominas, as he was the one who motivated me to pursue this Master, and that, unfortunately, could not see me finish it. He was an incredible father and husband that always supported me and made me believe I could achieve everything I wanted. I feel honored for being his son and he will always be missed. Thank you for everything, dad.

I must also thank my family, especially my mother and brother, for all the support given during the past years in order for me to reach this moment. Without them standing always by my side, and giving me the strength I needed, it would not have been possible to finish this project.

I would also like to thank my friends and girlfriend for supporting me all the way throughout this journey. They stayed by my side and gave me the confidence to be persistent and finish my thesis.

I would especially like to thank my tutor, Luis Martins, for all the help, availability, and knowledge he had for me not only during the project, but throughout my journey at ISCTE. Furthermore, I must thank all my colleagues and teachers of ISCTE - Business School.

Finally, I would like to thank RE/MAX for giving me the opportunity to use MAXSTORE as the basis for my thesis and giving me direct access to all the information I needed. I wish the best to all my ex-colleagues, that work hard every day to make the company RE/MAX the amazing brand that it is today.

Summary

The real estate market in Portugal has been growing in recent years due to the improvement of the economy and an increase in tourism. For this reason, competition between the biggest players in the market has never been fiercer. In this way, companies seek to launch new projects and innovative campaigns that allow them to achieve a competitive advantage and differentiate themselves, gaining market share and attracting more clients.

Thus, this case study was conducted with the purpose of analyzing one of the new initiatives launched by RE/MAX Portugal during 2018, the MAXSTORE. This project is a digital platform that aims to sell supplementary products to the business of real estate to its internal and external clients. This way, RE/MAX intends to provide a more complete real estate service to their clients, allowing them to continue to lead the Portuguese real estate market.

The main idea of the case study is to find the strengths and weaknesses of the MAXSTORE project. This allows to present the project for academic purposes and to enable students to learn and have a more critical and creative vision to recognize the points for improvement in a business project. Thus, students will also have a better sense of how to develop an operational marketing strategy.

In addition, interviews were conducted with the various departments of RE/MAX Portugal, especially with the marketing department, to understand the purpose of the project, implementation process, and overall strategy. Thus, data collection was performed using the data provided by the marketing regarding the creation, implementation, marketing mix, and financial results of MAXSTORE.

KEYWORDS: Competitive Advantage, Differentiation Strategy, E-commerce, Real Estate, Leadership.

JEL CLASSIFICATION: M10, M19, M31.

Resumo

O mercado imobiliário em Portugal tem crescido nos últimos anos devido à melhoria da economia e ao aumento do turismo. Por esse motivo, a concorrência entre os maiores players do mercado nunca foi tão acirrada. Dessa forma, as empresas procuram lançar novos projetos e campanhas inovadoras que lhes permitam obter uma vantagem competitiva e se diferenciar, ganhando quota de mercado e atraindo mais clientes.

Assim, este case study foi realizado com o objetivo de analisar uma das novas iniciativas lançadas pela RE/MAX Portugal em 2018, a MAXSTORE. Este projeto é uma plataforma digital que visa a venda de produtos complementares à venda de imóveis aos seus clientes internos e externos. Assim, a RE/MAX pretende prestar um serviço imobiliário mais completo ao seu público, permitindo-lhes continuar a liderar o mercado imobiliário português.

A ideia principal do estudo é encontrar os pontos fortes e fracos do projeto MAXSTORE. Isso permite que seja possível apresentar o projeto para fins acadêmicos para que os alunos aprendam e tenham uma visão mais crítica e criativa para reconhecer os pontos de melhoria num projeto empresarial. Desta forma, os alunos também terão uma melhor noção de como desenvolver uma estratégia de marketing operacional.

Assim, foram realizadas entrevistas com os vários departamentos da RE/MAX Portugal, especialmente com o departamento de marketing, para entender o objetivo do projeto, o processo de implementação, e estratégia geral. Assim, a coleta de dados foi realizada com base nos dados fornecidos pelo marketing em relação à criação, implementação, marketing mix e resultados financeiros da MAXSTORE.

PALAVRAS-CHAVE: Vantagem Competitiva, Estratégia de Diferenciação, E-commerce, Mercado Imobiliário, Liderança.

CLASSIFICAÇÃO JEL: M10, M19, M31.

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GLOSSARY

IMPIC: Instituto dos Mercados Públicos, Imobiliário e Construção.

RGPD: Regulamento Geral da Proteção de Dados.

AI: Artificial intelligence.

ARI: Residence for investment activities.

INE: Instituto Nacional de Estatística.

1. The case

1.1 Introduction

The real estate market in Portugal has been increasing for the last eight years. A rise in the Portuguese economy allowed the market to grow, giving better conditions to consumers to be able to invest or buy real estate. The fact that access to loans is easier, with financial companies and banks making loans of up to 90%, and the purchase power of the Portuguese has been increasing in the last three years, have made real estate become an important market in the country.

Tourism and foreign investment have been one of the factors that have helped the market and the Portuguese economy to develop. The tourism balance has grown from 4.648,45 million euros in 2010 to 11.909,62 million euros in 2018 (Pordata, 2019h). In 2016, around 18 million tourists visited the country, which translated into an 11% increase in profit regarding 2016 (Pordata, 2019h). Furthermore, new laws imposed by the government, such as Golden Visas and non-permanent residents, have attracted more foreign investments into the country. This has had an effect on residential tourism, as in 2017 11,5% of the real estate sold in Portugal was to non-resident clients, increasing 250% in relation to 2012 (INE, 2018a).

Moreover, these changes have had an impact on the Portuguese real estate market. As the demand for real estate in Portugal has increased in recent years, the market has appreciated. This means that the price of real estate has skyrocketed with an increase of 238 euros per square meter in residential properties in Portugal, from February of 2014 to February of 2019 (INE, 2019). This growth makes the owners see that it is the ideal time to sell. For this reason, the market is currently very active and appealing to entrepreneurs and companies in the sector. New entries have been more constant due to the attractiveness of the sector, and competition has never been fiercer. New substitute products, such as real estate portals, have also come to affect the brokerage market. This strong competition causes real estate brokerage companies to create innovative initiatives and projects to retain and attract new clients in order to protect their place in the industry.

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In the Portuguese real estate market there are three main players: RE/MAX, Century 21, and ERA, and everyone has the same business model, franchising. This means that they have two clients to retain and attract, franchisees and the final client. As currently both clients have the option of choosing among a varied number of companies, it is important for companies in the sector to excel. In this way, new innovative projects have been launched to retain and attract clients by all the big players, in order to continue to rise and dominate the market.

Furthermore, this project is a case study that analyzes MAXSTORE, an innovative new platform created by RE/MAX Portugal, the market leader with 25% market share, which aims to create better conditions for its internal clients and offer a range of services associated with the purchase of real estate for external clients. The platform sells merchandising and communication products (sale signs, cards, agency posters, brand textiles) to franchisees at more attractive prices, and household products to the final client (appliances, furniture, crockery) with reduced prices, through partnerships with several companies.

MAXSTORE was launched in June of 2018, and this project will analyze the results and procedures in order to find point of improvement and give recommendations to RE/MAX Portugal to maximize the outcomes of their platforms, providing a better service to their internal and external clients.

1.2 Case Presentation

Since RE/MAX arrived in Portugal in 2000, the brand was distributing and selling merchandising through its headquarters located in Lisbon. With the passage of time, and the opening of new agencies across the country, it has become a problem for RE/MAX at the level of stock management and brand image.

Stock management used to be done by the marketing department. The merchandising was stored in the storage units and, as the franchisees bought the material, the marketing department organized the deliveries that were also paid by the franchisees. In addition, due to the large amount of training that takes place at the headquarters of the master

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franchising, the sale of merchandising was also done at the company's reception by the coordinator. This management entailed having several people dealing with stock management and sales, so the sales value and the number of pieces in the stock were always mismatched.

Furthermore, the fact that the franchisees had to move to the headquarters to purchase merchandising, or to pay for shipping costs, also became a problem. Due to this lack of solutions presented to the franchisees, they began to find and look for their own suppliers and began to produce their own merchandising. This resulted in a decentralization of suppliers and a heterogeneous image of the brand, as each franchisee and agent followed their criteria, and the image of RE/MAX in the streets became different than the one that the master franchising communicated.

Moreover, products bought by the franchisees and agents also became more expensive because they had to negotiate in lower volumes, instead of negotiating and buying as a network of 7,500 people. Since the real estate market uses a lot of merchandising (mainly cards, “for sale” plates, and clothing of the brand) this had a negative impact on the financial results of the agencies and agents because they could cut costs if the products of merchandising were more affordable.

In this way, the concept of MAXSTORE emerged, a digital platform that allows franchisees and agents to purchase merchandising in a quicker, cheaper and simpler way. This also allows RE/MAX Portugal to provide better service to its internal clients, making it easier to buy products at more affordable prices. In addition, RE/MAX Portugal could create a more homogeneous street image in order to strengthen brand perception towards their clients.

With this project, RE/MAX Portugal found a business opportunity and a new way to reach its final clients. In addition to selling merchandising to its internal clients, the company decided to sell, through MAXSTORE, products to equip its clients' homes such as appliances and furniture. These products come from partnerships that RE/MAX Portugal has with companies in these sectors. This way, the brand offers a more complete service to its final clients, not only helping to buy the property ideal for their needs, but also

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satisfying the rest of the needs that are connected with buying a home. Thus, RE/MAX presents a new strategy to attract and retain clients in the residential market.

In this way, RE/MAX started looking for suppliers to create and manage the platform. An important factor for the company is that the supplier manages the stock and the selling of the products and that the marketing department of RE/MAX Portugal only organizes the prices and products that are part of MAXSTORE. Thus, in October 2017 the marketing department had several meetings with potential suppliers until it closed a contract, in December, with Telemedia. One of the factors that differentiated the company was that, in addition to creating and managing the platform, they are also distributors of brands in the technology and household sectors, so they have also become a strong supplier for the sale of products to final clients. As part of the negotiation, they also agreed to keep all the merchandising stock and products to external clients and distribute them.

At the same time, RE/MAX Portugal joined all its merchandising suppliers to negotiate its participation in MAXSTORE. All presented their product proposals for the platform and the company chose three suppliers that specialize in three different type of product. In this case, since RE/MAX Portugal was looking for the best prices, a necessary aspect in the negotiation with suppliers was that they should be responsible for the stock they created. Due to the size of the brand and the merchandising it uses daily, the chosen suppliers accepted this proposal.

Thus, over a period of five months, Telemedia worked on the MAXSTORE website creation. Weekly meetings were held with RE/MAX Portugal's marketing department to test and align the layout and features of the site. During this period, the products to be included in the platform were defined and price negotiations were carried out with merchandising suppliers. The negotiation of the rappel with all the partners for products in the platform, for final clients, was made. During this time, the means and forms of distribution were defined between all the suppliers, as well as the means of payment in the platform.

Furthermore, in April and May 2018, when the platform was almost finished and operational, the platform was introduced in the annual convention to internal clients, and

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products began to be available at MAXSTORE. Then, the marketing department outlined the communication strategy for the franchisees and the time to launch the platform. It was essential for the company to launch MAXSTORE before the summer, as in that period several guerrilla marketing actions were carried out by the franchisees and the company wanted to be responsible for selling the merchandising to them.

However, when the final tests were carried out at the end of May, in order to officially launch the platform a few weeks later, the IT department noticed that there were several bugs in MAXSTORE, namely in the payment methods and certain applications. Thus, while the report was sent to Telemedia to fix the bugs, the application launch was postponed. During the following two months, several meetings were held between the supplier and the IT and marketing departments until all platform problems were solved.

Furthermore, at the same time, the quality department of RE/MAX Portugal validated with an external lawyer all the terms and conditions and privacy policies of the platform in order to protect the company legally. Gaps were found and three meetings had to be held between the quality department and Telemedia so that all legal points of MAXSTORE were covered. This eventually delayed the launch of the project for another month.

For these reasons the platform was only ready to be launched at the end of July. Then, as the month had already started, the marketing department decided to launch the platform in the first of August. Since then, the platform continues to introduce new products to its franchisees on a monthly basis. For the final consumer, new campaigns are launched almost monthly by the different partners that RE/MAX Portugal has. During the year 2019, RE/MAX aims to increase its sales volume and make the platform the main point of purchase of merchandising for its franchisees. They also want MAXSTORE to become a lead generation point and that agents use it as a client attraction and loyalty tool to close more business.

1.3 Macroenvironment: External Analysis

In order to analyze and understand the external environment of the real estate market in Portugal, this paper is going to use a P.E.S.T analysis. P.E.S.T is an acronym for Political,

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Economic, Social and Technological analysis, which are the main point to examine in a market, and that provides to companies a strategic management framework for studying macroenvironmental factors (Doherty, Steel and Parrish, 2012).

According to Kotler (1994), the P.E.S.T analysis is a great instrument to understand the market growth and decline, business positions, potential, and new directions for operations. This analysis can be seen as a powerful tool for strategic planning, marketing planning, and product or service research and development. It also makes sure that the company performance is aligned with the forces that are affecting the business environment (Porter, 1985).

1.3.1 Political and Legal Factors

Political factors are the influence that governments can have in the economic activities of companies. These factors can be related to the creation of laws that can influence a specific market and the regulation that professionals and companies have to follow in order to operate in their markets (RE/MAX, 2018). In Portugal, there are two main influencers of the real estate market, the government and Instituto dos Mercados Públicos, Imobiliário e Construção (IMPIC), that regulates construction, real estate, and access to public services sectors. These entities have implemented several laws that directly influence the activities in the real estate market, for brokers and agents (RE/MAX, 2018).

The 15/2013 law establishes the legal obligations to which the activity of real estate is subject. This law changed the panorama for the real estate agencies because it implemented a new clause where the licenses for the exercise of the activity became of unlimited duration (Diário da República, 2013a). This meant fewer legal processes for the agencies, since previously the licenses had to be renewed every 5 years.

Another law that influences the Portuguese real estate market is the Portaria n.º 199/2013, which regulates the payment of fees, intended to cover the costs of managing the licensing and registration system of real estate brokerage firms. This law introduced a new clause that states that real estate agencies only have to pay an annual license fee and do not have

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to renew their license (Diário da República, 2013c), that means less bureaucratic processes for real estate companies.

The nº 16/2014 law also changed the real estate activity, as it simplified the procedures in the agent-client optic, allowing documents to be presented by online means (Diário da República, 2014). This was important because it allowed the real estate agent to do his work faster, providing a better service to the client.

Furthermore, the 118/2013 law protects and promotes the outcomes and performance of real estate through the Energy Certification System of Buildings (SCEE), which is part of the Regulation of Energy Performance of Housing Buildings (RDEEH) and Regulation of Energy Performance of Buildings of Commerce and Services (RDEECS). The 118/2013 law introduced new clauses in order to make all real estate fulfil the regulated limits of the global annual cost of energy, that were reduced from the last law that covered this subject. This is not a problem for real estate agents, as they only have to adapt to the new energy limits and energy certificates issued before this law was implemented were not harmed (Diário da República, 2013b)

Moreover, a law that has a strong influence in the real estate market is the 144/2015. It establishes the rules and principles that have to be followed by the functioning of alternative dispute resolution and the legal framework of consumer disputes in Portugal that operates in a network (Diário da República, 2015). It sets a number of rules which establish that all companies have to give certain information to their clients, in order to provide a more secure, complete and more professional service.

Lastly, another regulation that has affected all companies in Europe is the RGPD, which aims to protect the personal data of all clients in order to protect the rights of the consumers. In the real estate market, it does not have much rebound, as the only changes that agents have to do is to include some clauses in their buyers and sellers contracts where the clients have to authorize the use of their data for communications purposes (RE/MAX, 2018).

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There are also other governmental decisions that have influenced market activities and results, as they have attracted more clients to Portugal and have increased the demand for real estate (RE/MAX, 2018). These implementations are the Golden Visas and the non-permanent resident regime.

The ARI (Authorization of Residence for Investment Activities) that has the name of Golden Visa, is a regime that allows foreign investors (from outside the EU) to obtain authorization for temporary residence to take care of investment activities. Individuals can earn this Visa by doing a transfer of capital of more than one million euros, creating at least ten jobs, or by buying real estate with a value of at least 500.000 euros. This had a strong influence in the Portuguese real estate market (RE/MAX, 2018) as a strong wave of new clients from around the world started to come to Portugal to buy real estate, increasing the demand and, consequently, the inflation of the price per square meter.

The non-permanent resident regime also has a strong influence in real estate. It was implemented in 2009 and allows foreign people that ask for fiscal residence to enjoy fiscal advantages for a ten-year period. This has had a major influence in the real estate market as people from other countries that have higher taxes come to live in Portugal. Since this regime was implemented the demand for real estate in Portugal has increased as well (RE/MAX, 2018).

1.3.2 Economic Factors

There are many economic factors that influence the Portuguese real estate market. A considerable part of them are directly correlated with the political factors that this paper has previously analyzed. Moreover, the main factors that economically influence the market are the economic situation of the country and of the EU, the laws implemented by the government and IMPIC, tourism, the grant of loans and interest rates, new construction and rehabilitation of real estate, and foreign investment volume.

The current economic conjuncture finds the EU and Portugal in a positive and ascending moment. Portugal had a growth of 2.7% in 2017, which is due to the acceleration of investment and growth in tourism, and is 0.2% above the average of growth in other

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European countries (INE, 2018c). In this way, the country is in a positive moment that translates, in the real estate market, into a significant increase of the demand of real estate, mainly in the big cities (RE/MAX, 2018).

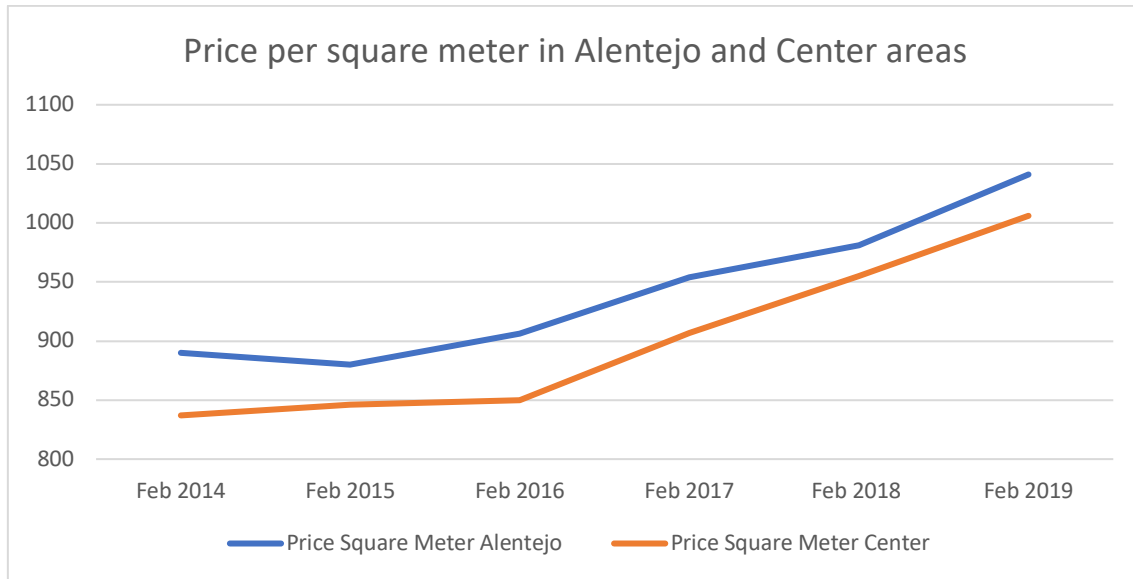
Tourism has grown substantially in the last few years, which has meant an increase in the local and national economies, representing 5,6 of the Portuguese GDP in 2017. The tourism balance was positive and it kept growing continuously: in 2010 it was of 4.648,45 million euros and in 2017, 11.909,62 million euros in 2019 (Pordata, 2019h). Tourists are also spending more in Portugal, as daily expenditure per tourist has increased from 26,7 euros in 2011 to 33,6 euros in 2017 (Pordata, 2018b). For the real estate market, this means that more foreign people and investors are coming to Portugal, which translates into a rise in demand and an increase in prices in real estate (RE/MAX, 2018).

Furthermore, the laws imposed by the government and IMPIC have helped the market development. The reduction and simplification of bureaucratic processes, as well as the implementation of new laws that allow more foreign investment, have a strong impact on supply and demand, and the inflation of the prices of real estate (RE/MAX, 2018).

Foreign investment has become vital in last decade as it represents almost 20% of RE/MAX's market (RE/MAX, 2018). The implementation of Golden Visas and non-permanent residents has changed the market, as prices have increased due to the higher demand. These initiatives have attracted more foreign investment, and in 2017 11.5% of the real estate sold was for non-residents, increasing to 19.2% in 2016 (INE, 2018a).

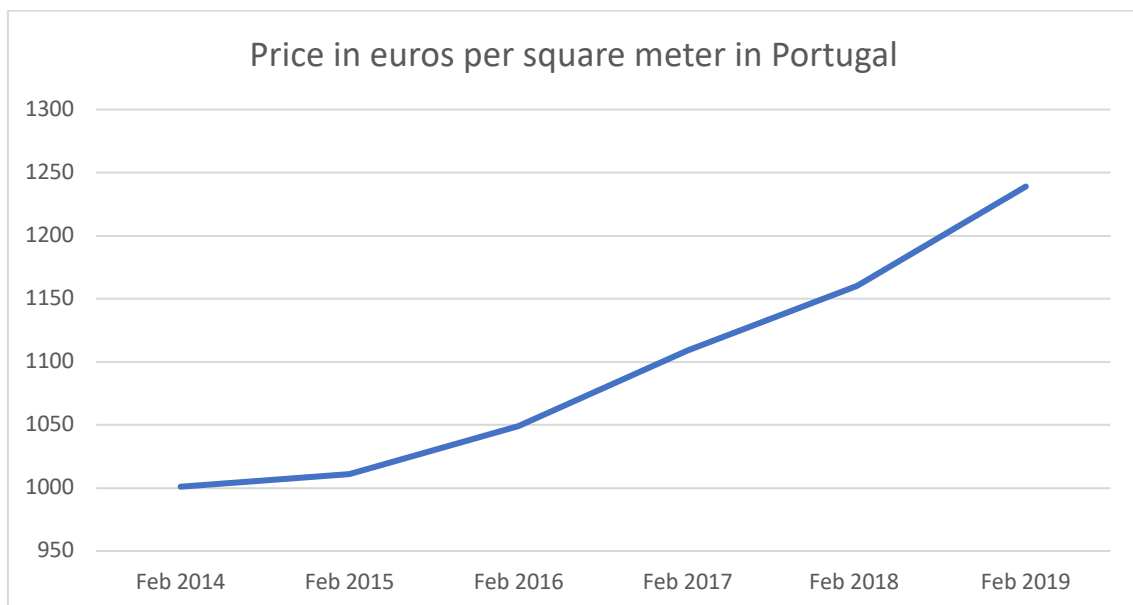
Usually, the foreign client is centralized in the main cities and coastal areas, but the lack of product and the increase in rural tourism have led them to start investing in rural and more central regions of the country. This has been reflected in the Alentejo and central Portugal areas' average square meter price in the last years 5 years. The average price per square meter in Alentejo was, in February 2014, 890 euros and 1.041 euros in February 2019. In the central areas the square meter was 837 euros, in February 2014, and 1.006 in February 2019 (INE, 2019).

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Graph 1: Price per square meter in Alentejo and Center areas (INE, 2019)

The most important economic factors in the real estate market is the access to loans, and the interest rates (RE/MAX, 2018). Due to the country's current economic situation, the access to bank loans is easier and quicker. Nowadays, banks lend 80% and even 90% of the money, and the interest rate of mortgage loans have decreased drastically, from 2,7% in July of 2015 to 1,4% in July of 2018 (INE, 2018e). For the real estate market, this is very positive because almost 90% of people that buy real estate in Portugal do it through loans. This also means that the demand and the prices of real estate increased. In February of 2014, the global price of the square meter in Portugal was 1.001 euros and in February of 2019 it was 1.239 euros (INE, 2019).



Graph 2: Price in euros per square meter in Portugal (INE, 2019).

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Moreover, the construction and rehabilitation sector, which is also controlled by the IMPIC, influences the real estate market because it affects the offer. At this moment, the market has high demand and low offer, which makes the price of real estate and square meter increase. However, between 2012 and 2017, 30.471 houses and apartments were built in Portugal, helping the real estate market to deal with the high demand (INE, 2018d).

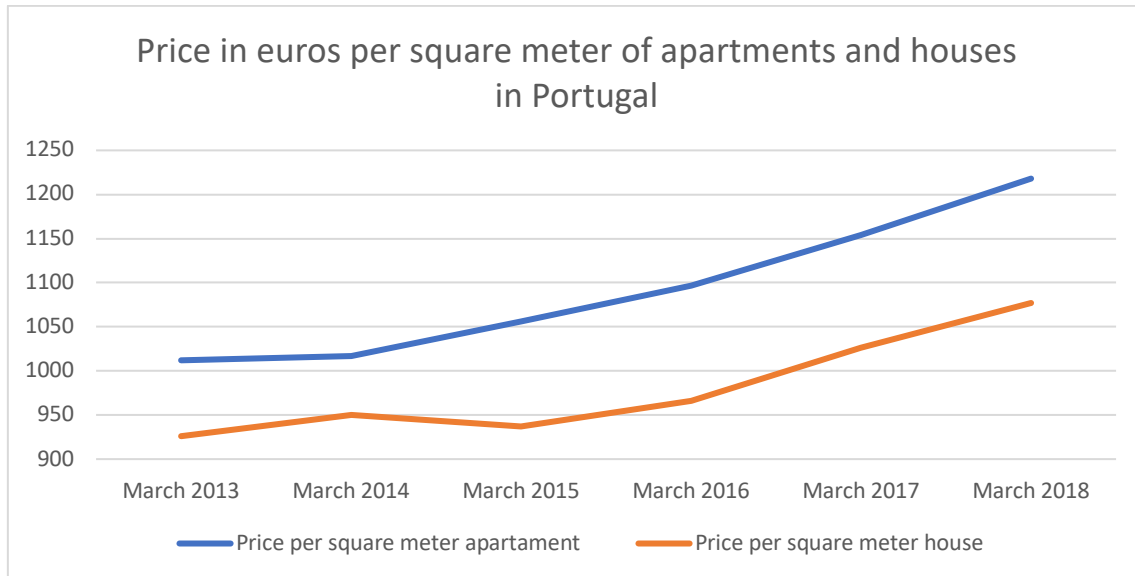
Due to all these reasons, in the past decade the real estate market has changed dramatically. In 2012, due to the financial crisis and the lack of mortgage loans (just 1.935 in that year), only 142.053 houses were sold in Portugal (INE, 2018; Pordata, 2019d) Five years later, in 2017, after a positive fluctuation, 8.261 mortgage loans had been made and 226.617 houses were sold (INE, 2018; Pordata, 2019d).

Period	Mortgage Loans in Portugal	Real estate sold In Portugal
2012	1.935	142.053
2013	2.048	141.839
2014	2.314	148.518
2015	4.013	173.692
2016	5.790	199.604
2017	8.261	226.617

Table 1: Mortgage loans and real estate sold in Portugal (INE, 2018; Pordata, 2019d).

The higher demand for real estate in Portugal has had a strong influence in the inflation of the price of the square meter. In March of 2013, the average price of the square meter for a house in Portugal was 926 euros, and in March of 2018, is was 1.077 euros (INE, 2019). The apartments are more expensive, and the square meter has also increased. In March of 2013, the average price of the square meter for an apartment in Portugal was 1.012 euros and six years later, in March of 2018, the average square meter was 1.218 euros (INE, 2019).

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Graph 3: Price in euros per square meter of apartments and houses in Portugal (INE, 2019).

The coastal areas are and main biggest cities in the country, as Lisbon and Oporto, are the ones that have the highest demand, followed by the Center areas and Alentejo. The demand for the rural areas in Portugal has increased as well, but the prices have not, as the price of the square meter is still low.

Ranking of price per square meter per region		
Period	Region	Price per square meter
March 2018	Algarve	1.463€
	Lisbon	1.420€
	Madeira	1.268€
	North	1.054€
	Açores	1.053€
	Alentejo	973 €
	Center	963 €

Table 2: Ranking of price per square meter per region (INE, 2019).

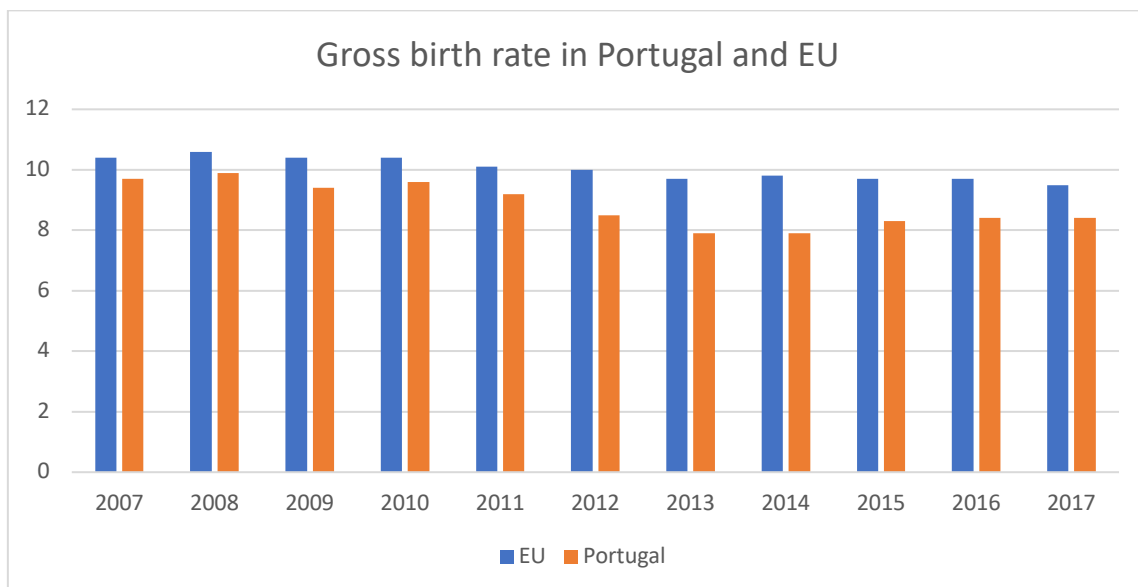
1.3.3 Social and Demographical Factors

Nowadays we live in a world that is continuously changing, socially speaking. Social aspects can affect opinions, interests and attitudes, and companies have to pay attention to them to better understand the needs of their clients. Organizations that do not react to these changes can lose market share and demand for products/services as they are not

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addressing their clients' requirements. In real estate there are several social and demographical aspect that influence the market such as population growth rate, emigration and immigration rates, family size and structure, lifestyles and new technologies, and new purchasing habits.

The population of Portugal has been increasing for the last decades and the country had an annual populational growth rate of 0,197% in 2017, the biggest in the last eighteen years. However, the population has decreased by 257.300 people from 2011 to 2017, and a decrease in birth rate and number of young people has been identified in recent years (Pordata, 2019f, 2019b). The gross birth rate in Portugal is below the European average, as Portugal is at 8.4% and Europe it at 9.5%. In the last decade, the gross birth rate in Portugal has fallen by 1.3%, and in Europe it was only 0.9% (Pordata, 2019g).



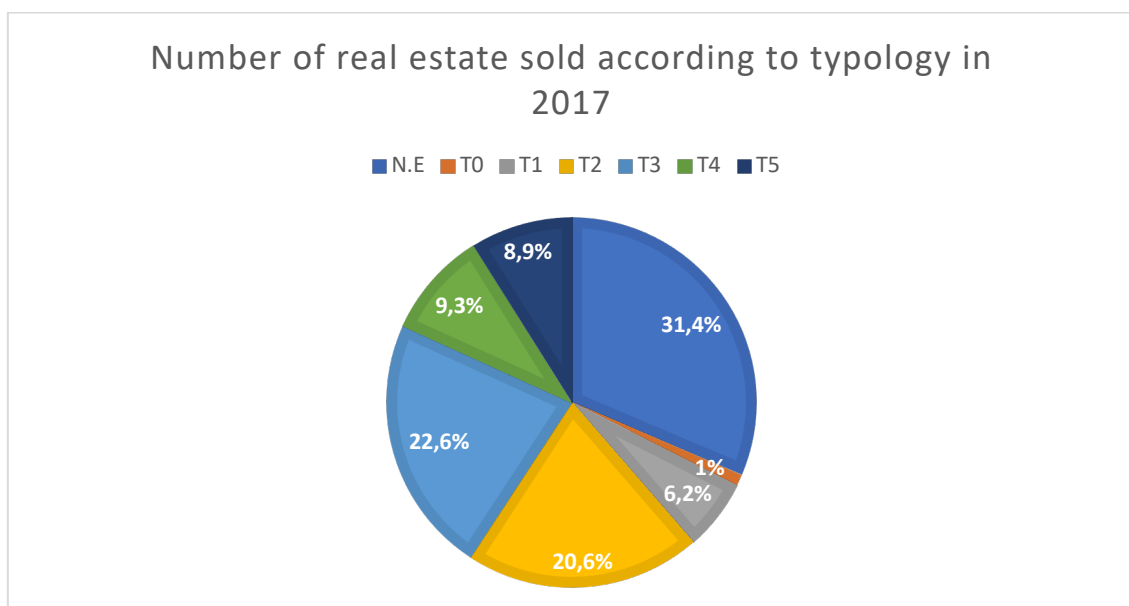
Graphic: Gross birth rate in Portugal and EU (Pordata, 2019g).

Furthermore, due to a better economic situation and the implementation of new regimes, tourism has increased in the last six years. In 2012, the migratory balance was -37,3 and in 2017 it was 4,9, which means that there are more people entering than leaving Portugal (Pordata, 2019e). The number of permanent immigrants has gone up from 14.606 in 2012 to 36.639 in 2017(Pordata, 2018d). For the real estate market this translates into more foreign investment and tourists coming to Portugal, which has an important impact in the increasing demand and prices of real estate.

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Family size and structure is also an aspect that companies in the real estate market have to pay attention to. The number of families has gone up, from 3.650,757 in 2001 to 4.043,726 in 2011, due to the increase in population (Pordata, 2015). However, the number of people per family has been decreasing, as in 2000 it was 2,9 and in 2017 it was 2,5. In addition to that, due to the rise of the divorce rate, single-parent households increased substantially in the last decade, from 274.466 in 2001 to 439.787 in 2017(Pordata, 2018c, 2018a). Due to a social change, where young people bet more on academic training, which means that they start their professional lives and leave their parents' house later, the average age that a woman has her first child in 2018 was 30,4 and in 2000 was 26,5 (Pordata, 2019c). For the real estate market this means that the purchasing habits and needs of the Portuguese have changed and that the market has to adapt its offer.

The modifications in family size and structure have made the demand for real estate typology change. The most wanted typology is the T3 and the T2, which represent 43,2% of the market (INE, 2018b). The T4, T5 and higher typologies, which were the ones that had the biggest demand in 2000 and before, are decreasing in demand. The demand is increasing for T0 and T1 due to the social changes previously analysed, as unipersonal households have increase from 633.400 in 2005 to 938.800 in 2018 (INE, 2018b; Pordata, 2019a). This is important for the real estate market as it shows which are the most wanted typologies so agencies and agents can adapt their portfolio in order to satisfy all the needs of their clients.



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Graph 5: Number of real estate sold according to typology in 2017 (INE, 2018b).

1.3.4 Technological factors

Nowadays the world is changing rapidly due to an accelerated technological development. Companies all over the world are investing in new technologies and innovation in order to maximize efficiency and operation, to create more responses to their clients' needs, and to be competitive brands in the market (RE/MAX, 2018). Furthermore, new technologies are not only creating new opportunities for companies but also a social revolution, as they are providing a better quality of life to people all over the world. In the real estate market, there are some technological factors that influence the results, such as Portals and the RGPD, and other factors that the market needs to keep in mind, such as artificial intelligence and new systems and technological developments (RE/MAX, 2018).

One of the aspects that drives society to changes is new technologies (REMAX, 2018). The appearance of e-commerce has made the real estate market change, as clients usually go to portals and websites to see the offer that real estate firms have before contacting them to visit or show interest for a property. This trend has made the agencies entrances decrease, but the number of leads increase as more people can see the agency portfolio from around the world (RE/MAX, 2018). Companies have to alert to this societal change to the digital era, as it is important to present to the client well structures websites and a good user experience if they do not want to lose the interest of clients, and consequently leads and business.

Real estate portals are e-commerce platforms that promote real estate, and to firms that provide a brokerage service, like RE/MAX, they can be a problem (RE/MAX, 2018). Portals charge a monthly fee for promoting real estate in their website. This fee is much lower than the commission that a real estate agent charges which is, on average, 5% of the price of the real estate. For this reason, some sellers prefer to put their properties in portal instead of in real estate agencies, which decreases the number of properties raised by brokerage companies. Moreover, in a market that has a strong demand, some people have the perception that they do not need the help of a market specialist to sell their real estate, they believe that portals are the best option. Although the most visited websites

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are from brokerage firms, and the RE/MAX website is number one in the country, the popularity of portals is raising and brokerage companies have to pay attention to them if they do not want to lose market share to this new competitor (RE/MAX, 2018).

Following the same line of thinking, another aspect that changes behaviours and interests is social media. Social media is where people share and post content worldwide. For real estate companies it is vital to be in social media to know what their clients look for and to draw profiles of potential clients. It is important to be active and invest in advertisement in social media as it impacts a broad group of potential clients every day (RE/MAX, 2018).

The RGPD, a new regime that was previously analyzed in the political factors, that aims to protect the data of all clients in order to protect their rights as consumers, can be an issue to real estate companies in a technological communication perspective (RE/MAX, 2018). Consumers have to give permission to companies in order for them to communicate with the clients to present new projects or, in this case, properties. From an online perspective, before companies could communicate with clients just by having their personal information, and now they have to get permission from the clients to use personal data for communication purposes, this will mean a loss of leads, and online communication will be more restricted and will impact less people (RE/MAX, 2018).

Furthermore, another technological factor that can influence service industries is artificial intelligence. AI consists in many branches and hybrid systems that try to recreate actual thoughts. It has been applied to computer systems in order to perform complex tasks in the programming area, but it is still far from recreating human thoughts (Mellit *et al.*, 2009). In service industries, this can mean that computers could provide a better service than humans and, consequently, replace them. Although in the real estate market a human aspect is always needed in processes such as negotiating, showing properties, and creating relationships with buyers and sellers, the market has to pay attention to AI because it can develop into a helpful process tool for agents (RE/MAX, 2018).

Nowadays, the world is experiencing a technological revolution, where new tools and programs arrive to improve efficiency and create a more complete service to clients (RE/MAX, 2018). In this way, companies have to be careful and aware of new

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technological developments if they want to be competitive brands in their markets. Taking advantage of new technologies, providing a superior service than competitors, and creating a competitive advantage could be what dictates the success and permanence of a company in the service sectors (RE/MAX, 2018).

1.4 Microenvironment: Internal analysis

The microenvironment of an organization is defined as the factors that affect a company's ability to create relationships and value with its clients (P Kotler, 2008). According to Constantine (2000), the success of a company can be correlated to its microenvironment by building and maintaining good relationships with all the parties that are known to affect the company's internal results.

Having this in mind, RE/MAX should consider its microenvironment in their strategic decision-making process, as it can positively influence the company's outcomes. In order to analyze the microenvironment of a company, there are several factors to consider, such as suppliers, intermediaries, target audiences, and the company.

1.4.1 Suppliers

According to Kotler (2008), suppliers are an important link in an organization's client value creation and delivery process as they provide the resources needed to produce goods or services. For this reason, it is important to maintain good relationships with suppliers, as issues with them can affect the overall results of a company.

In the real estate industry, the suppliers are the clients, as they provide real estate to agents and agencies to mediate. According to Wognum (2002) in these cases, clients have a strong power of decision and have become dependent on the knowledge and preparation of the real estate agents they work with. For this reason, real estate agents and clients/suppliers are mutually dependent on each other.

Furthermore, RE/MAX Portugal also has several suppliers that provide products and services for marketing and IT purposes. The marketing department has suppliers for merchandising, partners for the company discount card, and managers of the platform

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that this paper studies. However, the suppliers do not have a strong power of decision, as there are several competitors in the market and the company could easily replace them (RE/MAX 2018).

The IT department has a supplier that strongly influences the daily work of the organization. This supplier created and manages the CRM of the company, MAXWORK. The CRM is where all the real estate is uploaded and all the transactions are recorded. It allows the company to keep track of the business. In this case, the supplier has a strong power of decision, as it influences the daily tasks of RE/MAX (RE/MAX 2018).

1.4.2 Marketing Intermediaries

Marketing intermediaries are organizations that assist companies to reach their goals by helping to sell, distribute, or promote their goods to the final client (P Kotler, 1999). According to Ellis, (2010) by having their position in several markets, intermediaries can have valuable information and sources that companies do not usually have access to.

In the real estate brokerage service, real estate agents work as intermediaries for their clients (RE/MAX 2018). For sellers they provide knowledge, communication channels, and negotiation skills that will help their clients to sell faster and for the best possible price. On the other hand, buyers rely on real estate intermediaries for their network and expertise on how to find the adequate property for their needs.

RE/MAX Portugal's marketing department uses the services of intermediaries to provide more solutions and benefits to their internal and external clients. The company works with communication agencies to create and invigorate content and campaigns for the public in order to generate a strong and authentic brand image. RE/MAX also depends on intermediaries in the distribution area to issue the products that MAXSTORE sells in the platform to the final client. This organization has a strong influence in the outcomes and image of the company, that is why RE/MAX tries to keep a good and long-term relationship with them (RE/MAX 2018).

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1.4.3 Publics

According to Kotler, (2008) public consists in any type of group that can influence and has an impact in the overall capacity of an organization to achieve their goals. For an organization to be effective, they must develop long-term relationships with the publics of their environment that have an influence in the company's organizational decisions (Grunig and Grunig, 2013). Having that in mind, there are several publics that can influence RE/MAX's results and that the company has to pay attention to if they want to succeed in the real estate market.

RE/MAX gets all its funds through its franchisees. Agency owners pay a fee to use the brand when they open their business, and monthly commissions to the master franchising based on the sales of their agents. In addition to commercial fees, franchisees pay monthly commissions to the master for the CRM used by agents and training. In this case, the financial publics of RE/MAX are banks that give loans to franchisees in order to open their agency.

Furthermore, there are some media publics that can affect the real estate market. As the real estate market has grown, together with the Portuguese economy, several media channels such as newspapers, magazines and television programs have been analyzing and commenting on the sector, directly influencing public opinion. In this way, it is important that the company is always aware of the news coming out of the sector and take advantage of that in order to communicate with the final client.

The master franchising must always be updated with the new laws imposed by the European Union, Portuguese government, and IMPIC in order to train their agents to comply with the requirements of the market. The marketing department also has to be in continuous contact with the quality/legal department, to know if the company's communication to the final client is within the parameters imposed by the Portuguese law concerning advertising campaigns.

There are interest groups and local publics such as environmentalists or IMPIC that the company has to take into account. In this way, since RE/MAX Portugal does not have a

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public relations department, the marketing department and the management are responsible for maintaining a good relationship with these groups in order to maintain a good brand image.

Moreover, one of the most important groups is the general public, as their perception of the brand and its services could determine if in the future they are going to choose to work with RE/MAX or with its competitors. In order to manage the public image of the brand, RE/MAX Portugal's marketing department works with some local organizations and makes solidarity campaigns, establishing itself as a solidary brand concern for the well-being of the general public.

In order to have a successful business and improve your results every year, it is important to have motivated and loyal employees. For this, RE/MAX does several team buildings and events throughout the year to reward and recognize its agents and franchisees. It is key for management that their employees feel proud and happy to work in RE/MAX.

1.5 RE/MAX Portugal – Company Overview

RE/MAX was founded in 1973 in Colorado (USA) by David and Gail Linger. They had a real estate business model idea that would allow franchisees to maximize their commission and revolutionize the market. In 1975, they expanded their business to Kansas and in 1977 the company did their first internationalization to Canada. Then, when the company was already a major player in America, they decided to internationalize to Africa and Australia in 1994, and to Europe in 1995.

Nowadays, RE/MAX has a network of over 120.000 agents and it is present in more than 110 countries. In 2013, after forty years of experience, RE/MAX was listed in the New York Stock Exchange as a publicly traded company. Since 2018, RE/MAX also holds the 7th position in the Top Global franchises ranking, which awards the most successful franchises.

Furthermore, the organization is in a leading position in the industry due to a higher number of transactions, brand awareness, and know-how. In the USA alone, RE/MAX

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has made 1.004.000 transactions, in 2018, and has a 16.3 average of transaction per agent against 10.3 of the second biggest player in their market.

In Portugal, RE/MAX arrived in 2000 by the hand of Beatriz Rubio and Manuel Alvarez, who, after a successful experience in real estate during the 1998 World Expo in Lisbon, decided to reach out to RE/MAX Europe and buy the master franchise in Portugal. Due to a good strategy to attract franchisees and a good know-how, in 2005, RE/MAX had more than 60 agencies and became a market leader in Portugal.

Since 2005 RE/MAX Portugal continues to be in a leading position in the real estate market, having 312 agencies and 7.400 agents around the country. In 2018, the company opened more than 30 agencies and attracted over 300 new agents. Moreover, the company wants to continue expanding the company in the country and a new strategy has been set to attract more franchisees and agents. For four years RE/MAX has been considered a Superbrand in Portugal and, in 2019, won the award for best place to work in the country. In addition, the company is also successful inside the RE/MAX network, winning since 2014 the award of “best region of the year” from RE/MAX International.

In 2018, RE/MAX Portugal grew 9% in volume of transactions, compared to 2017, when 62,287 transactions were made. In addition, the company handled 4.36 billion euros in 2018, increasing its turnover by 17% over the previous year. This has also allowed the company to increase the brand awareness and market share to 25% in 2018. According to Beatriz Rubio, CEO and founder of RE/MAX Portugal, in an interview to Idealista, “There is still room for the market to grow in 2019” and the company is exploring new strategies and implementing new projects in order to continue expanding their market share.

Furthermore, in order for RE/MAX to succeed, the departments that compose the company have to create synergies and work together towards the same goals. According to Kotler (2008), marketeers have to be in contact with all the departments of the company that have an impact on consumers in pursuance of creating more value and satisfaction for the final client.

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RE/MAX Portugal's structure is divided in six departments, which align their strategy taking into account the mission and values of the company. These departments are marketing, finance, training, quality, operations, and IT, which are led by the administration of the organization.

The President and CEO of RE/MAX Portugal sets the mission and values of the company and, in accordance with the directors of each department, establishes strategies aiming to achieve higher results and offering a wider range of solutions to clients. Then the directors implement and discuss with their teams those values and strategies, creating a methodology and procedures in order to reach the goals set.

RE/MAX has two types of clients, the franchisees and the final client. In order for these values to reach the final client, the franchisees have to be prepared and aligned with the master franchise's strategy. Due to this, the marketing department has to be in accordance with the operations and the training departments. The operations team is in charge of going to agencies explaining and introducing the new procedures and goals, established by the master, to franchisees and help them to achieve better results. The training team is responsible for preparing the franchisees and agents for their daily tasks and work towards maximizing their outcomes in the field. For these reasons, it is important that these departments create a transversal strategy and speech in order to create a better and stronger image. Only after these procedures are absorbed and implemented can the marketing department and agents reach the final client through their communication efforts.

1.6 Competition

The competitors of a company are other organizations that have the same core business and explore the same market and clients. According to G Drummond (2007), in the last years, methods and products have changed quickly due to combinations of competitors' actions that are shifting the needs of clients. That is why, in order for a company to be successful, it has to offer more satisfaction and value to clients than their competitors. By analyzing the competition, companies should adapt their strategy, positioning their offer in front of other companies' offers in the minds of the clients (P Kotler, 2008). In this

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way, we will analyze RE/MAX's main competitors in the market, as they are external factors that influence the company's results.

1.6.1 ERA

Jim Jackons founded ERA, which stands for Electronic Realty Associates, in 1973 in Kansas City (USA). By trying to implement the newest technology in the market, adapting to the needs of their clients, and creating a system based on collaboration between franchisees, ERA became one of the top real estate companies in the USA.

Nowadays, ERA is a major player in the real estate market worldwide. In America alone, they have made 128.416 transactions in 2018 and it is on the third position in the transactions per agent ranking with 8.6. The company is present in 36 countries and has 2.300 agencies and over 40.300 agents working in the field.

In 1998, four entrepreneurs brought ERA to Portugal. Since then, the company became one of the strongest players in the market with 200 agencies and almost 3.000 agents in the field. By performing strong communication campaigns and betting on start-ups in their project, "ERA Accelerator", which aligns with providing a good service to their clients, ERA was named a Superdbrand of 2018 in Portugal.

In 2017 alone, ERA made more than 12.000 transactions and achieved 87 million euros of invoicing, duplicating the earnings they had in 2014 (42 million euros). In 2018, they continued to grow and made 91 million euros, which represents an increase of 14,3% in earnings and a business volume of 1.8 billion. In addition, 2018 represented ERA's best year in Portugal since 1998, as they made 13.000 transactions. Due to this, ERA is the second player in the real estate brokerage market with around 16% of market share.

1.6.2 Century 21

Century 21 was created by Art Bartlett and Marsh Fishers, two real estate agents that wanted to build their own business, in 1971 in California (USA). By using values such as seriousness, trust, and knowledge they became one of the biggest and most prestigious real estate companies in the world.

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Although the company was founded by Bartlett and Fishers, they decided to sell it in 1979, after eight years of success in the US market, to Trans World Corporation. Then, after six years growing in the market, Trans World Corporation decided to sell Century21 to MetLife in 1985. Ten successful years after, in 1985, MetLife decided to leave the real estate market and Hospitality Franchise Systems decided to step in. Century21 was sold for the last time in 1995 to their current owner, Realogy. Although the company has changed ownership several times, the values and mission of Century21 have always been the same, and that is why until today it is one of top brands in the market.

Moreover, in these forty-eight years, Century21 has become, alongside RE/MAX, the largest real estate network in the world, with 8,000 agencies and 118,600 agents in more than eighty countries. In the USA alone, the company performed 417,337 transactions and has the second largest brand awareness with 21%.

Century21 Portugal was founded in 2005 by Ricardo Sousa, a young entrepreneur who already had experience in real estate and wanted to have his own business. Since then, the company has become a benchmark in the market. In 2019, Century21 has more than 130 agencies and over 2.000 agents.

Furthermore, in Portugal, Century21 had their best year ever, increasing their sales in 17% in 2018, as in 2017 they registered 35 million euros in earnings and in 2018, 41 million euros. This was translated in 12.539 transactions in 2018, a 14% increase regarding the previous year, where they performed 10.988. Due to their results last year, Century21 is the third major player in the Portuguese real estate market, with 8% of market share.

1.6.3 Rest of the market

There are three main companies that dominate the market, and the rest of the market share belongs to traditional agencies and other franchise groups. Traditional agencies, that are usually comprised of one or two agencies, rely on a different approach like word of mouth or geographical position to attract clients, as they do not have the same resources as the big players.

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Moreover, even if there is a market dominance, new entrants that are also franchise groups may turn out to be aggressive competitors in the real estate market. Keller Williams, who arrived in Portugal in 2014, already has 23 agencies and due to their know-how, they can continue to grow in the coming years. JLL, which is also a recent brand in the Portuguese market, specializes in the luxury segment and has been growing in recent years in the country. Although both companies do not represent a threat today, market leaders must pay attention to their development and plan strategies so that they do not consolidate their positions in the Portuguese real estate market.

Furthermore, due to an increase in demand in Portugal in the last few years and the easiness in selling, real estate portals as Imovirtual and Idealista have become a new trend in the market. As they only charge a monthly fee, instead of a commission, some sellers have adopted this solution to sell real estate. Although the most visited sites are from RE/MAX, ERA and CENTURY 21, portals could represent a threat in the future as market trends and client necessities change.

1.7 Five forces of Porter

In 1980 Michael Porter developed a model, that he updated in 2008, which changed how academics and managers thought about competition, called the five forces (Allio, 2012). Porter created a tool that analyzes the competitive rivalry of a market by evaluating buyer power, supplier power, threat of new entries and threat of substitute product/services. According to Dobbs, (2014) by using the five forces model, managers could better understand the strategic implications of their firms within their market. Having this in mind, RE/MAX should use this model in order to understand their market, allowing them to create a competitive strategy.

1.7.1 Supplier Power

Suppliers are extremely important in the real estate market, as they provide the products for agents and agencies to mediate. Nowadays, since the real estate market is growing in Portugal, there is less product to mediate and more demand. Real estate agencies and

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agents have to compete with each other in order for the suppliers/sellers to choose their services instead of their competitors'. They also demand higher prices for real estate as there is a big demand.

Furthermore, when there are few suppliers in a high demand market, the supplier power multiplies (Grundy, 2006). According to Kotler (2008), when the suppliers are powerful, they try to capture more value by asking for highest prices and limiting the service quality. Although higher prices should mean better commissions for agents, the lack of suppliers and strong competition make their bargaining power higher regarding fees.

1.7.2 Buyer Power

Nowadays, the Portuguese real estate market has a strong demand but low supply. This means that the rivalry between buyers is high, as they have to compete with each other in order to get the product, which appreciates the real estate market, and the price gets higher.

According to Kotler (2008), buyers have power if they have negotiating leverage regarding their competition, when trying to lower the prices. Furthermore, powerful suppliers can raise cost by demanding higher quality, driving up the cost for the companies that provide services (Lee, 2012). Therefore, as buyers do not have negotiation power in the Portuguese real estate market, their power can be considered low.

1.7.3 Threat of new entries

In a market that is growing, where there is a big demand, buyers can continuously encourage new entrants (Grundy, 2006). According to Kotler (2008), new entrants often find niches or unique segment in markets and try to explore them. Other companies limit themselves to imitate the market leader, trying to occupy their position.

In the real estate market, the threat of new entries is high. The increasing demand has led entrepreneurs to take an interest in the market and the number of agencies has risen exponentially. For example, RE/MAX has opened more than 50 agencies during 2017.

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Moreover, as nowadays is easier to sell, real estate portals have entered the market, gaining importance and stability.

1.7.4 Threat of substitute product/services

According to Kotler (2008), substitute is a product or service that has similar performance or function as the industry's service but in a different context. The threat of substitution can be indirect, when substitutes change a buyers industry's service. Buyers always search for substitutes, encouraging new entrants and services in the market.

The main substitute product for the real estate brokerage market, that companies have to take into account, are real estate portals. As in the current market it is easy to sell, portals entail less costs for sellers, reason why some sellers choose to use this service to sale of their real estate. The market share of these portals has been rising and may therefore pose a strong threat to the market in the near future.

Hotels or hostels can be considered substitutes for real estate. However, they do not present a threat since most buyers or lessors intend to lease in the long term. Moreover, there are buyers who buy real estate as an investment, so any other type of investment could be considered a substitute product. Nevertheless, most clients buy homes to live in, so this is not a threat to the market.

1.7.5 Competitive rivalry of a market

Rivalry between existing competitors can show up in several ways, such as launching new products, making big communication campaigns, or reducing prices (P Kotler, 2008). According to Lee (2012), strong rivalry can be a threat to the profitability of a market depending on how companies compete with each other, and that is why the intensity and basis of the competition will dictate the success of the industry (Porter, 2008).

The competition between real estate players is high. The main competitors launch several communication campaign and new services in order to differentiate themselves and

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achieve a higher volume of sales by attracting more clients and creating more leads. Some of these campaigns and new services imply more work for agents, as they have to offer more solutions than their competitors to achieve the same results.

Furthermore, although the commissions do not change during campaigns, there are price reduction efforts such as “RE/MAX Discounts”, which is an annual campaign, that aim to get the prices of overvalued real estate to go down. This type of actions attracts more clients as they see it as an opportunity, but harms agents’ fees.

Moreover, as the number of new entrants is high, and new agencies and agents arrive on the market on a daily basis, competition between agents is very strong even when working in the same organization. New communication techniques and efforts are used by agents to reach a larger number of people before their competition, which implies more costs and less profits per sale but a bigger client base.

1.8 Development Strategy

1.8.1 Segmentation

According to Kotler (2008), segmentation is the means by which managers divide the market into smaller segments in order to reach them quickly and more efficiently, creating products or services that are adapted to the needs of each specific segment. By doing so, companies will enhance the brands strategic position (Hassan, 2012), developing a global brand approach and, consequently, their image (Özsomer, 2008).

In addition, when marketers want to study a consumer market, they must do it through four segmentation components: geographic, demographic, psychographic, and behavioral (P Kotler, 2008). Moreover, when RE/MAX Portugal started the MAXSTORE project, they had to segment two different clients, the internal and external, in order to reach both group correctly.

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Geographic:

clients: Franchisees all over the country, as the project involves all the RE/MAX network.

External clients: It is transversal to all areas of the country, however the main focus is on the biggest urban areas, such as Lisbon and Porto, as most of the product, financial and interior decoration partners are located here.

Demographic:

Internal clients: As the project impacts all franchisees, a demographic segmentation for this public is not needed.

External clients: The products and services target higher social classes, so the age range is above 35. The financial products are for all classes. There is not a target gender.

Psychographic:

Internal clients: As the goal of MAXSTORE is to provide better prices in merchandising and communication products to their franchisees, it involves all genders and lifestyles.

External clients: The products sold are aimed at higher social classes, from class C1 up to A1, as they are high quality products. The financial products involve all classes, as they are adaptable, depending on the needs of the client. Due to this, MAXSTORE is for all genders and lifestyles, as the products and services provided impact every class.

Behavioral:

Internal clients: Franchisees that seek cost benefits and long-term relations with suppliers.

External clients: Occasional clients, loyal clients and clients that want price benefits/reductions.

Geographic	Demographic
Internal clients: All the country External clients: All the country	Internal clients: Is not needed External clients: for all ages, not gender-targeted
Psychographic	Behavioral
Internal clients: All lifestyles and social classes External clients: C1 to A1 for products and all ages for financial products	Internal clients: Cost/benefit interest External clients: Occasional, cost/benefit, loyal

Table 3: Segmentation analysis (The author, 2019).

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1.8.1 Targeting

According to Kotler (2008), targeting is a method for selecting a market segment with similar characteristics, which the company intends to meet, in order to reach these consumers more effectively. Furthermore, after dividing the market into several groups, as it is done in segmentation, companies should target those specific groups and create strategic plans to reach them (Lynn, 2011). In order to target your clients, there are several types of strategy in targeting, and RE/MAX chose a mass or undifferentiated strategy.

Mass or undifferentiated marketing refers to when a company targets several segments at the same time and presents a transversal offer to all those segments (P Kotler, 2008). For internal clients, as franchisees have the same needs regarding merchandising and communication products, the master franchising opted to use the same offer to get to all their internal clients. Regarding their external clients, as the platform impacts several segments due to different products and services, the company choose a mass strategy as well.

In this case, the internal target would be all franchisees that need to buy merchandising and communication products at low prices in order to spend less time negotiating with suppliers and leave more room for profit. For external clients, the target is any person that wants to buy a house and wants or needs aggregated products or services to the real estate brokerage service such as financing, interior decoration, or household products.

1.8.3 Positioning

Denis Lindon (2011) defines positioning as the choice of a strategy to seek an attractive position in an industry and in the minds of the consumers of that market. Therefore, positioning is the means that companies use to identify and decide how to use their marketing resources among all the market segments (Hassan, 2012). In addition, positioning is the main tool of companies to differentiate themselves from their competitors (Nicolescu, 2009).

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Furthermore, when companies have their segmentation and targeting established, they must choose a positioning strategy to reach consumers. Then, companies should promote and control the evolution of equal responses for demand that does not match with the positioning and segmentation wanted (Hassan, 2012). By doing so, companies will understand whether their positioning is being effective and what they have to change or update to get to the goals established.

In order to maintain a transversal position for the brand and take advantage of its market leadership and client trust, RE/MAX Portugal has opted for a positioning through a differentiation strategy. The MAXSTORE project arrived on the market as an innovative platform, presenting services added to the purchase of real estate and satisfying all the real needs of clients. This, associated to the trust and security that the brand has, can allow RE/MAX to reach more clients, increasing satisfaction and brand reputation.

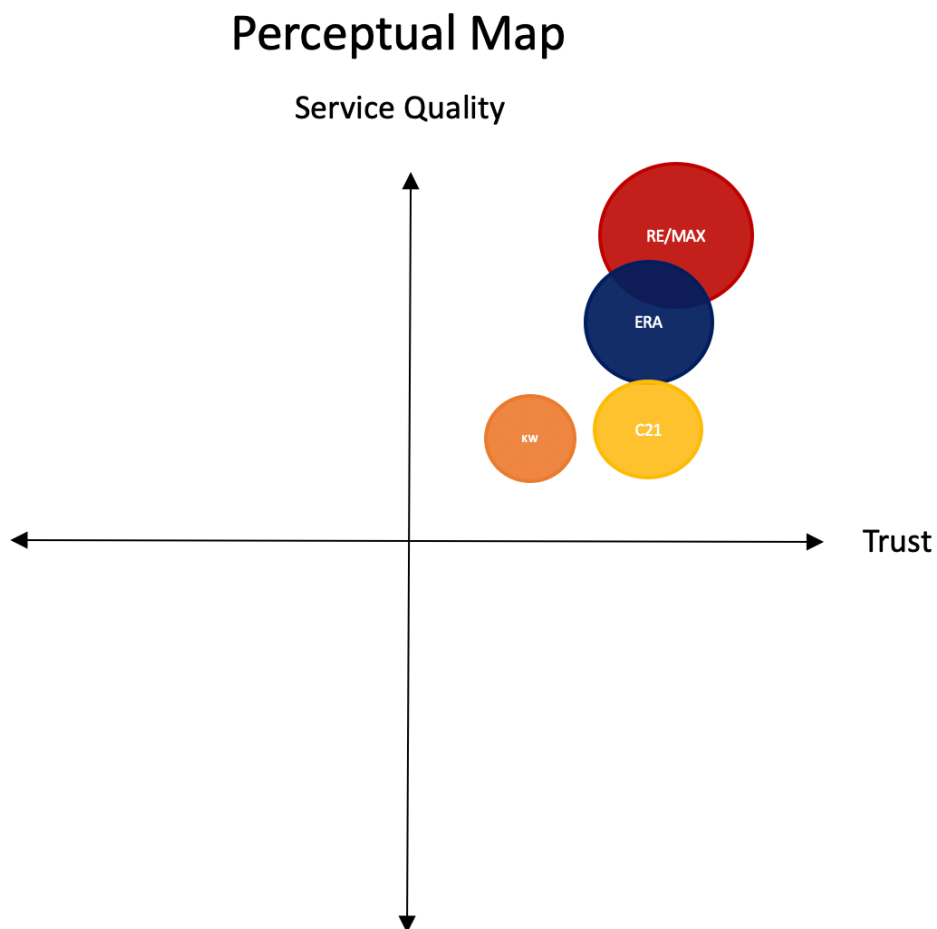


Figure 1: Perceptual map of service quality and trust (The author, 2019).

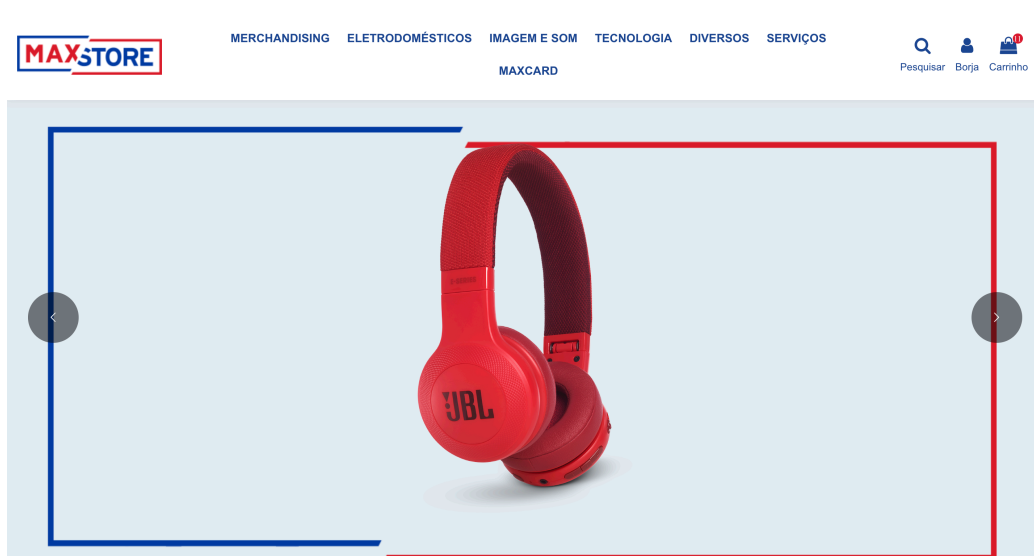
1.10 Marketing Mix

In order to see how RE/MAX Portugal's strategy was planned and adapted into MAXSTORE, we are going to use the marketing mix framework. The marketing mix, known also as the 7PS, is a strategical tool that allows managers to position, analyze their offer, and adapt it to the needs of the market and of their clients. By analyzing seven main factors of MAXSTORE, such as product, price, placement, promotion, physical evidence, people, and processes we will understand if the project has been well implemented and if the strategy adopted by RE/MAX has been efficient.

1.10.1 Product

MAXSTORE is a platform that sells several merchandising and household products. The website is divided into several categories at the top of the site, namely merchandising, appliances, image and sound, technology, others, services, and MAXCARD. All products of the categories are updated on a monthly basis as new campaigns and products appear and are introduced on MAXSTORE.

Regarding the structure of the site, apart from the main categories, clients can find a rotating display of the latest products inserted in MAXSTORE in the center of the main page of the site. They can also find the same display at the bottom of the main page with all platform partners.



MAXSTORE

Figure 2: MAXSTORE main menu (MAXSTORE, 2019).



Figure 3: MAXSTORE main menu 2 (MAXSTORE, 2019).

Furthermore, on the lower left part of MAXSTORE main menu, all the platform legal information such as the privacy policy and the terms and conditions can be found. In the central part of the same menu, the client can find all information about their account and history within the site. Moreover, on the right part of the menu, you can also find all MAXSTORE contacts and payment methods available to make purchases. In case the client wants to receive emails from the platform, with the new campaigns and products, they can subscribe to the newsletters in a menu that is at the bottom of the main page.

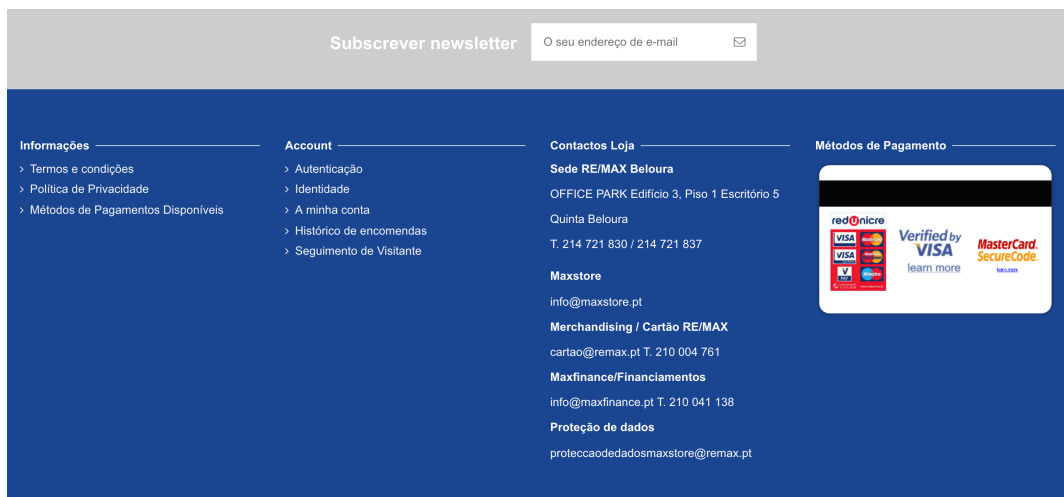


Figure 4: MAXSTORE main menu 3 (MAXSTORE, 2019).

On the top right corner of the site there are a number of menus that enhance the platform experience for clients. First, there is a menu where the client can choose the language of the site between Portuguese and English, and the currency with which to make the payment (EUR or GBP). On the side of these two menus there are the wish list and a

MAXSTORE

space for comparing products, both by characteristics and by price. In the client wish list the client can select the products they like best and then decide if they want to purchase them.

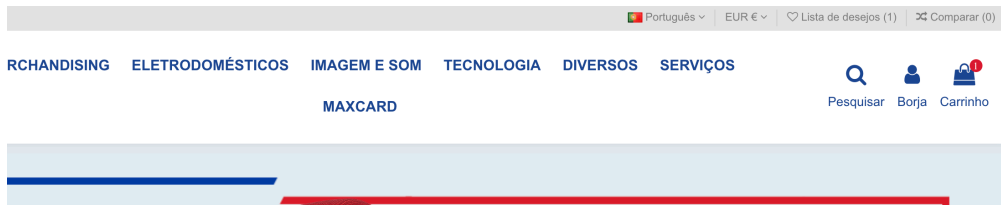


Figure 5: MAXSTORE main menu 4 (MAXSTORE, 2019).

Below these menus and the categories of MAXSTORE, are three other important menus for the platform. One is a search engine so the client can search directly for the products they want by name. Additionally, for internal clients there is a menu where they can view their profile. Finally, there is the cart where the client enters their data to make the payment of the chosen products.

In addition, when the client chooses a product, they can choose from several characteristics before proceeding with the payment. Depending on the product, the client can choose the color, size and quantity. At the same time, they can see the description of the product and its properties. Then, the client can add the product to the cart, put it on the wish list, or the product comparison list.

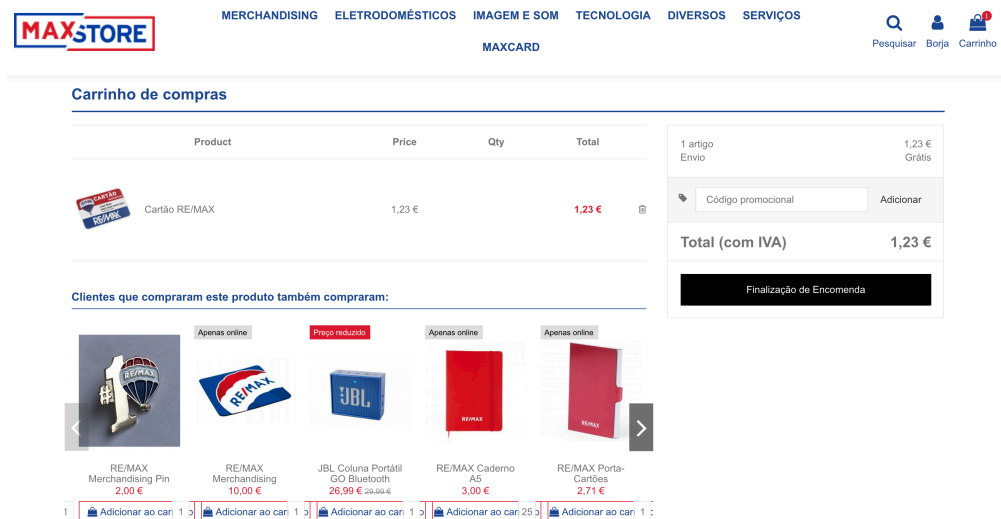



Figure 6: Buy cart menu (MAXSTORE, 2019).

MAXSTORE

Início / Merchandising / Têxteis / RE/MAX Camisa Bordado H/S

Apenas online



RE/MAX Camisa Bordado H/S

20,00 €
Com IVA

1 a 9 Unidades - 20.00€/unid
10 Unidades - 19.00€/unid
50 Unidades - 18.50€/unid
100 Unidades - 17.00€/unid

Tamanho H/S
XS Homem

1 Adicionar ao carrinho

f t G+ p
f t +

Descrição Dados do produto

Tempo previsto de entrega: até 15 dias

Figure 7: Merchandising menu (MAXSTORE, 2019).

Regarding the categories of products, the merchandising category has 42 products that are adapted to the daily needs of real estate agents and franchisees. These merchandising products can be used as direct tools for the sale of real estate, such as signs and tarpaulins, which communicate that the property is for sale and include the contact number, the agent's name and the name of the agency. Others serve as a communication and visibility tool for agents when they are on the field, such as textile products. At MAXSTORE you will find other products targeted to the franchisee, such as posters and rollups that communicate the brand's image and values. The rest of the products serve as giveaways or materials to attract clients, such as umbrellas or key rings, which agents offer to potential clients.

Furthermore, merchandising products are divided into 4 categories that the internal client can segment according to their needs. Thus, the merchandising materials are also updated seasonally due to the guerrilla marketing campaigns that are carried out around the country. It is important to emphasize that all textile materials and plaques can be customized after purchase with Enerré, one of MAXSTORE's merchandising partners. However, the client or partner will take care of this customization themselves and MAXSTORE will not be involved in this process.

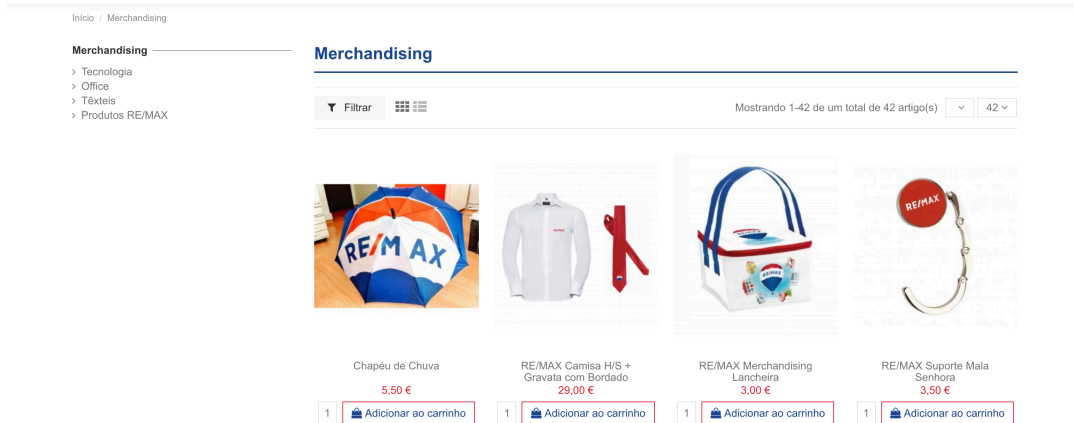


Figure 8: Merchandising menu 2 (MAXSTORE, 2019).

To ensure the safety of RE/MAX’s image, only employees can purchase merchandising products because RE/MAX Portugal does not want people who do not work in the company to impersonate branded agents by purchasing merchandising. Moreover, in order to access the merchandising category, the employee must login with his / her email and a RE/MAX CRM password. Telemedia, a provider that manages the site, validates the credentials of the employee with a listing provided by RE/MAX Portugal. Then, if the data is correct, they generate a password that is sent by email to the agent or franchisee. In this way, the username of the internal clients is always the email with the RE/MAX domain.

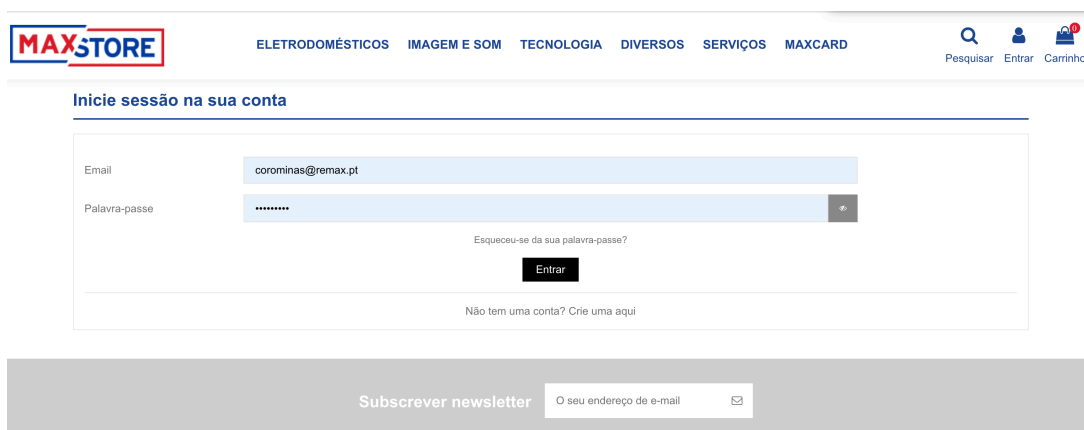


Figure 9: Registration menu (MAXSTORE, 2019).

The categories of home appliances, image and sound, technology, services, and MAXCARD aim to sell products and services directly to the end client. This is part of

MAXSTORE

RE/MAX's strategy for attracting and retaining clients by providing more solutions than just buying a property and showing that the company cares about all of the client's real estate needs.

Furthermore, the category of appliances has products that fulfil the needs of the clients regarding all home appliances. This section is divided between large and small appliances. The large appliances target products such as dishwashers and refrigerators, and the small appliances have products such as coffee machines and irons for ironing.



Figure 10: Appliances menu (MAXSTORE, 2019).

The image and sound space contemplates various types of home products, such as reduced-price TVs and home cinemas. This category also includes products such as cameras and imaging devices that are presented at more affordable prices through the partnerships of Telemidia, the platform manager. In this way, clients will be able to equip their living rooms at a more affordable price.

MAXSTORE

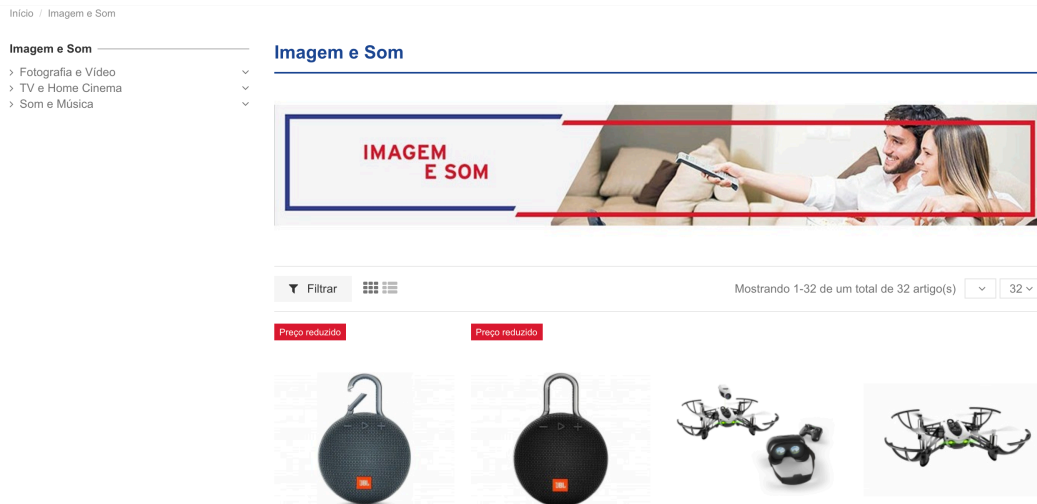


Figure 11: Image and Sound menu (MAXSTORE, 2019).

The technology category was introduced on the platform as a suggestion from Telemedia. The brand is an official distributor of major brands on this surface such as Apple, Samsung, HP and Asus. In order to reach more clients, RE/MAX decided to insert this section into MAXSTORE. For this reason, in the technology section we can find mobile phones, computers, tablets and accessories for them.

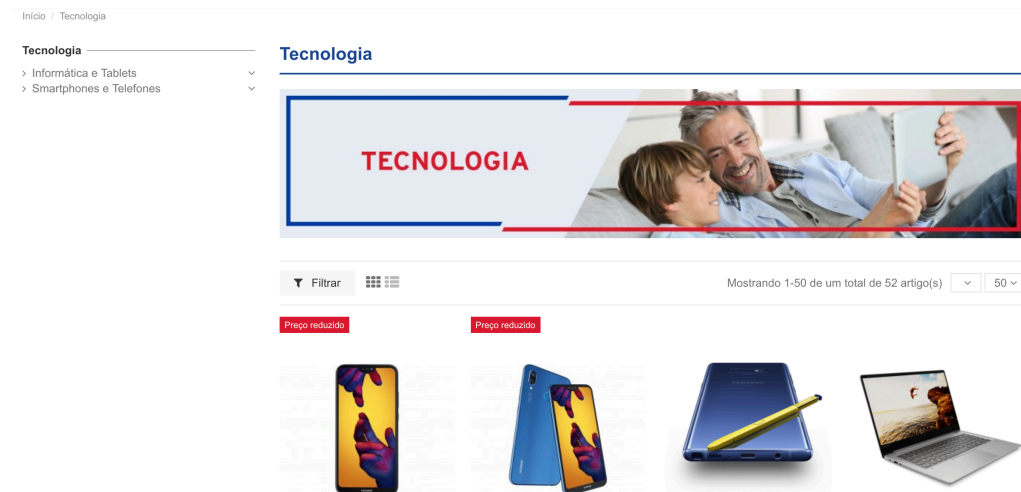


Figure 12: Technology menu (MAXSTORE, 2019).

The category of others contains products for the client's need to equip their home. In this section, clients can find high quality crockery at reduced prices to equip their kitchens and dining rooms with the best items. Subsequently, Telemedia decided to present a proposal to place suitcases and backpacks in this section in order to reach more external clients.

MAXSTORE

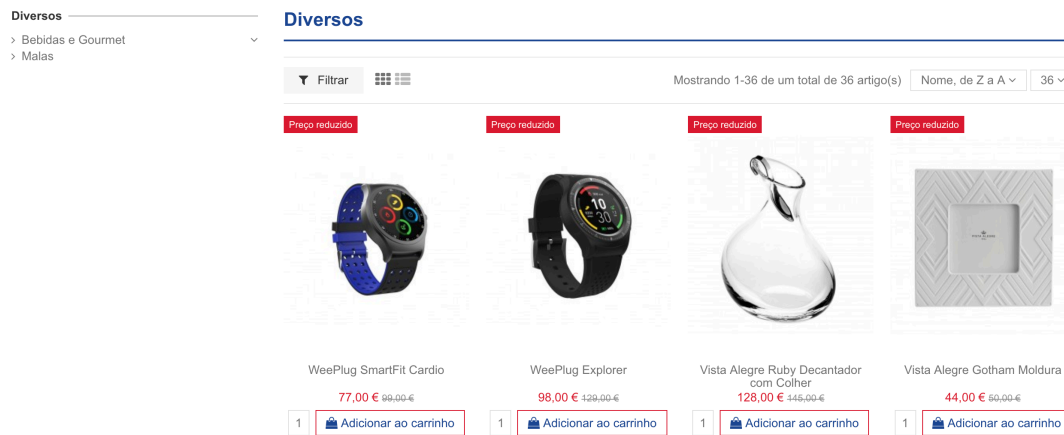


Figure 13: Others menu (MAXSTORE, 2019).

The RE/MAX card is a project that was created before MAXSTORE and consists in a discount card, with several partners in various business areas, from furniture and household products, such as Conforama and El Corte Inglés, to travel agencies and chains of hotels such as Abreu and the Pestana Group. In addition, there were also financial companies, like Maxfinance, that offered special conditions for the clients that want a housing credit. However, over time, Maxfinance decided to only advertise its services and not give any "special conditions", since each client had a different risk assessment and profile. All RE/MAX card partners are in the services category, which specifies the discount and offer per partner and how to use the card in order to know how to enjoy the discount or campaign.



BODY CONCEPT

Forma de receber desconto: apresentação de cartão em loja.

A BodyConcept Portugal compromete-se a conceder aos colaboradores da RE/MAX as seguintes condições:

**** 35% de desconto em Tratamentos Personalizados:**

*Tratamentos Personalizados Lipo-Escultura; Radiofrequência; Endomassagem; Lipo-stop; Mesoterapia; Peeling Ultrassónico; Bodywave; Microdermoabrasão.

**** 15 % de desconto em Ginásio da Estética e Serviços:**

Ginásio Da Estética: Bandas Quentes; Ginástica Passiva; Crioterapia; Pressoterapia; Termoterapia; Máscaras Faciais; Lifting Facial.

Serviços: Massagens; Consulta de Nutrição; Depilação; Depilação Permanente; Permanente e Pintura de Pestanas; Limpeza de Pele Ultrassónica; Manicura/Pedicura (exceto unhas de gel e gelinho); Maquilhagem; Cabeleireiro.

**** Oferta de 1 Avaliação Morfológica + 1 Dia de Tratamentos (Corpo e Rosto)**

Ginásio Da Estética: Bandas Quentes; Ginástica Passiva; Crioterapia; Pressoterapia; Termoterapia; Máscaras Faciais; Lifting Facial.

Figure 14: Services menu (MAXSTORE, 2019).

MAXSTORE

In addition, the RE/MAX Card was originally designed to be a benefit protocol for employees of the company, but when the MAXSTORE project was introduced, the marketing department decided to review the protocols with the partners to also introduce it to the final client. Thus, the RE/MAX card was sold for a value of 5 euros for employees, but when it was passed on to the final client, it was decided to reduce the price to 1EUR+VAT. The card is digital, and after making the purchase of the card, the client will receive in their email a document in pdf format with all the information on the card. This way, the client or collaborator can save the card in their wallet or gallery of the mobile phone. Thus, the owner of the digital card can present it to the partners and receive the discount.

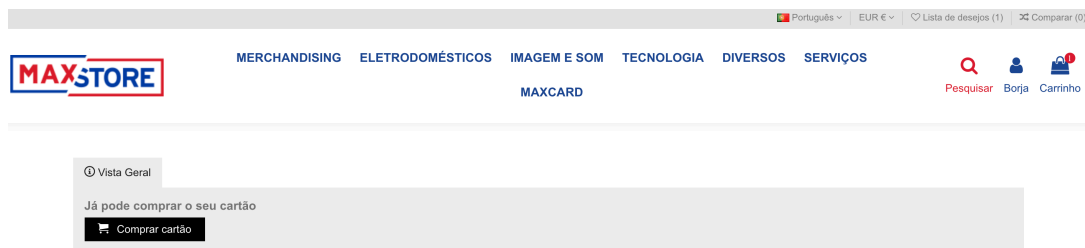


Figure 15: Buy cart menu 2 (MAXSTORE, 2019).

1.10.2 Price

For this project, RE/MAX chose a penetration strategy. This type of strategy consists in fixing low prices for products and services, which will allow a quick acceptance of the market regarding the platform. In this way, the number of clients and visitors of MAXSTORE will increase, enabling the company to reach more public and invoice more.

At MAXSTORE several products and services can be found, divided into 6 categories. These categories encompass products and services from different suppliers and partners, so prices have been defined in different ways. Thus, we can divide the price definition into 4 groups: Fixed costs, merchandising, Telemedia products, and partner products and services.

The MAXSTORE platform is a project created and managed by an external company, Telemedia. For this reason, the site has a fixed monthly cost for platform management of

MAXSTORE

150 euros. In addition, the creation of the platform had a cost of 2,000 euros for RE/MAX Portugal. This fixed cost influences the definition of prices in particular on the margins imposed by RE/MAX Portugal on products. This is because, in order for MAXSTORE to be profitable, the platform has to generate a monthly revenue of at least 151 euros.

Furthermore, the price of merchandising products was negotiated separately with the three suppliers chosen to produce these materials. All suppliers submitted their product listings and their respective prices, which were negotiated with RE/MAX Portugal's marketing department for a period of three months. When a consensus was reached, with the margin of the supplier included, RE/MAX Portugal added its margin. In products where prices were less competitive, as it is the case of textiles and plaques, a margin of 5% was applied by the company to the final price of the product. In RE/MAX products that are produced in large numbers and negotiated through economies of scale, since they are for specific campaigns, the company applied a margin of 10%. In the technology and office products RE/MAX also applied a margin of 10%, as the negotiated prices were advantageous. It should be noted that merchandising prices vary taking into account the number of products purchased. If franchisees or agents buy a large number of merchandising products, working with economies of scale, the final price per product goes down.

Furthermore, the products supplied by Telemedia were negotiated when they made the proposal to create and manage the platform. Because Telemedia is a distributor, and therefore has to apply their own margin to the products, the company could not offer a very high *rappel* because the products would end up not being competitively priced. Being a *rappel*, Telemedia would pay RE/MAX a percentage of its commission. In this way, in technology products, where there is less margin, a 2% commission was negotiated. These products encompass the categories of image and sound, and technology. In the rest of the products, which are associated with various categories and appliances, a *rappel* of 4% was negotiated. In this case the commissions are paid, by Telemedia to RE/MAX Portugal, every six months. In addition, Telemedia provides a monthly report to the marketing department so that RE/MAX can measure the success of the platform and see which products are worth keeping.

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In the products and services for partners, in the service category, there are no rappels or commissions negotiated, since initially they were introduced only to employees. Thus, in order to allow more space for better discounts and offers, RE/MAX Portugal decided to keep contracts with partners without rappels or negotiated commissions. In this way, the partnerships are based on an exchange of interests where the partners offer reduction of prices or campaigns and RE/MAX passes them along to their network of clients. So, there are currently seventeen partners on the RE/MAX card. There are several partners that are not in MAXSTORE, such as El Corte Ingles, because they only offer occasional campaigns that are communicated via email to employees and clients who have the card. However, the RE/MAX Card is sold for 1,23 euros, which financially contributes to MAXSTORE's financial results. The management of the RE/MAX card is included in the monthly fees, and as the project broke even financially before being implemented in MAXSTORE, the sales of the card were all profit for the company.

1.10.3 Promotion

The RE/MAX communication strategy for the MAXSTORE project was focused mainly on internal communication. This means that no media communication has been performed for the end consumer. RE/MAX decided to communicate internally in order to reach franchisees and agents so that they could use the platform as a communication tool for attracting and retaining clients. Thus, we can divide the communication strategy into RE/MAX convention, group meetings, mailing, and communication via flyers and brochures.

At the RE/MAX convention, held in April every year, 3,000 people from inside and outside the network come together to discuss new strategies, to receive yearly awards for financial results and to learn through lectures organized by RE/MAX Portugal. This event concentrates the high achievers of the network and all the franchisees in one place and is the biggest event that RE/MAX does in Portugal. Many media are interested in covering the event to see the results of the network and analyze the new market trends, interviewing the best agents and franchisees in Portugal. The convention lasts for three days and is always held at the Herdade dos Salgados, a luxury hotel in Algarve.

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During the 2018 convention, five months before launching the platform, RE/MAX Portugal held two lectures explaining the concept and objectives of MAXSTORE. A stand was also set up, provided by Telemedia, which showed products that were on the platform, both merchandising and for final clients. In the stand there were two touch televisions that allowed people to navigate through the platform, which was not yet finished, and see how it worked in order to provide feedback. Flyers and brochures explaining what the platform is were distributed to the franchisees and agents by a person from the marketing department who was at the stand to answer questions and help publicize MAXSTORE.

At the 2019 convention, partners were invited to talk about products and the advantages that the platform could bring to franchisees and clients. The same stand was used with the intention of communicating the evolution of MAXSTORE and giving visibility to the new products and services that are in it. The CEO of RE/MAX Portugal, Beatriz Rubio, gave a small talk during the general assembly, which is a conference where the biggest number of people are concentrated, to reinforce the message and objectives of MAXSTORE and to show that it can be a good tool for the loyalty and attraction of clients and a good merchandising business for franchisees and agents.

In addition, there are group meetings, quarterly events held throughout the country with the objective of rewarding the best agents of the quarter and offering training to franchisees and agents through coaching and conferences. The meetings are divided into eight events, three of which are in Lisbon, one in the Algarve, one in Coimbra, and two in Oporto and, unlike the convention, all the agents attend these meetings. In this way, during the course of two weeks, it is possible to communicate with the entire RE/MAX Portugal network.

Thus, the marketing department sees in these meetings an opportunity to show and talk about the project in order to spread MAXSTORE's image. In the last three group meetings, a person in the marketing department goes off to give lectures of approximately 20 minutes on the platform. These presentations cover topics such as new products and services, how to navigate MAXSTORE, platform goals, and how to use it to accomplish and attract more business. The person in charge of the presentations also takes some

MAXSTORE

merchandising products, which are exhibited in the entrances of the auditoriums and other places, so that the franchisees and agents can appreciate them.

MAXSTORE
A NOVA LOJA
ONLINE DA
RE/MAX®

MS
maxstore.pt

OS MELHORES PARCEIROS PARA AS SUAS COMPRAS

ADIRA GRATUITAMENTE AGORA

FABRIOPTICA Desconto de 50% no valor total, em Armações mais lentes Graduadas, para longe, perto, lente bifocais e lentes progressivas.

MEO M40(2 cartões móveis)
P.V.P.: 59,99€
Preço RE/MAX: 43,37€

multicare Seguros de saúde a partir de 14€/mês com hospitalização incluída

Conforama 5% em Móveis e Decoração, 10 % em Colchões em períodos de Guias Especiais (não acumulável aos 5%), 10% Móveis e Decoração (com compras superiores a 3.000€)

El Corte Inglés 500€ de desconto em 2.000€ em compras divididos em 5 departamentos. Sujeito as condições do El Corte Inglés.

abreu Até 10% de desconto em viagens no site www.abreu.pt.

Para mais informações sobre outros parceiros consulte a página serviços em maxstore.pt

Figure 16: Flyer MAXSTORE (RE/MAX, 2019).

In addition, the day-to-day communication is made through weekly emails to franchisees and agents, using the platform email (info@maxstore.com), and through flyers and brochures that are sent quarterly to the agencies. The emails contain information of new campaigns and products that are inserted in MAXSTORE. In case there are no new products or campaigns on that week, the newsletters contain information about articles that are already on the platform just to remind their franchisees of the exiting products. Flyers and brochures are sent to agencies for agents to include in their presentation kits. These presentation kits are used when the agent interacts with a new client, and the purpose is to show the client that RE/MAX has more solutions for their needs than the competition. RE/MAX Portugal also promotes the use of these communication materials in the guerrilla marketing actions and to display them in the branches and waiting rooms of the agencies so that clients can see the products that the platform offers.

MAXSTORE

OS MELHORES PREÇOS DO MERCADO
MAIS DE 200 ARTIGOS DISPONÍVEIS

JBL COLUNA PORTÁTIL GO BLUETOOTH	26,99€ <small>30,00€ na concorrência</small>	
X'TREM CUHDW-4K DUAL SCREEN	79,90€ <small>92,25€ na concorrência</small>	
HUAWEI P20 PRO 128GB	839,99€ <small>899,99€ na concorrência</small>	
FRIGORIFICO SAMSUNG 2 PORTAS RX50	899,10€ <small>999€ na concorrência</small>	

MAXSTORE

Figure 17: Flyer MAXSTORE 2 (RE/MAX, 2019).

1.10.4 Placement

MAXSTORE has several products, from different partners and suppliers, that need to reach the final client. For this, it is necessary that the stock management be controlled daily and that a quick response is given to the client to increase his degree of satisfaction with the service provided by the platform. Thus, RE/MAX Portugal outlined the strategy of stock management and product distribution with its suppliers. In this way, we can divide the logistics and distribution of the platform between products of merchandising and Telemedia, and products of the category of services.

For the products in the service category, which are the RE/MAX card partners, MAXSTORE has no responsibility whatsoever for the distribution of the partners' products or services. Companies that offer products, such as Conforama, have physical stores and their own means of distribution. When a client uses the RE/MAX card in the store they receive a discount on the product, but in case they want the company to send the products to a specific place, the client has to manage directly with the partner. As far

MAXSTORE

as services are concerned, since they are not physical goods, there is no distribution by the platform.

The distribution of merchandising and Telemedia products is managed differently. In the contract negotiated with Telemedia it was established that they would manage the distribution of all merchandising products and all categories apart from "services". All the merchandising suppliers of MAXSTORE are in Lisbon and, after creating the materials, they send them directly to Telemedia, which is responsible for storing and distributing the stock throughout the country. When the stock of merchandising materials is running out, they send an alert to RE/MAX in order for the marketing department to contact the supplier to create more stock and send it back to Telemedia. Regarding the products of the other categories, which come from Telemedia partnerships, as they already have the stock of the products, they only have to distribute them.

1.10.5 Process

When there is a sale on MAXSTORE, a series of processes is initiated internally so that the product reaches the final client. Thus, this process was delineated between RE/MAX, the partners, and Telemedia during the platform creation and implementation period. Given the products and services that MAXSTORE sells, we can divide these processes into products, RE/MAX card, and services.

For the final client and merchandising products, when a client makes a purchase from MAXSTORE, Telemedia receives an alert or message notifying that purchase. Thus, Telemedia picks up the requested products from its warehouses and schedules a delivery. Within 5 working days the client will receive, at the provided address, the products they have purchased.

Furthermore, the RE/MAX Card has a different process. When there is a purchase in MAXSTORE the client must enter a contact email, where it is going to receive a file, in pdf format, with the card so they can store in their wallet or gallery of the phone. The process of creating this card after the purchase is automatic, so the clients receive the card in their email within minutes.

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The platform services are purchased through the RE/MAX card, but the process is different as they are external to the platform. The client can see on MAXSTORE how to acquire the service, where they get it by showing the card in the partner store or give the card number by email or phone line. Thus, RE/MAX sends weekly listings of new members, with their card details, so that when clients request the discount, partners can verify that the client is part of the RE/MAX Card.

If clients have questions, suggestions or complaints, they can contact RE/MAX at info@maxstore.pt. In these cases, the RE/MAX Portugal marketing department answers directly to the clients. When the complaints are about product delivery delays, the emails are forwarded to Telemedia, which manages the request directly with the client.

In addition to purchasing processes there are also product implementation processes. When RE/MAX Portugal decides to introduce a product on the platform, first it has to negotiate the price with the supplier and add their own margins. The supplier then creates stock and ships it to Telemedia warehouses where the products are stored until purchased by clients. Afterwards, Telemedia updates the page by putting the new products, with the images provided by RE/MAX, on sale.

1.10.6 People

For MAXSTORE, there are a number of people inside and outside RE/MAX that add value to the project by helping with sales, sourcing, marketing strategy, and on the overall platform activity. These people can be split between suppliers, Telemedia, and employees of various RE/MAX Portugal departments.

In RE/MAX there are several departments that add value to MAXSTORE in different roles. The Marketing department is a four-person team that manages the platform in general. This team, led by João Ferrão, focuses on pricing and negotiating products, attracting new suppliers, managing platform content, and outlining strategies to reach the final client. However, there are other departments that support the marketing department, helping MAXSTORE to get the best results possible.

MAXSTORE

RE/MAX Portugal's finance department's aim with this project is to collect the revenues of the platform from Telemedia and make payments to all suppliers. To help control that, MAXSOTRE meets all legal requirements, and safeguards the interests of the clients and the company. Here, the quality department intervenes to assist the marketing department. In order to ensure the best navigation and client experience on the site, the IT department makes monthly tests on the platform and reports directly to the marketing department the bugs they find so that Telemedia can fix them later. The operations team also helps spread the word about MAXSTORE's products and concept when it has meetings with franchisees.

RE/MAX Portugal's administration, composed by the CEO, Beatriz Rubio, and the president, Manuel Alvarez, also add value to the platform. The whole strategy of the platform is validated by them with meetings with the marketing department. As RE/MAX Portugal only has 70 people, they perform the selection process to fill new positions within the company. Management is also responsible for motivating and training RE/MAX Portugal's employees, which means that if the staff are motivated, they will have better results in their daily duties.

Suppliers also add value to the platform by providing products and services to RE/MAX clients. These teams are formed by designers, producers, managers and carriers, who work to get the products to the final client. In the case of merchandising suppliers, they send the products to Telemedia, which stores and manages the stock. The rest of the suppliers sell their products and services at their own points of sale.

In addition, Telemedia adds value to the platform through their roles as platform managers and vendors. In its role as supplier of end products, the commercial department, which negotiates with its clients, and the logistics department, which manages the storage and transportation of all platform products, have functions that directly impact MAXSTORE's results. As platform manager, Telemedia has the important function of making the main product, the platform, work properly. In this task, the IT department is responsible for being in touch with the RE/MAX marketing department and aligning the strategy for MAXSTORE and the website display, which will reach the final client.

MAXSTORE

1.10.7 Physical Evidence

MAXSTORE is a platform that sells merchandising and products to internal and external clients of RE/MAX Portugal. Although the platform offers a service as an intermediary, there is tangible physical evidence for clients, improving the quality of service that MAXSTORE offers. These physical evidences can be divided between products and merchandising, and RE/MAX card.

When a client makes a purchase of merchandise or products, through the platform, they receive an informative email with their order number, invoice, and a thank you note for the preference of making a purchase at MAXSTORE. In this email, they can find the MAXSTORE logo, the platform link, and a digital flyer with more products. Then, within 5 business days, the products will reach the client at the provided address.

In the case of the RE/MAX card, the client has to buy it at MAXSTORE. When they make the purchase, they have to fill in all their data, and then the platform sends an email to the client with their card in pdf format, and a list of partners where they can use the card. In both, the list and the card, the MAXSOTRE brand is present, where the logo and colors of the platform are prominently displayed. In this case, the client will only receive the product or service by contacting the partner directly through different communication channels that are shown in the site.

When the client becomes a MAXSTORE client, they get access to the newsletters with information on new promotions, partners and discounts on the platform. On the newsletter, the MAXSTORE logo stands out, as well as the layouts with the colors of RE/MAX. When clients contact the marketing department through the email info@mastore.pt, they receive a reply where they can find the digital signature of RE/MAX and the MAXSTORE logo.

Thus, the site is the greatest physical evidence that the platform offers clients, apart from the products. On the MAXSTORE website, the client finds products, services, an email

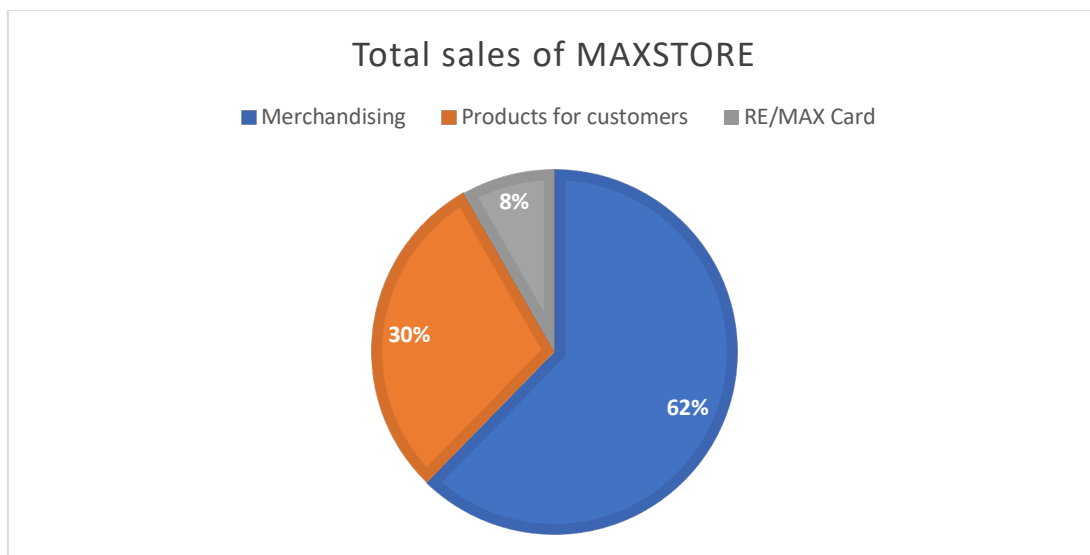
MAXSTORE

address they can use should they have and questions, as well as the logo and layout of the platform.

1.11 Financial results

MAXSTORE is a project that was launched in October 2018, and since then the platform has made sales to franchisees, agents, and final clients. Thus, to see the results and evolution of the platform, the billing data per month of each category was collected in a meeting with João Ferrão, marketing director of RE/MAX Portugal. In this way, an overall analysis of the platform will be made calculating the commission and rappels. Then, in order to correctly segment the results, we will divide the analysis between RE/MAX card, merchandising, and categories for the final client.

Furthermore, the platform had total sales results of 22,821.92 euros in the period between August 2018 and May 2019. The category that most impacted these results was merchandising with 62.30%. Categories for final clients, which are four, had a 29.25% weight on the site outcomes so far. The RE/MAX card was the one that produced the least sales, with a share of 8.55%.



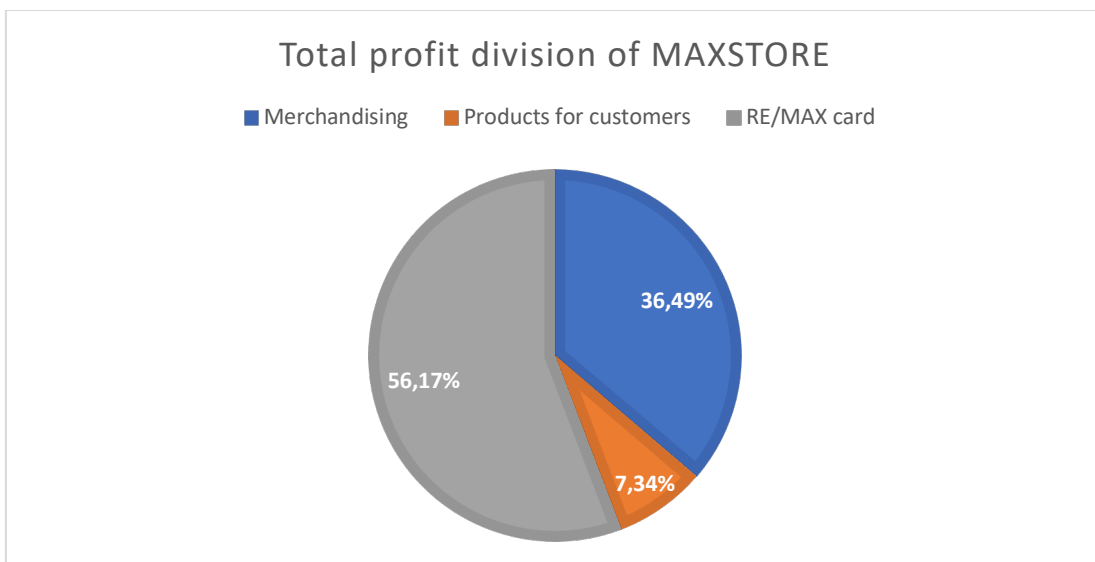
Graph 6: Total sales of MAXSTORE (RE/MAX, 2019).

However, the net earnings of the company are different. In the case of merchandising, RE/MAX Portugal earns a margin decided by it on each product. For final client products there are rappels negotiated with Telemedia, the supplier, for each subcategory. The

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RE/MAX card is the only category in which each sale translates into a 100% profit for the company, as the project reached the break-even point even before being introduced into MAXSTORE.

In commissions and rappels, RE/MAX Portugal had a total profit of 3,354.92 euros across all categories. The category that contributed the most to these results was the RE/MAX card, with 1,884.36 euros, which equals 56.17%, because, despite having less sales volume than the other categories, the profit it generates is 100% per sale. The merchandising category has commissions of 5% on textiles and 10% on the rest of subcategories. For this reason, it brought in 1,224.34 euros, corresponding to 36.49% of the profit generated by MAXSTORE. The categories for final products generated the least profit for RE/MAX Portugal, with a contribution of only 7.34% and 268.86 euros.

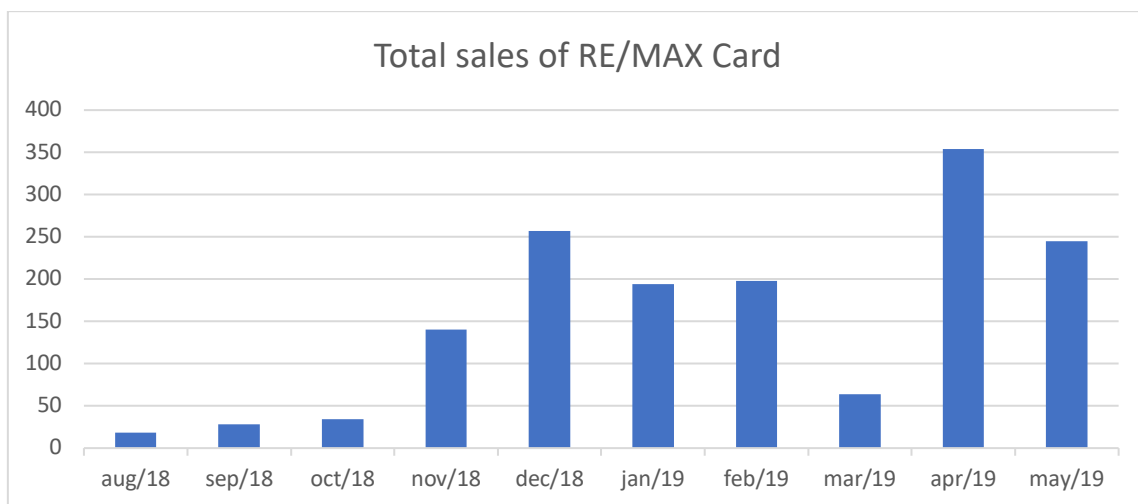


Graph 7: Total profit division of MAXSTORE (RE/MAX, 2019).

Although MAXSTORE made a profit of 3,354.92 euros, from August 2018 to May 2019, the platform has fixed management costs that influence the platform's results. Thus, for ten months, RE/MAX paid 1.500 euros (150 euros per month). By removing this amount from the profit achieved by the platform, RE/MAX Portugal gets 1,854.92 euros net. Thus, given that the platform had a creation cost of 2,000 euros, MAXSTORE is 145,08 euros away from reaching the break-even point of this project, which will be probably reached in the coming months, taking into account the monthly results that MAXSTORE has.

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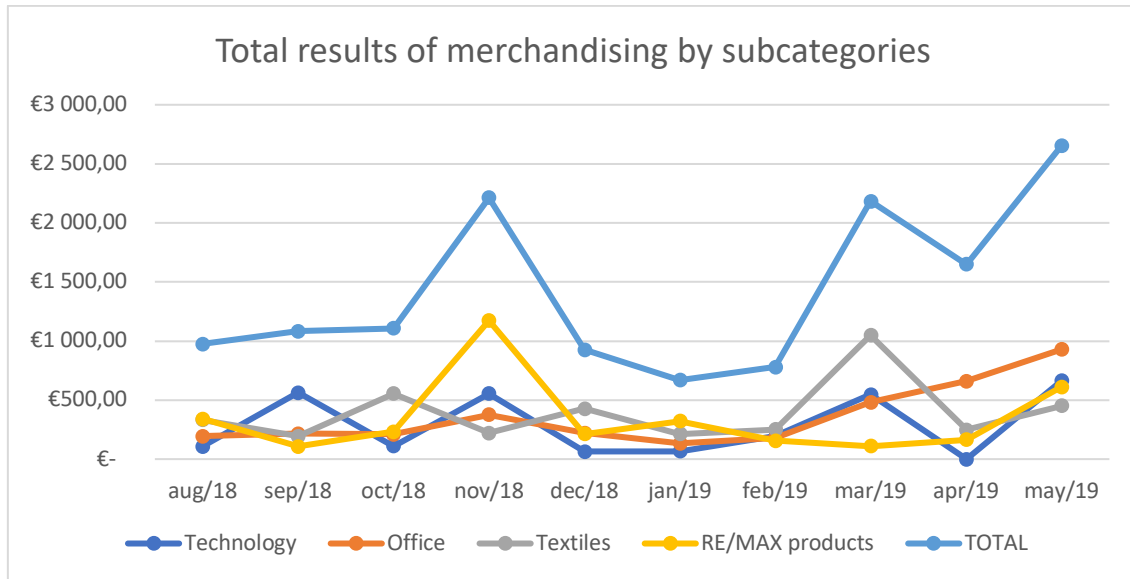
The RE/MAX card is a project that had already been released one year before MAXSTORE was created. Until the project was introduced on the platform, RE/MAX Portugal had sold 1.958 cards at a price of 5 euros. When the project became part of MAXSTORE, there was a price reduction to 1,23 euros. Thus, from August 2018 to May 2019 MAXSTORE sold 1.532 cards, which translates into a profit of 1,884.36 euros corresponding to 8.55% of the total billing of the platform. However, as explained before, as the profit per sale is 100%, it is the category that generated the most net profit with 1,884.36 euros, which equals 56.17% of MAXSTORE billing. At this moment the card has 3,490 clients who enjoy its benefits on a daily basis.



Graph 8: Total sales of RE/MAX Card (RE/MAX, 2019).

Merchandising has been the category that has sold more products within MAXSTORE. The good acceptance of the franchisees meant that, in a period of ten months, sales amounted to 14.216,09 euros, which corresponds to 62.29% of the billing of the entire platform. The merchandising category is divided into technology, office, textiles, and RE/MAX products. The subcategory of textiles was the one that invoiced the most, corresponding to 27.69% of the category and 3,936.65 euros. The second sub-category with the best results was office with 3,062.02 euros in sales and 25.33% in the category. The RE/MAX products subcategory had, during the ten months since the platform was launched, a 24.11% share in the category and the third position with results of 3,428.79 euros. The lowest-grossing category in the category is technology, with results of 3,248.42 euros and 22.85% of total category revenue.

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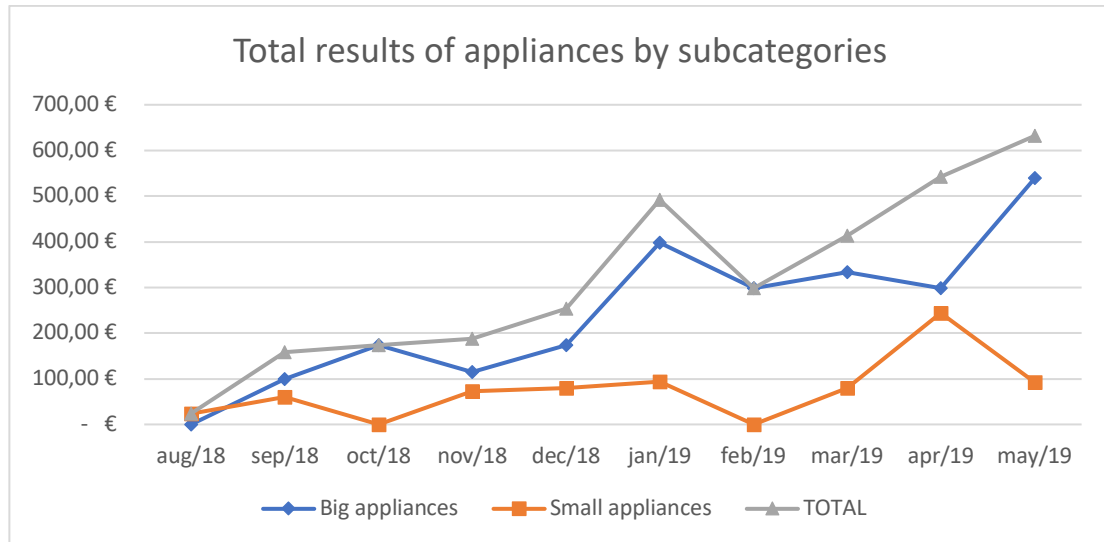


Graph 9: Total results of merchandising by subcategories (RE/MAX, 2019).

The categories for final clients are four, and are divided between appliances, image and sound, technology, and others. In this way, we will analyze the results of each category to see which segments of the platform were most successful and which categories are not worth keeping in MAXSTORE.

The category of appliances was, from the categories for final clients, the one that has had more sales, corresponding to 47,26% of the billing. In the period from October 2018 to May 2019, MAXSTORE had sales of 3.176.,85 euros. The subcategory of big appliances invoiced 2.431,04 euros, which translates into 76,5 % of the billing of the category. Small appliances recorded sales of 745,81, which was 23,5% of appliances outcome. The category's results have been increasing since MAXSTORE launched, making in the last two month the highest billing. In this way, the category appliances has been successful until now.

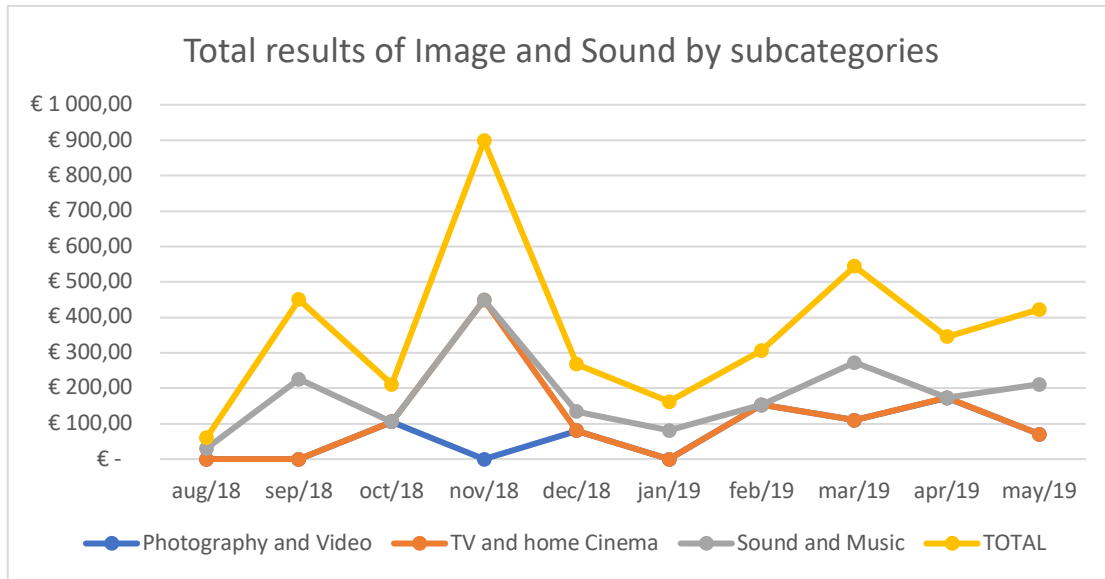
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Graph 10: Total results of appliances by subcategories (RE/MAX, 2019).

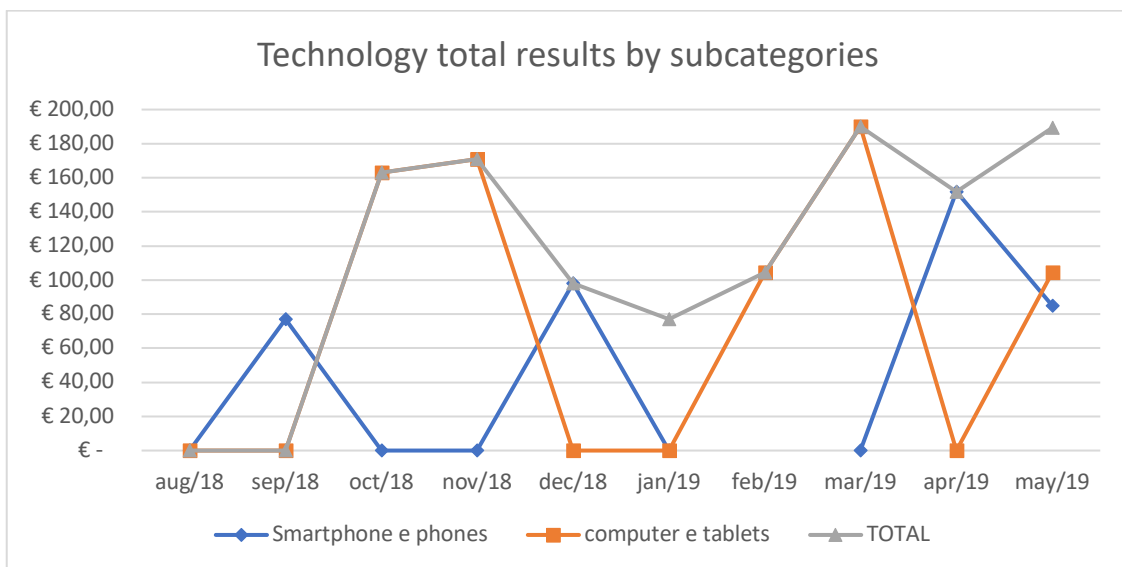
Image and sound is the second of the categories for final clients with better results. In a period of ten months it sold 1833.92 euros, corresponding to 27.28% of the billing of categories for final clients. The category of image and sound is divided into three subcategories: photography and video, TV and home cinema, and sound and music. The category of photography and video yielded 691.59 euros, that is 37,7% of the whole category, but there were four months in which there was no billing since no product of this subcategory was purchased. In turn, the subcategory of TV and home cinema only made one sale, worth 449 euros, in November 2018. However, as it was a strong sale, TV and home cinema invoiced 27,2%. The subcategory of sound and music also had four months when it did not sell products, but during the last four months, its billing has been increasing. In this way, sound and music contributed with a turnover of 693.59 euros, the largest in the category of image and sound with 37,8% of the billing.

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Graph 11: Total results of Image and Sound by subcategories (RE/MAX, 2019).

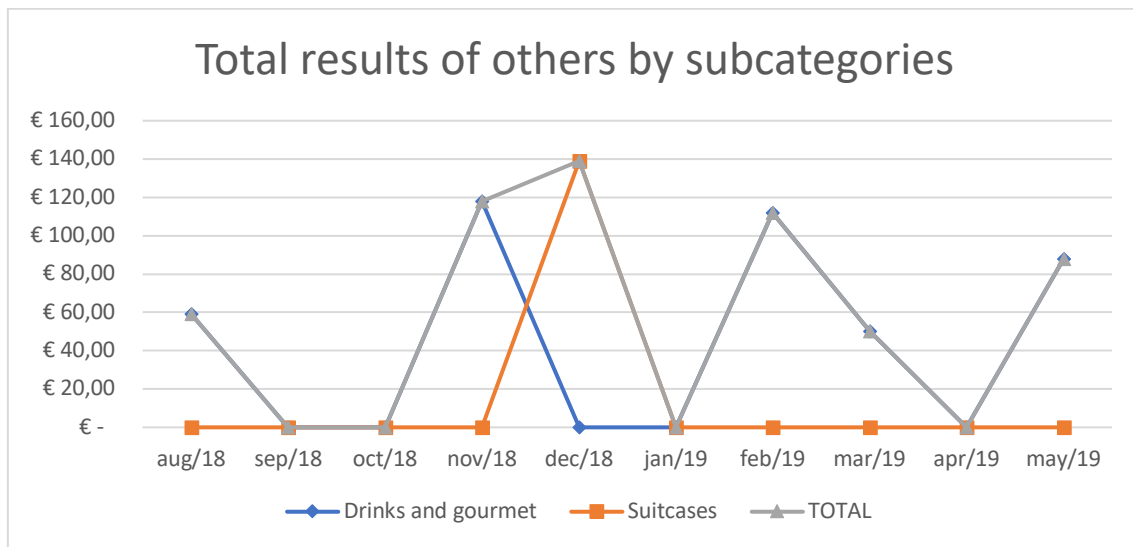
The technology category earned 1,144.70 euros since the MAXSTORE platform was launched, which corresponds to 17.03% of the billing of categories for final clients. There are two subcategories within technology, which are smartphones and phones, and computers and tablets. The subcategory of computers and tablets was the most successful with 64% of the billing which corresponds to 732.80 euros. Despite this, it did not score in four months, out of the ten since MAXSTORE was made available. The category of smartphones and telephones earned € 411.90, or 36% of sales in the technology category. The results have been irregular since the launch of the platform, in August.



Graph 12: Technology total results by subcategories (RE/MAX, 2019).

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The category of others had the lowest financial results of the platform with only 566 euros of billing, that is 8,42% of the outcomes in categories for final clients. The category is divided into the subcategories of drinks and gourmet, and suitcases. The drinks and gourmet section was unbilled for three months and made total sales value of 427 euros, corresponding to 75.5% of the billing category. The suitcases category only made a sale in the period of ten months, but it was the highest of the whole category because it was for a value of 139 euros, which translates into 24.5% of sales.



Graph 13: Total results of others by subcategories (RE/MAX, 2019).

1.12 Lecture Plan Questions

1. Characterize the Portuguese real estate market. Comment on how the economic and social factors have been impacting the segment. Predict what the future of the market will be in the next years.
2. With the information provided in the micro and macro environment, make a SWOT analysis of RE/MAX Portugal.
3. What are the main advantages for RE/MAX in being the pioneer of the real estate market in this segment? What is the impact for their external and internal clients?

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4. In the MAXSTORE, the products for final clients did not have the expected results. Which recommendations will you give RE/MAX in order to maximize sales?

5. RE/MAX decided to communicate the project only inside their network. Make recommendations for RE/MAX to improve their communication strategy.

2. Teaching Notes

2.1 Target Audience

The MAXSTORE case study should be given to business administration/management, or marketing students. This case provides theoretical and practical marketing approaches that will allow the teacher to explain to students how to properly develop a marketing strategy and apply it in the daily life of a company. In this way, students have a more critical and creative sense when it comes to creating a marketing strategy.

2.2 Teaching objectives

This is a pedagogical case, which means that it should teach students theoretical and practical marketing concepts. In this way, after analyzing this case study with the teacher, students must be able to identify MAXSTORE's main goals, and to understand the main strategy mistakes made by RE/MAX and how to solve them. Thus, the MAXSTORE case has the following pedagogic goals:

- Understand the Portuguese real estate market.
- Identify the main players and market rivalry.
- Understand the concept of competitive advantage.
- Recognize main mistakes of RE/MAX strategy.
- Identify main advantages and disadvantages of been a market pioneer.
- Understand first steps before launching a project to reach clients.
- Know how to properly develop a marketing mix and communication strategy.
- Know how to do a SWOT analysis and recognize main opportunities and threats in a project.

2.3 Literature Review

2.3.1 Real Estate Market and Franchising

The real estate market is of vital importance for the economy, because it is one of the most important markets for developing economies on provisional rent and investment levels, being also a great source for loan banks (Carrillo, 2013). Furthermore, monetary policies consider real estate prices in order to predict effects on employment and inflation (Mishkin, 2007) and interest rates have a significant dependence on this market (Allen and Carletti, 2011).

According to Beck, Scott and Yelowitz (2012), in real estate transactions usually there is an intermediary involved. Lu Han (2016) states that over 80% of sellers and buyers do their transactions with the assistance of a real estate agent. Individuals rely more on these specialists to make their real estate decisions, due to the expertise, knowledge of the market, and valuable information that these professionals have (Tavares, 2013). For these reasons, several companies with franchise business models are entering and trying to establish themselves in the real estate market (RE/MAX, 2018).

The US SBA defines franchising as a business model that has a continuing relationship between two parties (*cited in* Castrogiovanni, 2012). They provide a series of services where one party, the franchisee, sells the good or service after being approved by the other party, the franchisor. In the real estate market, agents, who are the franchisees' employers, split their commissions with their broker (the franchisee). In this case the broker provides administrative services and office support to their agents, and in return the agent splits the commission that they earn with the broker (Martin and Munneke, 2010).

Agents decide to work in this type of business models because the range of services and branding offered by franchises attracts clients and enhances reputation. Moreover, as franchises in real estate grow aggressively and offer more services such as mortgage advise and financing options, they stand out from traditional real estate agencies and other companies in the market. In terms of technological advancement, training and educational programs and service quality there is a bigger perception of professionalism from buyers

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and sellers. Due to these factors, franchise real estate agencies are more likely to prosper, get business, and survive (Flint-Hartle and De Bruin, 2011).

Real estate companies offer a brokerage service that is done by agents. The agents protect the interests of the buyer and of the seller in order to make the best possible deal for both parties and receive a commission. As field salespeople, agents face ambiguous jobs and a lot of pressure to sell, and, similar to service workers, agents have to develop their relationship with their client and develop rapport with the agencies (Snyder, Claffey and Cistulli, 2011).

2.3.2 Service Quality

Services are intangible products that consist of benefits and activities offered for sale that do not represent the ownership of anything (P Kotler, 2008). Having this in mind, it is important to know that there are a number of characteristics that make services stand out from others.

Service quality is the measure between a service that is performed and the client's expectations about the service, and companies that adopt service quality have to confirm client expectations on a daily basis (Lai and Chen, 2011). According to Abzari (2011), service quality is crucial for the company's performance and for surviving in a rapidly changing and deeply competitive and fast-growing environments. Organizations also have to improve their service performance constantly to keep their position and competitiveness.

Implementing a service logic set on supporting clients requires that the suppliers extend their portfolio and include processes and activities that support processes and practices. Consequently, based on the emphasis of value-in-use, the objective of organisations is creating reciprocal value, with service mediating the whole process (Grönroos, 2011).

Furthermore, when clients evaluate the service quality of a company, they have an interaction quality, physical environment quality, and result quality, and they can show trust for the brand, continuing to purchase and spreading good feedback about your

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services to potential new costumers (Şahin *et al.*, 2017). According to Kassim and Abdullah (2010), attitudinal loyalty decides consumer intentions. Client intention, to purchase or use the services of a particular brand, grows when their attitude towards the brand is more favourable.

Another outcome that service quality provides, that is advantageous for the brand, is word of mouth. Studies have found that there is a direct relationship between service quality and the willingness to recommend the service of the organization to other potential clients. Satisfied clients are known to provide positive word of mouth to individuals that don't have a relation to the services of the company, and it will influence their purchasing intentions for the future (Kassim and Abdullah, 2010).

Furthermore, it is important to adapt yourself to the market trends. Marketing services in a world that is constantly changing require focusing on client satisfaction. In service marketing, how the service is performed has the same importance as what is performed. That is why client experience is a critical factor in the service industry (Goi, 2009).

According to Johnston (2011), while services are the processes or activities, client experience is the client's interpretation of the processes, involvement and interaction of the service through a series of points, and how they felt during the experience. Value is not created by services, or added to goods, but set in the actual experiences produced by active participation (Tynan and McKechnie, 2009). In order to be successful, the experience has to be complete, including search, purchase and consumption of the service, and after-sale experiences (Verhoef *et al.*, 2009).

The client is always seen as a co-producer of the service in service marketing, because they participate in the production process as value is generated only when the consumer uses the service. In a value-in-use model, the company's role is to create value by supporting the processes of the clients and offering them more resources (Huotari and Hamari, 2012). The experience can be planned, staged, communicated to the client (Tynan and McKechnie, 2009), and all service encounters can be an opportunity to create emotional engagement This can be very profitable, as studies suggest that client

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experience can significantly influence the client's perception of the service provided and of the brand (Verhoef *et al.*, 2009).

The social environment can have a strong impact in client experience. There are often multiple clients enjoying a service and the experience of one client can impact the others (Verhoef *et al.*, 2009). According to Fitzsimons, Chartrand and Fitzsimons, (2008), brand perception may influence client experience. They also found that the type of brand and the client's perception can influence their behaviour.

2.3.3 Relational Marketing

According to Kotler and Keller (2009), relational marketing is a strategy to attract clients, build a relationship, and retaining them. The goal of relational marketing is to create loyal clients that will do much business with the firm in the future (Lovelock and Wirtz, 2011) and to maximize the client value to the company (Ngai, Xiu and Chau, 2009).

Salespeople and clients who believe that they have mutual objectives indicate that they had interest in working with the other party. They also state that, when conflicts appear, they handle them well in order to make it work for both sides (Tjosvold and Wong, 1994). By showing common goals, loyalty is created, and according to Grönroos (2011), loyalty is a suitable measure for relational value, as it reflects the commitment of the buyer who takes to a reciprocal and beneficial relationship.

By creating a relationship, based in trust and loyalty, agents can expect higher results. According to (Grönroos, 2011) in supplier – client interactions, where two or more parties are involved for business reasons, the supplier creates the opportunity to create their relationship, which can influence the client's processes and value creation. In these interactions, the supplier can become a co-creator of value by engaging in the client's value creation.

Furthermore, relational marketing investments have instant results for companies. Clients feel high levels of gratitude, and the result is a feeling of reciprocation towards the company or salesperson. Managers should see the opportunity that relational marketing

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presents as an investment, collecting the feelings of gratitude of their clients. It is not only an advantage to increment sales, giving clients the chance to reciprocate will generate a spiral of reciprocation, which will make the relationship between parties stronger (Palmatier *et al.*, 2009). Furthermore, in a commercial context, retention is a profitable strategy for managers. According to Gordon (2012), constructing relationships and keeping loyal clients can be more profitable than trying to enter new markets or attract new clients.

2.3.4 Differentiation

According to Dickson and Ginter (1987), marketing differentiation provides uniqueness in aspects such as corporate image, client service, promotion of the brand and advertising. It is important for a company to use service differentiation to take advantage of financial, strategic, and marketing opportunities (H Gebauer, A Gustafsson, 2011). In reference to Murray (2011), a differentiation advantage happens when companies are able to come up with something that clients perceive as being unique from their competitors' services.

According to Amonini *et al.* (2010) firms that supply professional services have to differentiate themselves by providing greater value and a better service quality, developing long-term relationships, strong reputations and superior performance. In reference to JJ Li (2010), there are several ways for companies to differentiate themselves and offering innovative features in services or products is one of them. For these reasons, Zhou (2009) states that, through differentiation advantages, financial performance is enhanced by forecasting market performance. A differentiation strategy will also help to develop and sustain a market position that is perceived as unique (Naidoo, 2010).

2.3.5 Competitive advantage

Competitive advantage refers to the comparative positional superiority in the marketplace that leads a firm to outperform its rivals (Porter, 1985). Companies gain competitive advantages by making acts of innovation. Those innovations create competitive advantages through perceived market opportunities (Porter, 2011). In addition, marketing

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capacity-performance relationships are mediated by competitive advantages (Murray, Gao and Kotabe, 2011).

Innovativeness is a fundamental instrument of growth strategies for organisations that want to enter new markets, increase market share, and obtain a competitive advantage (Gunday *et al.*, 2011). According to H Gebauer (2011), competitors and clients of innovative companies perceive the organizations as being able to launch new good or services at early stages. For these reason, O'Dwyer (2009) states that through innovative practices companies can achieve a competitive advantage and long-term growth.

According to Sirmon *et al.* (2011), in order to gain a competitive advantage, managers have to do resource management. This includes structuring the company's portfolio by acquiring, accumulating and investing, build capabilities by bundling resources through stabilizing, enriching and pioneering activities, and leveraging capacities in the marketplace by coordinating, mobilizing and deploying in order to create value. In this way, managers have engaged in structuring, bundling and leveraging processes with the goal of using the company's resources to compete with targeted markets and gain competitive advantages.

In service industries, competitive advantages provide a better financial performance for companies by improving the market performance (Zhou, Brown and Dev, 2009). According to Sirmon *et al.* (2011), companies are engaged in dynamic and complex competitive markets. That is why they have to invest in competitive actions, responding to their competitors, to maintain and develop competitive advantages. Hence, only by taking strategic actions can a company create a competitive advantage and achieve higher results and performance.

2.3.6 E-commerce

E-commerce can be understood as the sale and transport of goods or services through the internet or other networks (Turban *et al.*, 2017). Companies that adopt e-commerce market their products/services with the goal of maximising their profits by making online transactions with another party (Ghandour, 2015).

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In recent years, e-shopping has become an alternative to in-store shopping and it is gradually becoming its substitute (Welteverden and Rietgergen, 2007). For that reason, traditional companies like RE/MAX, have to extend their business to e-commerce platforms if they want to remain a competitive brand, in the long run, in the market (Chen, Pan and Ouyang, 2014).

According to Zhu, Kenneth and Kraemer (2002) companies invest in e-commerce to reflect their strategy to use the internet to engage with their clients. As a business goes online, it is important that its presence is appropriate to the needs and strategy of the company and supports their business goals. Furthermore, e-commerce strategy is the scope and way of a business to adopt e-commerce in order to achieve a competitive advantage in an environment that is constantly changing, helping to meet stakeholders' expectations (G Johnson, K Scholes, 2008). For these reasons, an e-commerce strategy is vital to organizations, as it increases organizational effectiveness, provides a framework for operational planning, and clarifies the direction of the business activities, helping the company to reach long term benefits (Chang, Jackson and Grover, 2003).

In e-commerce there are aspects, such as e-service quality, that will dictate the success of the platform. According to Sejin Ha a. (2008), e-shopping quality refers to the consumer's overall perception of the effectiveness of a service/product offered through a e-store. By facilitating purchasing, effective shopping, and delivery, the role of e-service quality management is to deliver business value (Neil F. Doherty, 2015).

Trust and loyalty are also important concepts in e-commerce for companies that want to retain and attract clients. Semeijn *et al.*, (2005) states that trust is a critical factor in the process of building and maintaining a good relationship with clients in an online business, affecting retention and client loyalty positively (Eid, 2011). In order to gain trust and consequently loyalty, companies have to pay attention to concepts such as safety and quality information.

Kassim and Abdullah (2010) defend that a client must feel that the personal information given on the website is completely confidential and not to be sold to a third party. Clients

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need to trust that e-shopping transactions are secure. Researchers suggest that more than 75% of online clients do not finish their online purchases, due to the fact that they do not feel their personal information is safe. Information quality in B2C e-commerce websites can also affect the safety perceptions and the intention to purchase. If the information presented is accurate and reliable, it will increase client satisfaction and trust, which will translate into the client making an initial purchase (Eid, 2011).

In this way, RE/MAX Portugal will set their strategy on differentiation, gaining a competitive advantage in order to provide a better service for their two clients (franchisees and final client) through an e-commerce platform. This strategy will allow RE/MAX Portugal to engage in relationships with its clients, creating trust and loyalty, which will lead to better financial results and a more professional and complete service.

2.4 Methodology

For this dissertation a descriptive method was applied to perform the data collection. To obtain quantitative and qualitative information on the market, documents, scientific articles, data from statistical portals and internal data from RE/MAX Portugal were analyzed. This information contributed to the accomplishment of literature review, external analysis and internal analysis.

Furthermore, in order to obtain more information, informal meetings were held with the directors of Marketing, Quality, Financial and IT departments at RE/MAX Portugal. These meetings allowed the internal and external analysis to be more objective, taking into account the factors that influence the company's activities. In addition, market and competition data, which cannot be found by other means, have been provided, helping to present real and concrete results.

Moreover, the author is a former employee of RE/MAX Portugal for two years, having participated in the project MAXSTORE, among others. For this reason, He was involved in the whole process of developing and implementing the platform from the beginning up to its launch. In this way, by having a relationship with the company, the collection of financial and communication data for the project was simple. Through two informal

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meetings with the Marketing Director of the company, João Ferrão, all the data for the marketing mix and financial results was collected.

2.5 Case Study Lecture Plan

The MAXSTORE case study should be first distributed to all the students, in order for them to read and analyze the case, using further information from textbooks to review the main points of the project. Furthermore, it is important that the teacher presenting the case explains the main theoretical concepts of business administration and marketing that are present in the case study. This way, students will have an understanding of how to analyze and support the questions they may raise. The teacher should also review the main aspects of the case with the students, in the first classes, giving them an in-depth perspective. Moreover, the students should be divided into several groups in order to brainstorm the case and compare proposals for further questions. Then, all the groups will have to make an oral presentation showing their perspectives and ideas as to answer the questions and improve the project MAXSTORE

Classes	Goals	Activities	Time
1 st Class	<ul style="list-style-type: none"> - Present MAXSTORE case study to students. - Introduce the Portuguese real estate market. - Introduce marketing concepts. 	<ul style="list-style-type: none"> - Provide case study to students. - Teacher sums up the case. - Introduce external analysis. - Explain competitive advantage and differentiation concepts. - Introduce RE/MAX and MAXSTORE. - Review SWOT theoretical concept. 	90 min
Out of class	<ul style="list-style-type: none"> - Review case study - Review the concepts presented in class. - Answer to the first two questions. 	<ul style="list-style-type: none"> - Read the case. - External and internal analysis. - Read literature review. - Analyze the STP strategy. - Review and apply SWOT theoretical concept. 	50 min
2 nd Class	<ul style="list-style-type: none"> - Review and analyze the external analysis and case study. - Presentations and answer of the first answer. - Divide the students into several groups 	<ul style="list-style-type: none"> - Discuss the case with teacher and colleagues. - Characterize the real estate market. - Define the SWOT with students 	90 min

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Out of class	<ul style="list-style-type: none"> - Answer to the remaining case study questions. - Prepare power point presentation to present answers. 	<ul style="list-style-type: none"> - Analyze all the MAXSTORE case study. - Understanding the main advantages and disadvantages of being a pioneer. - Analyze de 7p's and identify possible solutions. - Analyze in depth the communication strategy used by RE/MAX. 	150 min
3 rd Class	<ul style="list-style-type: none"> - Presentation of the students' answers. – Discussion of the case. 	<ul style="list-style-type: none"> - Presentations of 15- 20 minutes for each group. - Discuss with teacher the answer to the questions. - Teacher presents his/her conclusions. 	90 min

Table 4: Lecture Plan (The author, 2019).

2.6 Questions and resolutions of the case study

- 1. Characterize the Portuguese real estate market. Comment how the economic and social factors have been impacting the segment. Predict what the future of the market will be in the next years.**

The Portuguese real estate market has grown exponentially over the past seven years and is expected to continue to grow. In 2017, 226,617 properties were sold, with an increase in sales of almost 12% over the previous year. For this improvement there are social and economic aspects that directly influence these results.

The Portuguese economy has been increasing in the past few years, and in 2017 grew 2.7% compared to 2016. This is due, among other factors, to the increase in tourism. In Portugal, tourism represents 5.6% of its GDP, and the number of tourists in the country almost tripled from 2010 to 2018. Thus, foreign investment in Portugal began to increase.

With an increase of 19.2% in 2017, foreign investment already represents up to 20% of the real estate network market of RE/MAX. Due to the implementation of instruments like Golden Visas or non-permanent resident policies, foreign investment has soared, thus helping the Portuguese economy to continue growing.

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In addition, due to the current economic situation of the country, the access to loans in Portugal has improved. This is the most important factor in the real estate market, as 90% of people who buy real estate in Portugal do so through loans. Nowadays, banks lend 80% and even 90% of the capital, which gives clients more purchase power. This can be seen in the market, where in 2016 5,790 credits were granted in Portugal, and in 2017, 8,261, showing an increase of almost 30%.

All these economic factors have made the demand for real estate higher, which is reflected in the price per square meter, which has also risen gradually. The price per square meter for apartments and houses in Portugal has risen by around 14% in the period from 2013 to 2018.

Social factors are also changing the market and companies are paying attention in order to stay competitive. Population growth rate has increased 0,197%, however a decrease in the birth rate and number of young people has been identified in recent years. In this way, Portugal is below the European average regarding the gross birth rate. Moreover, due to the current economic situation in Portugal, the migratory balance has been positive in 2018.

Furthermore, the modifications in family size and structure have changed the market. Although the number of families in Portugal has increased, the number of persons per family is lower. This means that families no longer look for big homes as they did in previous years, because their needs have changed. Now the most looked for typology is the T3 and T2, with 43,1% of the demand, whereas in past years, the most wanted typology was T4.

In addition, one of the aspects that is changing the market, socially, is the new technologies. The appearance of portals and e-commerce has modified the way people search for properties. With the introduction of social media, new ways of communicating and advertising have appeared, and clients use these platforms as another tool to search for and buy real estate.

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Regarding the prediction for the industry, the Portuguese real estate market has been on the rise for the past decade. However, the largest increase in square meter prices was in the last three years. This happened due to an increase in demand driven by the growth of tourism and foreign investment, as well as easier access to loans and lower interest rates. Thus, it is expected that the government will continue to promote the increase of tourism and foreign investors coming into the country, among other initiatives, keeping the market growing.

However, after three years of strong growth, there was a deceleration in the price per square meter in 2018. We find it at a time when the market has reached a point where there is more demand than supply. This could mean a point of stabilization or saturation, where the price of real estate will either stabilize or begin to fall, causing homeowners to start selling more. Although the Portuguese economy has improved, the price increase gives the Portuguese customer less purchase power. There may be a correlation between the smallest increase in square meter prices in the last year and the decrease in purchase power of the national customer. Thus, if prices fall, the Portuguese will again have purchase power, feeding the market.

Moreover, the trend for the Portuguese market in the coming years is to continue to increase, but with price smoothing. This means that real estate companies will have several opportunities to grow and attract more clients and business. As the social panorama is changing, new trends are arriving to the market and companies have to be aware of that in order to adapt their offer and reach their clients with products that satisfy all their real estate needs.

2. With the information provided in the micro and macro environment, make a complete SWOT analysis of RE/MAX Portugal.

With the information provided in the case study, a SWOT will be performed, that will allow an analysis of the overall position of RE/MAX in the market. This will help RE/MAX to understand their environment, which will indicate which strategy they should use when launching new projects, such as MAXSTORE.

MAXSTORE

Strengths

RE/MAX is the world leader in the real estate market. This means that the brand has a presence all over the globe and that clients consider it a reference in the sector. This also brings brand awareness and reputation in Portugal, because clients associate these factors with excellence in the service provided, and therefore seek the services of the company. For this reason, the launch of new projects could have more support from clients.

Moreover, the company has been the leader in the Portuguese market since 2005. Its long-term leadership has been bringing a strong reputation and status to the brand. In this way, clients feel trust and confidence when they search for RE/MAX services. The fact that the company has been the market leader for almost fifteen years in Portugal, brings a strong financial stability. For this reason, the company can afford to launch new projects and invest in them.

In Portugal, RE/MAX is the Top of Mind brand in the Portuguese real estate market. This means that when a client thinks of a brand that provides real estate services, the first company that comes to mind is RE/MAX. As mentioned earlier, this may mean more acceptance for the project as the clients believe in the company.

Furthermore, RE/MAX service quality is linked to the high standards of training that they provide in order for their agents to satisfy all the real estate need of the clients. This feature is important to attract new franchisees, since through the intensive training that RE/MAX provides, their agents will maximize their results and earnings.

Weaknesses

In order to provide the best possible service, RE/MAX works with exclusivity. This means that if a seller wants RE/MAX's services, they cannot try to sell their property through another real estate company. For some sellers this can be a problem, as it is the only brand in the market that works with this procedure.

MAXSTORE

Although RE/MAX provides strong and quality training to their internal clients, the cost of the training is high. These costs are supported by the agency or agent. Thus, it could be an issue for a new franchisee or agent that is joining the network without having previous knowledge in the real estate market. If other real estate networks offer cheaper training, the potential client may choose not to work with RE/MAX.

Furthermore, as RE/MAX is a franchising company, the fees that the master franchising charges can be an issue for potential franchisees. Of every transaction of a RE/MAX agent, the master franchise charges 9% of every sale and fees for the CRM management and campaigns are charged monthly. Although RE/MAX has a big demand for new franchisees, sometimes this factor can affect the closure of the franchise deal.

Moreover, the service provided by RE/MAX and its competitors is similar. Although RE/MAX works in exclusivity, agents use the same channels as competitors to sell their properties. This can affect the client when making a decision as to which agent and company they want to work with.

Opportunities

The Portuguese real estate market has been increasing and appreciating for the last years, showing an increase of 328 euros per square meter in residential properties from 2014 to 2019. Tourism and new government implementations have attracted more foreign investment and people into the country. Due to this, an increase in the economy has been witnessed, giving more purchase power to domestic clients. This had impacted the access to loans, a key factor for the purchase of real estate, with banks lending higher percentages and reducing interest to their clients. All these factors translate into a greater number of sales of real estate and more possibilities to attract business and retain clients.

With rising prices and foreign investment, real estate in Portugal has become a new investment possibility. Entrepreneurs have invested more and more in the Portuguese market, and since the price of real estate has steadily increased in the last seven years, more clients have seen Portugal as an ideal country to carry out their investments. Due to this, real estate companies have to create strategies to reach and retain these new clients.

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Nowadays, while we are going through a digital transformation, new technologies are business tools that help companies communicate and sell their products and services. In the real estate market only in recent years has there been more online movement, such as the creation of portals and corporate websites. However, as the market and new technologies evolve, new opportunities for differentiation may arise. If companies find new solutions to improve their services through these tools, they can gain a competitive advantage.

Moreover, given the heyday and the new opportunities that the market offers, a leading company like RE/MAX should take the time to research and invest in new campaigns and innovative projects, consolidating its position and attracting more business.

Threats

As the real estate market has been growing in the last few years, new entries have arrived into the market. This can affect companies like RE/MAX, as they can begin to lose market share and business to new agents and real estate agencies. Among the new entries are the portals, which offer an online brokerage service where the client only has to pay a monthly fee instead of a commission. Although they do not yet represent a threat to the leaders of the sector, companies have to pay attention and adapt their services so that they are not affected by the portals.

Competition among top competitors in the market has become fiercer in recent years. Due to the attractiveness of the market, new franchisees and agents are joining the sector, and the number of transactions and market shares has risen substantially. In this way, RE/MAX has to differentiate itself through innovative initiatives and projects to distance itself more from its main competitors.

Nowadays there are more buyers than sellers in the market. For real estate agents this means that there is less product to raise, and as they work for commissions the competition, even inside the same company, is strong. This can create a bad environment and lack of companionship between colleagues.

MAXSTORE

A market recession is always something that companies must take into account. Although the market has risen in recent years, it is speculated that a possible bubble could explode and impact the market. This could mean a stabilization or decrease of the Portuguese real estate market. For this reason, companies should safeguard themselves and have a strategic plan that considers this scenario.

In addition, government actions can influence market outcomes through the implementation of new policies. In recent years, the laws implemented have been positively influencing the market, but companies like RE/MAX must be aware of these changes, and if possible, take advantage of them.

SWOT matrix

Taking into to account their internal and external factors RE/MAX should choose a leverage strategy. The strengths of the company overpower the weaknesses, and so do the opportunities and threats. The fact that RE/MAX is a market leader and a trustworthy brand, along with the opportunities the market offers, allows it to build a strategy that focuses on innovation to retain franchisees and attract more clients. That is why this project is focused on studying MAXSTORE, one the projects that RE/MAX has built having a leverage mindset.

Strengths	Weaknesses
<ol style="list-style-type: none">1. Market leader2. Financial capacity3. Strong global presence4. Top of mind brand5. Strong training	<ol style="list-style-type: none">1. Exclusivity for sellers can be an issue2. Fees charged by the master3. Expensive training4. Service similar to competitors
Opportunities	Threats
<ol style="list-style-type: none">1. Increasing demand2. Increase in tourism and economy3. Easy access to bank loans and low interest rates	<ol style="list-style-type: none">1. Strong competition and new entrants.2. Real estate portals3. Strong competition between agents of the same company

MAXSTORE

4. New technologies	4. Market recession or stabilization
5. Real estate as an investment	5. government regulations

Table 5: SWOT matrix (The author, 2019)

3. What are the main advantages for RE/MAX in being the pioneer on the real estate market in this segment? What is the impact for their external and internal clients?

RE/MAX has achieved leadership in the Portuguese market through initiatives that call for innovation. Thus, RE/MAX opts for an innovative project in the market, where they seek to add the sale of products and services to the sale of a house or property. They also leverage to reach their in-house franchisees by providing the products needed to promote real estate sales and attract clients. This way, RE/MAX opens up new possibilities to reach its publics and extends the service given by a real estate agent, effectively changing the market.

As the first company in the market to seize this opportunity, RE/MAX can exploit this secondary market without competition. This may allow it to take a monopoly position in this market and to increase its distance in terms of market share from its competition, further stabilizing its leading position. So, when competitors want to upgrade their range of services, RE/MAX will have the trust of clients and market, as well as the attention of the largest companies when it comes to partnerships. In this way, RE/MAX can create barriers for their competitors to enter this segment in the future.

For internal clients, MAXSTORE provides a service that enables them to have client engagement and loyalty communication materials at more affordable prices and faster availability than if they placed an order with an independent supplier. Given that, in the real estate market, franchisees and agents bear these costs and their wages depend on their sales, this factor can be a differentiator when a new franchisee or agent decides whether to be part of RE/MAX or another real estate network. In this way, the MAXSTORE project can help the development and growth of RE/MAX in Portugal.

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External clients receive a new service that the real estate market in Portugal has never offered to consumers. Selling products and services associated with selling real estate enables the external client to meet all of their real estate needs. Being able to equip your property at more affordable prices makes MAXSTORE an innovative project in the market. Agents can use the platform as a tool to attract buyer clients as they offer a broader range of solutions than the competition.

4. In MAXSTORE, the product for final clients did not have the expected results. Which recommendations will you give RE/MAX in order to maximize their sales?

RE/MAX launched the project without making any market research in order to adapt their offer to satisfy the needs of their clients. This is a communication issue, as they did not have a reference of which are the most wanted products for the clients that are interested in buying products through MAXSTORE. This can be seen in the financial results, where the categories that were more successful in sales were merchandising and the RE/MAX card. In products for final clients all the categories had low financial outcomes.

In order to get the best products and services for MAXSTORE, they should distribute questionnaires among all their internal and external clients. For internal clients, the marketing department could send them internally. For external clients, RE/MAX could use their data base and contact them by email.

The questionnaires should enquire which are the products and services that they want to see in the platform and the price ranges that they are willing to pay. It will also help to get quantitative data such as age, gender and location. Taking into account that the platform has already been launched, the questionnaires could also ask questions regarding the quality of the service provided by MAXSTORE, in order to identify possible improvements.

This simple method, questionnaires, will help RE/MAX to improve their results in MAXSTORE. By collecting data from their internal and external clients, the marketing department will be able to set a new strategy to maximize their results. First, they could

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segment properly, finding their real clients for MAXSTORE. Then, they will be able to target and create a new positioning that reaches those clients.

By having their new STP strategy created, RE/MAX will be able to create their marketing mix. The company will have to negotiate prices with their current suppliers and find new ones that have the products and services that their target audience wants or is interested in. By doing this, RE/MAX will be able to create a communication strategy especially made for their clients. They will also have to update their processes and placement due to the new partner that they will have.

- 5. RE/MAX decided to communicate the project only inside their network. Make recommendations for RE/MAX to improve their communication strategy.**

MAXSTORE is an innovative project that, in a period of ten months, almost came to a break-even point. However, there are several things on which RE/MAX Portugal can improve to achieve better results. We will suggest to the company a number of new communication implementations so that the platform's results can be maximized to become a source of revenue for the company in the future.

So far RE/MAX Portugal has decided to only communicate with franchisees, which are internal clients, in order for them to use the platform as a tool for client attraction and retention. Thus, the final client only gets to know MAXSTORE when it is introduced by the commercials in a sales pitch or referral. However, RE/MAX could communicate directly with the final client through the media. In this way, RE/MAX Portugal could use some radio, press, TV and billboard advertising to communicate with the final client. By announcing the platform and connecting it to RE/MAX, potential clients can reach MAXSTORE without the intermediation of agents. The communication to final clients could potentialize the platform results and create more visit flow in the site.

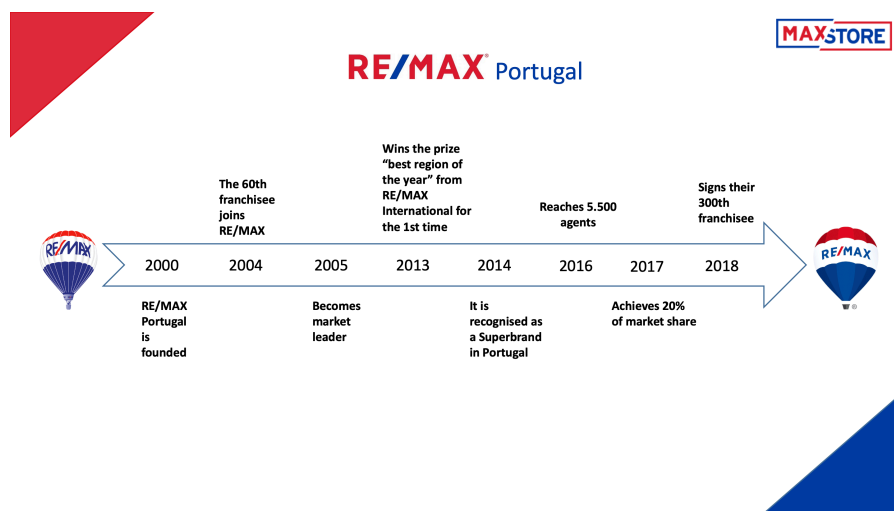
If the company does not want to spend on advertising in traditional media, they could opt for an online communication strategy. In this way, RE/MAX could advertise MAXSTORE's services on its Facebook and Instagram pages, which would impact a lot

MAXSTORE

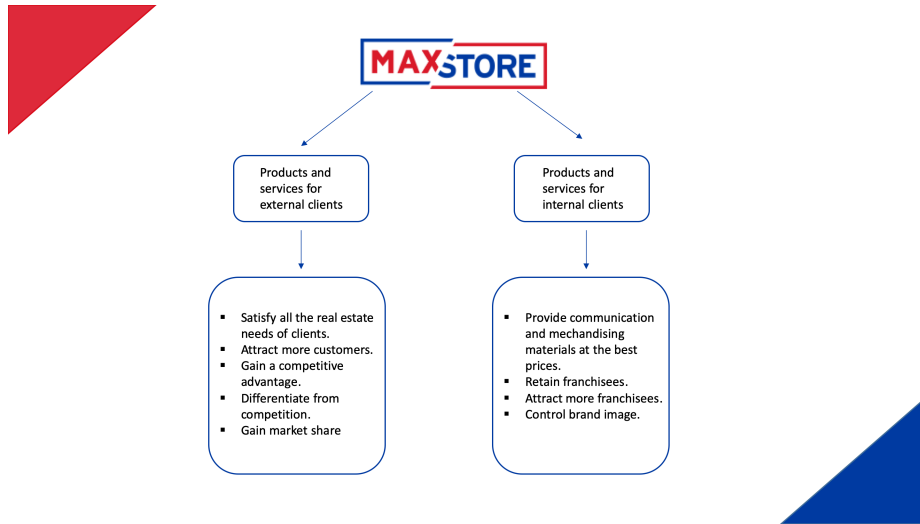
of potential clients because the page has a large number of followers. Then, they could create profiles for MAXSTORE and advertise their products, services, and campaigns on social media. This could help them to create more flow on the platform if they manage it well. RE/MAX could also bet on Google Ads, thus reaching more public through pop ups on various sites and being on the top of search engines.

Moreover, in case RE/MAX decides not to communicate MAXSTORE to the final client, the company should think of some kind of reward for its agents and franchisees for leads generated to the site. For example, when clients make a purchase of some kind, RE/MAX Portugal could place a menu where the client specifies through whom they knew the platform. Thus, the client can specify the name of the agency. When the agent generates, for example, ten leads from MAXSTORE, RE/MAX Portugal can receive an alert from Telemedia and contact the agent giving discounts or offering merchandising products. In this way, the agent has an additional motivation to spread MAXSTORE to their clients and the platform can receive more visitors.

2.7 Case Resolution Slides



MAXSTORE



- Products and services for external clients
- Satisfy all the real estate needs of clients.
 - Attract more customers.
 - Gain a competitive advantage.
 - Differentiate from competition.
 - Gain market share

- Products and services for internal clients
- Provide communication and merchandising materials at the best prices.
 - Retain franchisees.
 - Attract more franchisees.
 - Control brand image.



Real Estate Market



Economic Factors

- Increase in economy and tourism.
- Prices have been rising exponentially since 2012.
- More access to mortgage loans.
- Lower interest rates.



Political Factors

- Instituto dos Mercados Públicos (IMPIC).
- Non-permanent resident regime.
- Golden Visa.



Social Factors

- Positive migratory balance.
- Increasing tourism.
- Family size and structure changes.
- New buying patterns in typology.



Technological Factors

- E-commerce Platforms.
- Real estate Portals.
- RGPD.
- Artificial Intelligence



Main Players in the Market



RE/MAX

- Market leader since 2005.
- 27% market share.
- 6,700 agents.
- Top of mind brand.
- In Portugal since 2000.



ERA

- Second player in the market.
- 91 Million Euros invoiced in 2018.
- 18% Market share
- More than 3,000 agents.
- In Portugal since 1998.



Century 21

- Third player of the market.
- 2,000 agents.
- 10% Market share.
- In Portugal since 2005.

Competitive Advantage

"Advantage over the competition achieved by offering clients greater value".



Pioneer concept

Advantages

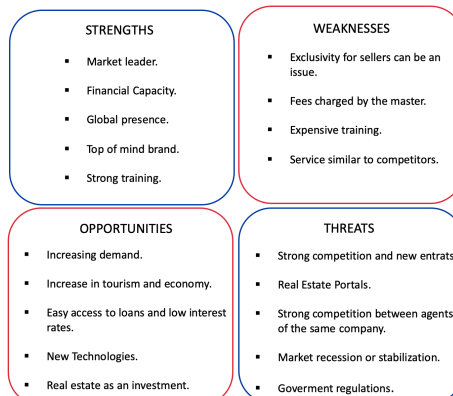
- Explore new market segments
- No competition
- Possible Monopoly position
- Creates Brand Loyalty
- Innovation

Disadvantages

- Risk
- Cost and time lost
- Enter in a market incorrectly
- Competitor learns from your mistakes



SWOT Analysis



MAXSTORE

Communication Strategy



Internal customers

- Company events (lectures).
- Internal newsletters.
- Platform presentation in trainings.
- Flyers and brochures sent to agencies to give to clients.

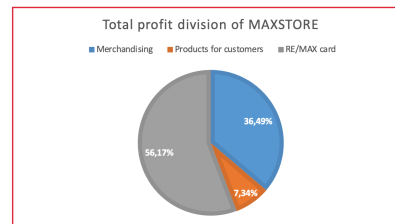
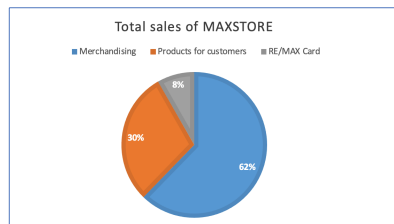
External customers

- Newsletters to client that sign in at MAXSTORE.
- Agents present platform in sales pitch.
- Agents give brochures and flyers in their presentation kits for clients.

MAXSTORE Results



10/2018 → 05/2019



Conclusions



- Stable launching of MAXSTORE.
- Platform reaches almost break-even point in 10 months.
- High potential but low results.
- Wrong overall strategy.
- Listen to their public to build new strategy.
- Communication strategy has to change to reach more public.
- Communication efforts to final customers have to be higher
- Offer reward to agents that communicate the platform.

MAXSTORE

2.8 Conclusions

Over the last years, the real estate market in Portugal has grown and developed due to an increase in economy and tourism. The market has become very competitive and new players are arriving to this attractive industry. Due to the strong demand for real estate, in an industry that has several players, companies try to differentiate themselves from the competition to gain a competitive advantage and attract more clients.

RE/MAX Portugal has been the market leader, and the reference for the industry, for more than a decade. As the top of mind brand in the real estate market in Portugal, RE/MAX also has more credibility when introducing new initiatives. Thus, in order to maintain this position, they are launching innovative projects to satisfy all the needs of their clients.

Furthermore, RE/MAX created the project MAXSTORE to gain a competitive advantage over their competitors. The main idea of the project is to sell product associated with purchasing real estate to final customer, and selling communication and merchandising products, for the best possible prices, to their franchisees. In this way, RE/MAX has also entered into a segment that has never been explored in the real estate market. This could mean a new market to explore and to consolidate their leadership as a pioneer in the segment.

The project was launched in 2018 and we have analyzed the strategy and financial outcomes of MAXSTORE over a period of ten months. Although in a year the project has generated 3.354,92 euros, taking the project almost into the break-even point, the results for a company that has 6.500 employees and is a market leader are low. Moreover, the project had some issue in the overall strategy, taken in by the marketing department, but if they are addressed it could make the project stand out, having a better performance that could leave to a competitive advantage.

The main issue with RE/MAX's strategy was that they did not hear their customers before launching the project. The company was convinced that MAXSTORE was a good initiative, and then proceeded with what they thought was most attractive for their clients. To avoid this, RE/MAX should have done some market research to see if the project was

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a viable idea. They could also have sent questionnaires to all their internal clients and to the external clients they have in their data base. This simple method will allow them to segment and target properly, creating a strategy built directly for that public. Thus, the products and services chosen for MAXSTORE would be more interesting for clients.

Moreover, due to this strategical issue, in the final consumer products section, only the home appliances, and image and sound categories fit the original idea created for MAXSTORE. The concept was to provide final clients with multiple discounts on essential products for equipping their new homes, which would be an added value for clients. If RE/MAX researches who their target is, by using the instruments mentioned previously, they will be able to reset the categories and find more partners that have product that their public want.

So far, RE/MAX Portugal has decided to only communicate with franchisees, which are internal customers, in order for them to use the platform as a tool for customer attraction and for buying merchandising and communication products. Thus, the final customer only gets to know MAXSTORE when it is introduced by the commercials in a sales pitch. However, RE/MAX could communicate directly with the end client through the media. The marketing department negotiates annually a range of media insertions with its advertising agency. In this way RE/MAX Portugal could use some of this radio, press and billboard insertions. The marketing department could also create an online strategy to reach their public. By announcing the platform and connecting it to RE/MAX, potential customers could reach MAXSTORE without the intermediation of agents. The communication with final clients could potentialize the platform results and create more visit flow on the site.

In case RE/MAX decides not to communicate MAXSTORE to the final client, the company should think about some kind of reward for its agents and franchisees for leads generated to the site. Agents already have to help clients to get loans, and they need to advertise more services and products to make sales. This way, agents will only communicate the platform if they feel their will earn something for it. If RE/MAX encourages their agent to “sell” the platform, much more public would reach the platform.

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To sum up, MAXSTORE had a stable launching. Although they should rebuild their strategy, the project almost broke even in ten months. This means that the concept is good and there are people interested in MAXSTORE, especially internal clients, as it can be seen in the financial results that franchisees where the ones that purchased the most. This means that the platform has good potential if the marketing department of RE/MAX Portugal adapts their strategy to the needs of their clients.

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